

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

2013



# annual report



**Partner  
with AKD  
Profit from the  
Experience**



**AKD Investment  
Management Ltd.**

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# CORPORATE INFORMATION

**Imran Motiwala**  
Chief Executive Officer



**Abdul Karim Memon**  
Chairman\*



**Ali Wahab Siddiqui**  
Director



**Aurangzeb Ali Naqvi**  
Director



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

## **BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

**Chairman**  
Mr. Abdul Karim Memon\*

**Director & Chief Executive Officer**  
Mr. Imran Motiwala

**Directors**  
Mr. Ali Wahab Siddiqui\*  
Mr. M. Ramzan Sheikh  
Mr. Aurangzeb Ali Naqvi  
Mr. Ahmed Abdul Sattar\*\*  
Mr. Nadeem Saulat Siddiqui

**Ahmed Abdul  
Sattar**  
Director



## **CHIEF FINANCIAL OFFICER OF THE MANAGEMENT COMPANY**

Mr. Muhammad Munir Abdullah

## **COMPANY SECRETARY OF THE MANAGEMENT COMPANY**

Mr. Muhammad Yaqoob

## **HEAD OF INTERNAL AUDIT & COMPLIANCE OF THE MANAGEMENT COMPANY**

Mr. Mohammad Yasir Khan Ghouri

## **AUDIT COMMITTEE**

Mr. M. Ramzan Sheikh (Chairman)  
Mr. Aurangzeb Ali Naqvi (Member)  
Mr. Ali Wahab Siddiqui (Member)  
Mr. Muhammad Yaqoob (Secretary)

**Nadeem  
Saulat Siddiqui**  
Director



**M. Ramzan Sheikh**  
Director



## **HUMAN RESOURCE & REMUNERATION COMMITTEE (HR & R)**

Mr. Abdul Karim Memon (Chairman)\*  
Mr. Imran Motiwala (Member)  
Mr. Ahmed Abdul Sattar (Member)\*\*

## **RATING**

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

\*\* Appointed in place of Mr. Farrukh Shaukat Ansari who has resigned on June 29, 2013.

\*Approval Pending From SECP.

# *Vision*



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

# Mission Statement



*AKD Funds shall continuously strive to:*

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

# Key Management Profile

## Imran Motiwala- Chief Executive Officer

Mr. Imran Motiwala became the CEO of AKD Investment Management Limited on April 26, 2011 and has also been serving as the CEO of Golden Arrow Selected Stocks Fund Limited since April 26, 2011. Mr. Motiwala had been designated as the Chief Operating Officer when he joined AKD Investment Management Limited in 2006 besides serving on the board of the Company from 2007. While at AKD Investment Management Limited, he has undertaken several executive roles instrumental in building the Company's business besides serving as an Investment Committee member for the funds under management of the Company. Mr. Motiwala has almost 18 years experience of the capital markets from securities broking to asset management. Mr. Motiwala has had the honor of working with several leading reputable companies from his career beginning with Ali Hussain Rajabali to serving institutional clients at JPMorgan based in Karachi, Pakistan. Mr. Motiwala then moved over to the buy-side and joined ABAMCO Limited (JS Investments Limited) in 2002 as a fund manager and was assigned the launching and managing of a fixed income fund. He later joined Crosby Asset Management (Pakistan) Limited in 2003 as Head of Fund Management undertaking the entire asset management business. Mr. Motiwala graduated with Marketing major from the Southeastern University (Karachi Campus) in 1994. He is also a certified Director from Pakistan Institute of Corporate Governance.

## Nadeem Saulat Siddiqui - Executive Director

Mr. Nadeem Saulat Siddiqui has 19 years of experience on senior positions of Sales, Marketing and resource development. He has been associated with Shaukat Khanum Memorial Cancer Hospital & Research Center over 16 years. He is serving at AKD Investment Management Limited since June 2009 and currently he is working under capacity of Executive Director at AKD Investment Management Limited. Mr. Siddiqui got his MBA degree from College of Business Administration, Lahore in the year 2000. His areas of expertise include sales, marketing, resource development and relationship building.

## Muhammad Yaqoob - Chief Investment Officer and Company Secretary

Mr. Muhammad Yaqoob is currently working as the Chief Investment Officer and Company Secretary at AKD Investment Management Limited. He joined AKD Investment in the year 2005 and has worked in various capacities including Research, Product Development, Business Development and Fund Management. He participated in the launch of AKD Index Tracker Fund, AKD Opportunity Fund, AKD Aggressive Income Fund and AKD Cash Fund. He also participated in the conversion of AKD Index Tracker Fund from a Closed-end scheme to an open-end scheme. He is currently heading the team managing Collective Investment Schemes of Rs. 4 billion approximately. He holds a Masters in Business Administration majors in Finance and a candidate of CFA Level III. He is also on the Board of Pak Datacom Limited and Golden Arrow Selected Stocks Fund Limited. He is also a certified Director from Pakistan Institute of Corporate Governance.

## Muhammad Munir Abdullah - Chief Financial Officer

Mr. Muhammad Munir Abdullah joined AKD Investment Management Limited in 2005 as Manager Accounts. He has vast experience of over fifteen years of working with reputable organizations in the area of accounting & finance. Currently he is working under capacity of Chief Financial Officer at AKD Investment Management Limited.

## Aqib Elahi Mehboob - Head of Commodities

Mr. Aqib Elahi Mehboob is currently working as a Head of Commodities at AKD Investment Management Limited and has over 14 years experience in investment research, economics, broking and consulting in Pakistan and MENA. Mr. Aqib has served as Head and Director of research in two of Pakistan's top broking firms, as Standard Chartered's first economist for Pakistan, as a broker to the biggest global names in fund management, as a business research consultant to entities like Mubadala, ADCCI and Tawazun, and an economic consultant in the development sector. Mr. Aqib has a strong interest in global economic trends and asset selection to maximize returns from, in particular, secular themes that run contrary to consensus market opinion, which dovetails nicely with his commodities fund management role at the company. Mr. Aqib holds a BSc (Hons) degree in Economics from the Lahore University of Management Sciences (LUMS).

### **Omaer Sheikh - GM Sales**

Mr. Omaer Sheikh is currently working as a GM Sales at AKD Investment Management Limited and has over 10 years of brokerage experience in the equity markets of Pakistan. He possesses special insight of market performance based on his substantial experience of the market place and his clients. Mr. Omaer has an in depth knowledge of various business approaches and corporate dynamics which is used to develop useful research on sector performance and indicators from the investment point of view.

### **Mohammad Yasir Khan Ghouri, ACA - Head of Internal Audit & Compliance**

Mr. Yasir Ghouri joined AKD Investment Management Limited (AKDIML) in October 2012 as the Head of Internal Audit & Compliance. Prior to joining AKDIML, he was running his own audit firm; Ghouri & Co. Chartered Accountants as a Partner. He has bring along with him a rich eight years plus audit experience, including three and half years of mandatory articleship from KPMG Taseer Hadi & Co. Chartered Accountants. During his professional career, he acquired skills in auditing mutual funds in particular. He led his teams while auditing the mutual funds managed by JS Investments, UBL Fund Managers. He has also been seconded to KPMG UAE for three months. Mr. Yasir Ghouri is a member of Institute of Chartered Accountants in Pakistan since August 2010 and also hold Masters in Economics. Currently, he is a candidate for Chartered Accountancy exams from the Institute of Chartered Accountants in England and Wales.

### **Carrow Michael - Head of Operations**

Mr. Carrow Michael is currently working as a Head of Operations at AKD Investment Management Limited. Mr. Michael started his career with AKD Investment Management Limited in 2006 as an Operations Officer and since then has served on various positions in Operations Department within the AKDIML. Mr. Michael holds a Masters Degree in Finance from Khadim Ali Shah Bukhari Institute of Technology, Karachi. His areas of expertise include system development, customer support and information technology.

# Report of the Directors of the Management Company

The Board of Directors of AKD Investment Management Limited the Management Company of AKD Aggressive Income Fund, AKD Cash Fund, AKD Opportunity Fund and AKD Index Tracker Fund is pleased to present its report along with financial statements for the financial year ended June 30, 2013.

Pakistan's benchmark equity Index the KSE-100 returned a robust 52% in FY13, easily making the Pakistan market one of the best performing in the world. For all the negative headlines that Pakistan generates, this is not a surprise - since 2000 the KSE-100 Index has on average delivered returns of 30% p.a. Foreign institutional investors have played a key role in generating price discovery with net FPI since early 2009 clocking in at more than US\$1 bn. As a result, foreign investors now own over US\$3bn worth of Pakistani equities or about 30% of the available float.

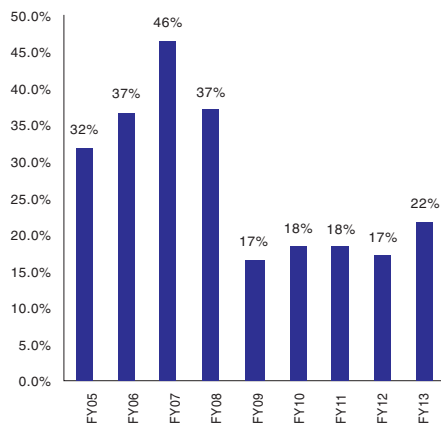
Despite robust returns however, the market continues to trade at an attractive FY14 P/E of 7.5x a forward dividend yield of 6.92% and a market capitalization/GDP ratio of 21.2%, much lower than the peak level of 46% achieved in FY07.

**Genesis of market performance:** After gaining in tandem with world equity markets as normalization returned post the events of the global financial crisis, the Pakistan market has substantially outperformed global equities over the last two years. Stellar 52% returns in FY13 were made possible by:

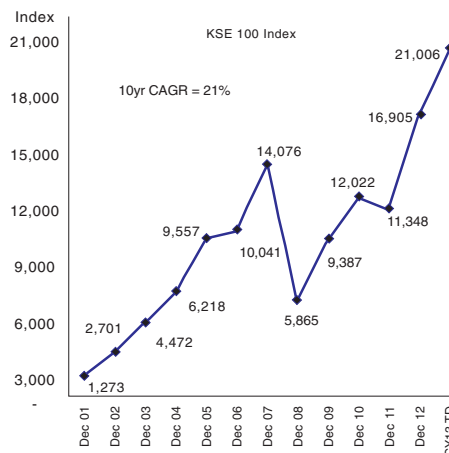
- Capital Gains Tax reforms (at-source tax deduction and exemption from enquiry into source of funds until Jun'14)
- Monetary Easing with the central bank reducing interest rates by 500bps since Jun'11 to 9.5% at present
- Robust corporate profitability where profit growth for top-tier Pakistani companies was up 25%YoY in 2011 and 15%YoY in 2012

In 2013, strong price performance has coincided with the smooth transference in democratic power to an elected government that has promised to prioritize power sector reforms and improve law & order conditions. In this regard, it is estimated that Pakistan may be able to boost its GDP growth (capped in the 3%-4% range across the last 5yrs) by 1.5%-2% by resolving just the energy issues. Pakistan's historic May'13 elections, which marked the first ever transfer in power between two democratically elected governments, was a watershed event in the country's 65 year history. With election campaigns driven by domestic concerns such as blackouts, there is an emerging consensus that any government will have to perform if it intends to return to the ballot boxes after 5yrs. This can only mean positives for the economy and the country as a whole.

**KSE Market Capitalization as % of GDP**



**KSE Returns CAGR**





**Long Term Drivers:** With a population in excess of 180mn, Pakistan is the 6th most populous country in the world. This leads to strong domestic demand and is one of the key long-term drivers for growth. Other factors include:

**A definitive youth bulge:** According to the UNICEF, Pakistan has one of the world's largest youth bulges with 35% of the population aged 15 or under which can potentially translate into a significant demographic dividend. One of the concerns that Pakistan has faced historically has been a troublesome law & order situation stemming from Pakistan's status as a frontline US ally in the War on Terror within the backdrop of macroeconomic weaknesses. In this regard, unofficial figures estimate that more than 50,000 people including civilians and armed forces personnel have been killed since 2001. Now, with the gradual unwinding of the War on Terror, it is expected that economic growth will once again be prioritized with a view to generating opportunities for a growing workforce.

**Abundance of natural resources:** Pakistan has immense resource potential and is one of the world's largest producers of key commodities including:

- Buffalo Milk (2nd largest)
- Buffalo Meat (2nd largest)
- Cotton (4th largest)
- Mangoes (4th largest)
- Onions (4th largest)

At the same time, Pakistan has vast undeveloped copper and coal reserves, tagging in at a 5th and 6th largest, respectively, in the world. By harnessing its resource potential, Pakistan has been able to double its exports to US\$25bn over the last 10yrs. In this regard, major exports include cotton yarn, finished textile products, food products, sports goods and surgical instruments, among others.

**Natural trade/energy corridor:** Given its geostrategic location - Pakistan neighbors India and China, two of the swiftest growing economic powerhouses in the world - Pakistan can act as a compelling transit point between Central Asian Republics and the East. In this regard, although law & order concerns have thwarted efforts to realize Pakistan's true potential, the new government appears focused on increasing regional trade by first shoring up bilateral relations. Note that Prime Minister's first bilateral visit after elections is to China with plans to build distribution points for transmission of oil & gas to Western China from Pakistan's Gwadar Port.

**Undocumented economy:** While Pakistan's official GDP size stands at about US\$250bn, translating into a Per Capita Income of US\$1,375, Pakistan has a large undocumented economy even acknowledged by the central bank. According to independent estimates, the undocumented economy is 35%-50% of the documented economy which would take the total size of the economy to US\$337bn-US\$375bn translating into a Per Capita Income of US\$1,875-US\$2,100.

**Robust remittances:** Remittances increased from US\$2.4bn in fiscal 2002 to US\$13.92bn in fiscal year 2013 an increase of 5.8x due to reformed initiatives taken in the last several years resulting from facilitating the non-resident Pakistanis at large an initiative that was long overdue. Strong remittances ensure that despite reliance on imported oil (~30% of the import bill), Pakistan Current Account deficit remains relatively small.

**Strong corporate sector:** Pakistan has institutionalized full recognition of IFRS accounting standards leading to comprehensive disclosures. Furthermore, the Securities and Exchange Commission of Pakistan has recently revised the Code of Corporate Governance in the year 2012 that is applicable to all listed companies. Revised measures include the CEO and Chairman not to be the same person and Chairman Audit Committee to be an Independent Director, to name a few. At the same time, Pakistani corporates have time and again been acknowledged to be among the best managed in the region.

**Outlook:** Positives aside, Pakistan's economy continues to face challenges, first and foremost being the Balance of Payments position. Key checkpoints going forward include:

**IMF program:** With FX exchange reserves import cover down to less than 2 months, entry into an IMF program had been imminent. This should lead to comfort on the external front and also pave the way for release of further funds from World Bank, ADB and other lenders. Participation in an IMF program would also lead to structural reforms particularly in the energy space and in terms of effort to increase

the tax base (low Tax-to-GDP ratio of 9.5% leads to a high fiscal deficit - estimated in excess of 8% of GDP in FY13 being the pre-conditions. Furthermore, this would shore up the PkR exchange rate which operates under a managed float regime and has depreciated by approximately 5.7%FYTD.

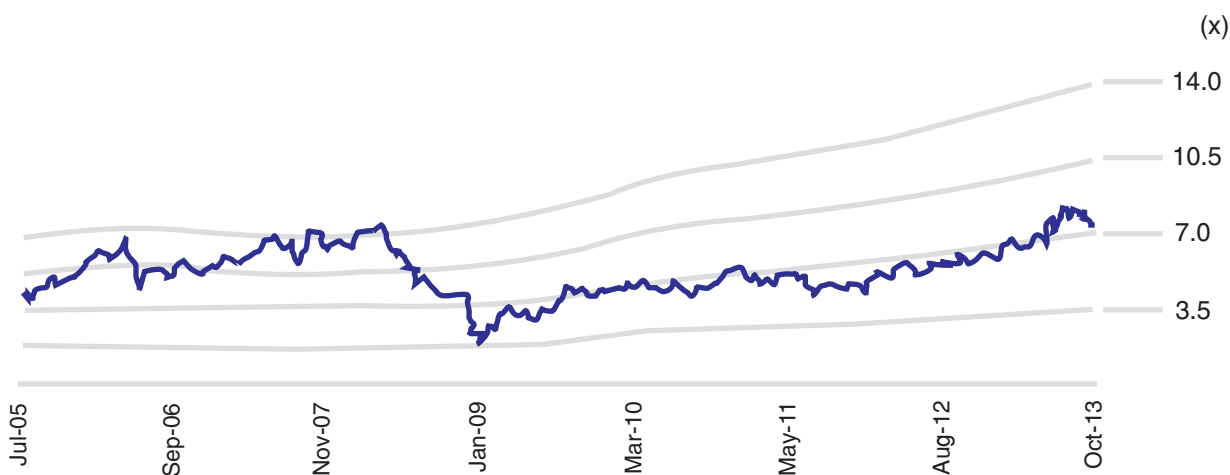
**Power sector reforms:** At current levels, Pakistan's energy shortfall stands around 5,000MW. That said, it is worth mentioning that the actual power shortage is not due to an imbalance between the demand and supply but rather it is fueled by mismanagement. In this regard, the ground realities are that more than half of the electricity generated emanates from thermal based plants, the most expensive source of generation, in contrast to production from cheaper fuels like coal, hydel etc. as observed globally. Now, the government is expected to focus on power sector reforms including increase in power tariffs and improvement in the distribution network and in recovery efforts. Resolution here will imply spillover positives for the industrial sector thereby encouraging banks to lend to the private sector.

**Increased FDI/privatizations:** Recent data suggests that FDI into Pakistan has bottomed out and is primed to increase going forward with interest in the energy, telecom and financial services sectors, among others. At the same time, the new government is expected to focus on revamping inefficient Public Sector Entities and revive the privatization program. This should further help bring Pakistan onto the radar screens of foreign investors.

**MSCI upgrade:** Qatar and UAE will be upgraded to the MSCI EM Index from next year as a result of which Pakistan's weight in the MSCI FM Index will increase to 7% from about 5% at present. At the same time, considering that Pakistan meets the quantitative criteria for upgrade to Emerging Markets, an upgrade to the Emerging Markets categorization appears a distinct possibility over the medium-term. This should open a new class of funds to Pakistan and also help in valuation re-rating. Further re-rating can emerge through reintroduction of a revamped leverage product where the Pakistan market predominantly operates on cash basis at present.

**Pakistan market Outlook:** Despite robust returns over the last few years we believe, Pakistan's equity market valuations remain un-stretched. With the country expected to achieve macroeconomic stability under an IMF program soon, investor attention should remain intertwined with fundamentals and corporate profitability which remains reliant (expected to grow in double-digits in FY14).

### Pakistan's P/E band



## COMPLIANCE WITH THE CODE OF CORPOARTE GOVERNANCE

- (a) The financial statements, prepared by the Management Company of the Funds, present its state of affairs fairly, the result of its operations, cash flows and movement in unit holders funds.
- (b) Proper books of account of the Funds have been maintained.
- (c) In preparation of financial statements, appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment.
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- (e) The existing system of internal control is sound in design and has effectively implemented. The existing system of internal control and other procedures has been supervised by the Head of Internal Audit & Compliance who is suitably qualified and well versed with the Company's policy. The process of review will continue and any weakness in controls will have immediate attention of the Management.
- (f) There are no doubts upon the Company's ability to continue as a going concern.
- (g) The Corporate Governance regulations, as detailed in the listing regulations, have been fully complied.
- (h) No Statutory payment on account of taxes, duties, levies and other charges is outstanding towards the Company or funds other than as disclosed in Financial Statements.
- (i) During the year, six meetings of the Board of Directors were held. The details of meeting of Board and attendance is as under:

Name of Director	Total No. of Meetings Held	Meetings Attended	Leave Granted
Mr. Farrukh Shaukat Ansari*	6	5	1
Mr. Imran Motiwala	6	6	-
Mr. Ali Qadir Gilani*	4	1	3
Mr. M.Ramzan Sheikh	6	3	3
Mr. Muhammad Amin Hussain*	6	4	2
Mr. Nadeem Saulat Siddiqui	6	6	-
Mr. Aurangzeb Ali Naqvi	6	6	-
Mr. Abdul Karim Memon**	1	1	-

\*Mr. Ali Qadir Gilani, Mr. Muhammad Amin Hussain and Mr. Farrukh Shaukat Ansari resigned on February 11, 2013, April 27, 2013 and June 29, 2013 respectively.

\*\* Mr. Abdul Karim Memon was appointed as Director of the Management Company on April 20, 2013 in place of Mr. Ali Qadir Gilani.

Subsequent to the year end, Mr. Ali Wahab Siddiqui and Mr. Ahmed Abdul Sattar were appointed in place of Mr. Muhammad Amin Hussain and Mr. Farrukh Shaukat Ansari respectively.

No trade in the units of Funds have been carried out by Directors, CEO, CFO / Company Secretary, Head of Internal Audit and their spouses and minor children of the Management Company other than as disclosed below and in the note to the Financial Statements:

S.No.	Trades by	Designation	Investment (No.of units)	Redemption (No. of units)
<b>AKD Index Tracker Fund</b>				
1.	Mr. Imran Motiwala	CEO	-	45,886
2.	Mrs. Sehr Imran	Spouse - CEO	42,990	42,990
<b>AKD Opportunity Fund</b>				
1.	Mr. Imran Motiwala	CEO	-	11,617
2.	Mr. Nadeem Saulat Siddiqui	Director	-	13,621
	Mr. Muhammad Yaqoob	Company Secretary	-	3,830
	Mrs. Sehr Imran	Spouse - CEO	-	17,832
	Mrs. Maliha Yaqoob	Spouse - Company Secretary	3,402	5,733
<b>AKD Aggressive Income Fund</b>				
1.	Mrs. Sehr Imran	Spouse - CEO	8,529	8,529
<b>AKD Cash Fund</b>				
1.	Mrs. Sehr Imran	Spouse - CEO	8,529	9,864
2.	Mrs. Maliha Yaqoob	Spouse - Company Secretary	-	1,496

#### DIRECTOR'S TRAINING PROGRAM

During the year Mr. Imran Motiwala - CEO has passed the Board Development Series Certificate training program conducted by the Pakistan Institute of Corporate Governance as of 30 June 2013. Further, arrangements are being made for the training program of remaining Directors of the Management Company.

#### RATING OF MANAGEMENT COMPANY

In June 2013 JCR-VIS Credit Rating Company Ltd. maintained the Management Quality (MQ) Rating of AKD Investment Management Limited at "AM3-" (AM-Three). Outlook on the rating has been revised from "Stable" to "Positive".

#### RATING OF FUNDS

##### AKD AGGRESSIVE INCOME FUND

JCR-VIS Credit Rating Company Limited has assigned the Fund Stability Rating of AKD Aggressive Income Fund (AKDAIF) at 'BBB(f)' (Triple B (f)) on June 19, 2013.

##### AKD OPPORTUNITY FUND

JCR-VIS Credit Rating Company Limited has assigned the Fund performance ranking of AKD Opportunity Fund (AKDOF) at "MFR 5-Star" on April 05, 2013.

##### AKD CASH FUND

JCR-VIS Credit Rating Company Limited has assigned the Fund stability rating of AKD Cash Fund (AKDCF) at AA+(f) (Double A plus (f)) on May 30, 2013.

## **PATTERN OF SHAREHOLDING**

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

## **APPOINTMENT OF AUDITORS**

The Board re-appointed M/s M. Yousuf Adil Saleem & Co., Chartered Accountants as the statutory auditor for AKD Aggressive Income Fund (AKDAIF) and AKD Cash Fund (AKDCF) for the year 2013-2014 as recommended by the audit committee.

The Board re-appointed M/s KPMG Taseer Hadi & Co., Chartered Accountants as the statutory auditors for AKD Opportunity Fund (AKDOF) and AKD Index Tracker Fund (AKDITF) for the year 2013-2014 as recommended by the audit committee.

The Board re-appointed M/s Anjum Asim Shahid Rahman Chartered Accountants as statutory auditors of AKD Investment Management Limited for the year 2013-2014 as recommended by the audit committee.

## **APPOINTMENT OF HEAD OF INTERNAL AUDIT**

The Board of Directors during the year on the recommendation of the Human Resource & Remuneration Committee has approved the appointment of Head of Internal Audit in order to comply with the requirements of the Code of Corporate Governance.

## **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 Management of the Stock Exchange for their support to the Mutual Fund Community as a whole and our trustee M/s Central Depository Company of Pakistan Limited for their cooperation and support to us. The Board also appreciates the devoted performance of the staff and officers of the Management Company. The Board will also like to thank unit holders for their confidence in the funds and their continued support and guidance.

For and on behalf of the Board

Karachi: October 10, 2013

**Imran Motiwala**  
Chief Executive Officer

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# AKD Aggressive Income Fund



## MANAGEMENT COMPANY

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

## TRUSTEE

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

## BANKERS

Allied Bank Limited  
Bank Alfalah Limited  
Bank Al-Habib Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
KASB Bank Limited  
MCB Bank Limited  
NIB Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
Summit Bank Limited  
The Bank of Khyber  
The Bank of Punjab  
United Bank Limited

## AUDITORS

M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Sharea Faisal,  
Karachi-75350

## LEGAL ADVISER

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

## REGISTRAR

AKD Investment Management Limited.  
216 - 217, Continental Trade Centre,  
Block-8, Clifton Karachi-74000  
UAN: 111-253-465 (111-AKDIML)

## DISTRIBUTORS

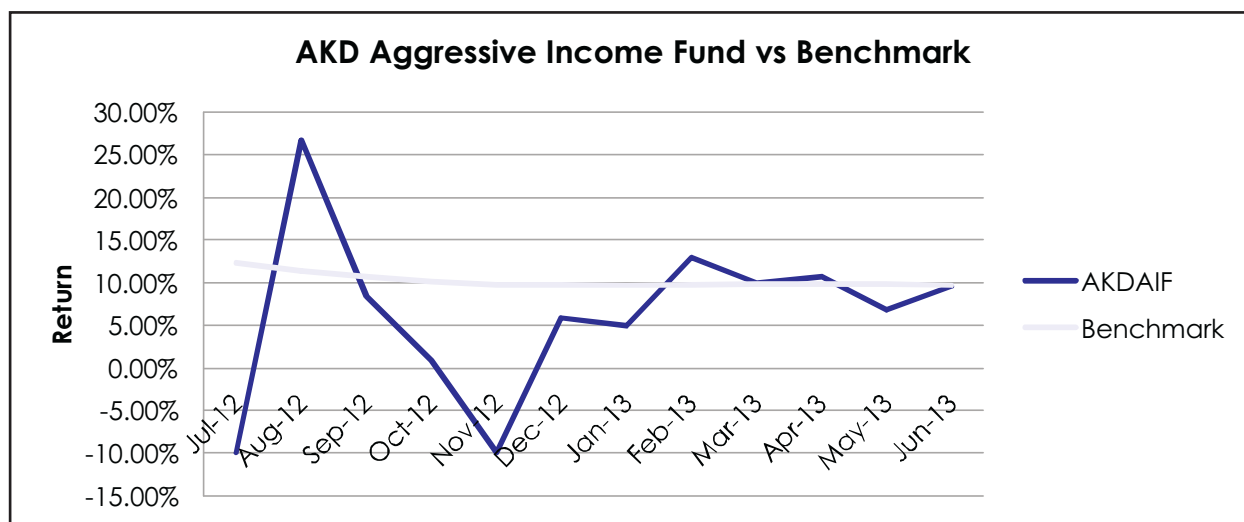
AKD Investment Management Limited  
AKD Securities Limited  
BMA Capital Management Limited  
IGI Investment Bank Limited  
KASB Securities Limited  
The Bank of Punjab  
Accesss Financial Services (Private) Limited  
Al-Falah Securities (Private) Limited  
Reliance Financial Products (Private) Limited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

## RATING

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

**FUND MANAGER’S REPORT**

AKD Aggressive Income Fund posted an annualized return of 6.54% for FY13 (Opening Ex- NAV of PKR 47.2246 and ending NAV of PkR 50.3121). The management of the AKD Aggressive Income Fund continued to invest in high yielding investment avenues coupled with deploying excess liquidity in Margin Trading system (MTS) which has in built risk mitigation features.



Months	AKDAIF (Per annum)	Benchmark (Per annum)
Jul-12	-9.87%	12.36%
Aug-12	26.69%	11.38%
Sep-12	8.42%	10.73%
Oct-12	0.83%	10.17%
Nov-12	-9.93%	9.77%
Dec-12	5.87%	9.80%
Jan-13	4.96%	9.70%
Feb-13	12.97%	9.78%
Mar-13	9.98%	9.88%
Apr-13	10.75%	9.91%
May-13	6.77%	9.91%
Jun-13	9.62%	9.68%

**Investment Strategy**

AKD Aggressive Income Fund (AKDAIF) is a dedicated Fund that focuses primarily on fixed income securities and instruments. The strategy of AKDAIF is to offer investors a convenient and liquid vehicle to invest in a diversifying portfolio of fixed income securities / instruments that provide consistent returns while striving for preservation of capital.

**Investing activities**

The fund continued to reduce its exposure towards legacy distress and non performing investments and redeploy the generated liquidity in government treasury securities and Margin Trading System in order to generate better returns with minimum risk exposure.



**Asset Allocation (% of Net Assets)**

	30 June 2013	30 June 2012
Cash and Cash equivalents	37.08%	17.02%
T-bills exceeding 90 days maturity	-	4.48%
Placement with NBFCs	2.21%	4.68%
Preference shares	2.33%	2.66%
MTS	33.59%	29.95%
TFCs and SUKUK	18.03%	38.75%
Other assets including receivables (Net of Liabilities)	6.76%	2.46%

**Non-compliant Investment**

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held if any	Value of investment after provision	Percentage of Net Assets	Percentage of Gross Assets
		----- Rupees in '000' -----				
Security Leasing Corporation Limited	Preference shares	11,352	Nil	11,352	2.33%	2.30%

**Economy Review**

The State Bank of Pakistan continued with its monetary loosening stance reduced the discount rate, focusing primarily on the private sector credit off-take. Inflationary pressures also eased during the year allowing financial space to the SBP to continue with its outlook. The last cut of 50bps brought the discount rate to 9.00%. While the Government remains by far the largest borrower, high interest rates have been weighing heavily on the economy both in terms of debt servicing and crowding out of the private sector. Hence, GDP growth has been much less than the Government's forecast of 4.30% standing at 3.3% also significantly lower than our neighboring economies. Although, it is evident that an interest rate cut is not sufficient to kick start the economy, as the law and order situation coupled with power outages is expected to restrain a foreseeable recovery, while monetary easing is indeed a step in the right direction. Hence, the general consensus of economic managers is that a 6% plus GDP growth can only stem from greater private sector participation, which is essentially a function of liquidity and interest rates while also focusing on addressing infrastructural weaknesses coupled with developing a national security plan to counter the menace of terrorism.

While inflationary pressures on a yearly basis have eased in the preceding year, however, it seems containing inflation in the fiscal year 2014 would be a towering task which has also been stated by the SBP in its recent monetary policy statement and resultantly the SBP increased the discount by 50bps to 9.5%. In the initial days of the new elected government it has been forced to take tough decisions in the wake of ballooning twin deficits. Increase in electricity and gas tariffs in order to extinguish subsidies which the country can no longer afford, which incidentally are the same preconditions for obtaining a much needed fresh standby arrangement from the IMF. Global commodities continue to remain volatile with recent wave of spring in the Arab world has again put an upward pressure on prices especially crude which continues to remain firm. In the absence

of foreign inflows coupled with mounting debt repayments to the IMF and other donor agencies, the Pak Rupee remained under pressure touching an all-time high of PKR112 as of September 25, 2013, further increasing the cost of imports and fueling inflation.

In order to avert an imminent sovereign default a new arrangement from the IMF was inevitable; while the latter has already set pre-conditions including abolishment of subsidies and subsequent increase in the discount rate in anticipation of an increase in inflation to name a few.

Increasing electricity and gas tariffs being one of the toughest political decisions required some courage for the newly elected government and has resulted in difficulties however it shall eventually bear fruits in the longer term.

Expected improvement in ties with China and Saudi Arabia due to the recent visit by our prime minister has resulted in the signing of several MOU's and other commitments. The government remains optimistic with regards to the release of the outstanding balances of US\$800mn from the Etisalat with respect to transfer of properties and in this regard the Finance Minister has already given deadlines to all provinces to ensure transfer of the remaining properties of Pakistan Telecommunications Limited accordingly. The government is also actively pursuing and is hopeful for a successful auction of the much awaited 3G licenses which should add respite to the local currency and economy. In addition, further improving US Pak relations is expected to play an essential role in the release of funds from other bilateral and multilateral donor agencies. These positive developments are expected to result in a more stable Pak Rupee.

## Fund Strategy

Given the above risk, the investment Committee will closely monitor the macroeconomic and political environment in order to make any significant portfolio changes if and when deemed necessary. We would continue to invest excess liquidity in Government treasury bills.

While the recent shift in the monetary stance (towards tightening) by the SBP in anticipation of an increase in inflation the investment committee may invest in shorter duration fixed income debt instruments in order to mitigate impact of any adverse interest rate movements on the portfolio.

## Breakdown of unit holdings by size:

Range (Units)	No. of Investors
0.1 - 9,999	29
10,000 - 49,999	7
50,000 - 99,999	2
100,000 - 499,999	2
500,000 and above	4
	<b>44</b>

## Distribution for the Year

The Board has approved a bonus of Rs. 2.90 per unit, 6.14% on the opening Ex-NAV and 5.8% of the Par value Rs. 50 for FY-2013. Unit holders who have opted for cash payout received cash payment accordingly.

## DETAILS OF PATTERN OF HOLDING (UNITS)

As At June 30, 2013

	Units Holders	Units Held
<b>Associated Companies</b>	<b>1</b>	<b>472,955</b>
<b>Directors and CEO</b>	<b>-</b>	<b>Nil</b>
NBFCs	-	-
Banks/ DFIs	2	1,272,261
Retirement Funds	8	7,686,774
Others	3	106,582
Individuals	30	151,277
<b>Total</b>	<b>44</b>	<b>9,689,849</b>

## TRUSTEE REPORT TO THE UNIT HOLDERS

### AKD AGGRESSIVE INCOME FUND

#### **Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of AKD Aggressive Income Fund (the Fund) are of the opinion that AKD Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Karachi: October 11, 2013

**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

## 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 ("the Code") contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed entity is managed in compliance with the best practices of corporate governance.

AKD Investment Management Limited (Management Company) which manages the affairs of the Fund has applied the principles contained in the Code in the following manner:

- The Management Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors (the Board). At present the Board includes:

Category	Names
Independent Directors	Mr. M. Ramzan Shaikh Mr. Ali Wahab Siddiqui
Executive Directors	Mr. Imran Motiwala - Chief Executive Officer Mr. Nadeem Saulat Siddiqui
Non Executive Directors	Mr. Aurangzeb Ali Naqvi Mr. Abdul Karim Memon Mr. Ahmed Abdul Sattar*

\*Appointed subsequent to the year end in place of Mr. Farrukh Shaukat Ansari who had resigned on June 29, 2013.

The independent directors meet the criteria of independence under clause i (b) of the Code.

- The directors of the Management Company have confirmed that none of them is serving as a director on more than ten listed companies, including this Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
- All the resident directors of the Management Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- Casual vacancies occurring on the Board on 11 February 2013, 27 April 2013 and 29 June 2013 were filled up by the directors within the statutory period of 90 days.
- The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have taken place to disseminate it throughout the Management Company along with its supporting policies and procedures.
- The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Management 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 the appointment and determination of the remuneration and terms and conditions of the employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. 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.
9. Mr. Imran Motiwala (Chief Executive Officer) has passed the Board Development Series Certificate training program conducted by the Pakistan Institute of Corporate Governance as of 30 June 2013. Further, arrangements are being made for the training program of remaining directors of the Management Company. Further directors have also being briefed about the recent changes made in laws and regulations to enable them to effectively manage the affairs of the Management Company.
10. The Board has approved appointment of Head of Internal Audit during the year including the remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the units of the fund other than that disclosed in the pattern of unit holding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the Chairman of the Committee is an independent director. Furthermore, during the year, one casual vacancy has occurred on the Audit Committee, which has been fulfilled within the ninety days (90) of occurrence.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. The Committee comprises of three members, of whom two are non-executive directors including the Chairman. Furthermore, during the year, one casual vacancy had occurred on June 29, 2013 which has been fulfilled, subsequent to the year end, in due course.
18. The Board had previously outsourced internal audit function to M/s. Rafaqat Mansha Mohsin Dossani Masoom & Co. who was removed during the year and the full responsibility of internal audit function was given to Head of Internal Audit who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Management Company.

19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "closed" period, prior to the announcement of interim / final results, and business decisions, which may materially affect the unit price of Fund, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other applicable material principles enshrined in the Code have been complied with except those that are not yet applicable.

For and on behalf of the Board

Karachi: October 10, 2013

**Imran Motiwala**  
Chief Executive Officer

## **REVIEW REPORT TO THE UNIT HOLDERS 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 (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2013 prepared by the Board of Directors of AKD Investment Management Limited (the Management Company) of the AKD Aggressive Income Fund (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange Limited where the Fund is listed.

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

As part of our audit of 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, Sub-Regulation (X) of Listing Regulation 35 notified by the Karachi Stock Exchange requires the Management 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 above requirements 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 Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Fund for the year ended June 30, 2013.

Karachi: October 10, 2013

**M. Yousuf Adil Saleem & Co.**  
Chartered Accountants  
Engagement Partner: Mushtaq Ali Hirani



## **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

We have audited the accompanying financial statements of **AKD Aggressive Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2013, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

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

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Fund's financial position as at June 30, 2013 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### **Report on Other legal and Regulatory requirements**

In our opinion, the financial statements of the Fund for the year ended June 30, 2013 have been prepared, in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Karachi: October 10, 2013

**M. Yousuf Adil Saleem & Co.**  
Chartered Accountants  
Engagement Partner: Mushtaq Ali Hirani

## STATEMENT OF ASSETS AND LIABILITIES

### AS AT JUNE 30, 2013

	Note	2013 ----- (Rupees in '000) -----	2012
<b>ASSETS</b>			
Bank balances	4	7,248	23,956
Investments	5	261,391	213,466
Receivable against Margin Trading System		163,775	127,885
Loans and receivables	6	22,114	51,181
Profit and other receivables	7	35,153	24,214
Deposits and prepayments	8	3,027	3,027
<b>Total assets</b>		<b>492,708</b>	443,729
<b>LIABILITIES</b>			
Payable to AKD Investment Management Limited - Management Company	9	734	12,996
Payable to Central Depository Company of Pakistan Limited - Trustee	10	85	73
Payable to Securities and Exchange Commission of Pakistan	11	336	323
Payable on redemption of units		24	15
Accrued expenses and other liabilities	12	4,012	3,372
<b>Total liabilities</b>		<b>5,191</b>	16,779
<b>NET ASSETS</b>		<b>487,517</b>	426,950
<b>UNIT HOLDERS' FUND (as per statement attached)</b>		<b>487,517</b>	426,950
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		
		----- (Number of units) -----	
<b>Number of units in issue</b>		<b>9,689,849</b>	8,254,286
		----- (Rupees)-----	
<b>Net asset value per unit</b>		<b>50.3121</b>	51.7246
<b>Face value per unit</b>		<b>50</b>	50

The annexed notes from 1 to 27 form an integral part of these financial statements.

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

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

\_\_\_\_\_  
**Aurangzeb Ali Naqvi**  
Director

## INCOME STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2013

INCOME	Note	2013 ------(Rupees in '000)-----	2012
Profit / income on:			
- term finance certificates and sukuk bonds		14,846	24,286
- Margin Trading System		20,642	17,066
- government securities		8,212	9,191
- bank deposits		3,309	3,279
- certificates of musharika and certificates of investment		-	85
Capital gain on sale of investments		344	157
		47,353	54,064
Unrealized diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.5	(5,910)	(1,238)
<b>Total income</b>		41,443	52,826
<b>EXPENSES</b>			
Remuneration of AKD Investment Management Limited - Management Company		6,726	6,451
Sales tax & Federal Excise Duty on management fee	15	1,140	1,032
Remuneration of Central Depository Company of Pakistan Limited - Trustee		762	731
Annual fee - Securities and Exchange Commission of Pakistan		336	323
Impairment loss on investments	5.4	309	326
Auditors' remuneration	14	351	321
Settlement and bank charges		245	169
Amortization of preliminary expenses and floatation costs		-	375
Security transaction cost		12	25
Fees and subscription		2,160	1,623
Legal and professional		193	184
Printing and related cost		194	257
Provision for workers' welfare fund	16	585	775
<b>Total expenses</b>		13,013	12,592
<b>Net income from operating activities</b>		28,430	40,234
Element of income/(loss) and capital gain/(losses) included in prices of units issued less those in units redeemed		251	(2,248)
<b>Net income for the year before taxation</b>		28,681	37,986
<b>Taxation</b>	17	-	-
<b>Net income for the year after taxation</b>		28,681	37,986
<b>Other comprehensive income for the year</b>			
Items that may be reclassified subsequently to profit and loss			
Unrealized appreciation on re-measurement of investments classified as 'available-for-sale' - net	5.3	1,252	2,438
Realized gain on sale of investments classified as available-for-sale		-	27
		1,252	2,465
<b>Total comprehensive income for the year</b>		29,933	40,451
Earnings per unit - basic and diluted	3.10	-	-

The annexed notes from 1 to 27 form an integral part of these financial statements.

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

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

\_\_\_\_\_  
**Aurangzeb Ali Naqvi**  
Director

## DISTRIBUTION STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	------(Rupees in '000)-----	
<b>Undistributed profit brought forward</b>		
Realized income	15,882	28,226
Unrealized loss	(627)	(20,636)
	<u>15,255</u>	<u>7,590</u>
Final distribution for the year ended June 30, 2012 @ Rs 4.5 per unit; (2011: Rs 3.7 per unit)		
- Cash distribution	(7,078)	(7,659)
- Issue of bonus units	(30,067)	(22,635)
	(37,145)	(30,294)
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing losses that form part of the unit holders' fund	(14)	(27)
Net income for the year after taxation	28,681	37,986
<b>Undistributed profits carried forward</b>	<u>6,777</u>	<u>15,255</u>
<b>Undistributed profits comprising of:</b>		
Realized income	16,656	15,882
Unrealized loss	(9,879)	(627)
	<u>6,777</u>	<u>15,255</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

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

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

\_\_\_\_\_  
**Aurangzeb Ali Naqvi**  
Director

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	Note	(Rupees in '000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	28,681	37,986
<b>Adjustments for non-cash and other items</b>		
Unrealized diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5,910	1,238
Capital gain on sale of investments	(344)	(157)
Impairment loss on investment	309	326
Element of (income)/ loss and capital (gain)/ losses included in prices of units issued less those in units redeemed	(251)	2,248
Amortization of preliminary expenses and floatation costs	-	375
Remuneration of AKD Investment Management Limited - Management Company	6,726	6,451
Remuneration of Central Depository Company of Pakistan Limited - Trustee	762	731
	<b>41,793</b>	<b>49,198</b>
<b>(Increase) / decrease in assets</b>		
Investments - net	72,239	79,374
Receivable against Margin Trading System	(35,890)	(114,435)
Loans and receivables	29,067	(20,799)
Profit and other receivables	(10,938)	(14,496)
	<b>54,478</b>	<b>(70,356)</b>
<b>Increase / (decrease) in liabilities</b>		
Payable to AKD Investment Management Limited - Management Company	(12,324)	12,452
Payable to Central Depository Company Limited - Trustee	5	10
Payable to Securities and Exchange Commission of Pakistan	13	(11)
Payable on redemption of units	9	(7,159)
Accrued expenses and other liabilities	640	1,389
	<b>(11,657)</b>	<b>6,681</b>
Remuneration paid to AKD Investment Management Limited - Management Company	(6,664)	(6,440)
Remuneration paid to Central Depository Company of Pakistan Limited - Trustee	(755)	(729)
	<b>77,195</b>	<b>(21,646)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net receipts / (payments) against issuance/ (redemptions) of units	37,963	(21,781)
Dividend paid	(7,078)	(7,659)
	<b>30,885</b>	<b>(29,440)</b>
<b>Net cash generated from/ (used) in financing activities</b>		
	<b>108,080</b>	<b>(51,086)</b>
<b>Net increase/ (decrease) in cash and cash equivalents during the year</b>		
Cash and cash equivalents at beginning of the year	72,669	123,755
<b>Cash and cash equivalents at end of the year</b>	<b>180,749</b>	<b>72,669</b>

4.2

The annexed notes from 1 to 27 form an integral part of these financial statements.

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

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

\_\_\_\_\_  
**Aurangzeb Ali Naqvi**  
Director

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2013

	2013 ------(Rupees in '000)-----	2012
<b>Net assets at beginning of the year</b>	<b>426,950</b>	413,691
Issue of 2,508,610 units (2012: 1,890,664 units)	<b>120,617</b>	93,447
Redemption of 1,709,716 units (2012: 2,307,230 units)	<b>(82,654)</b>	(115,228)
	<b>37,963</b>	(21,781)
Issue of 636,669 bonus units (2012: 483,366 units)	<b>30,067</b>	22,635
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (income)/ losses and capital (gain)/losses - transferred to Income Statement	<b>(251)</b>	2,248
- amount representing losses that form part of the Unit holder's fund - transferred to Distribution Statement	<b>14</b>	27
	<b>(237)</b>	2,275
Net unrealized appreciation on re-measurement of investments classified as ' available-for-sale'	<b>1,252</b>	2,438
Capital gain realized against sale of investments classified as ' available for sale '	<b>-</b>	27
	<b>1,252</b>	2,465
Other net income for the year	<b>34,247</b>	39,067
Capital gain on sale of investments	<b>344</b>	157
Unrealized diminution on re-measurement of investments at fair value through profit or loss - net	<b>(5,910)</b>	(1,238)
Net element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing losses that form part of unit holders' fund	<b>(14)</b>	(27)
Final distribution for the year ended June 30, 2012 @ Rs. 4.5 per unit (2011: Rs 3.7 per unit)		
- Cash distribution	<b>(7,078)</b>	(7,659)
- Issue of bonus units	<b>(30,067)</b>	(22,635)
	<b>(8,478)</b>	7,665
<b>Net assets at end of the year</b>	<b>487,517</b>	426,950

The annexed notes from 1 to 27 form an integral part of these financial statements.

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

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

\_\_\_\_\_  
**Aurangzeb Ali Naqvi**  
Director

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013**

### **1. LEGAL STATUS AND NATURE OF BUSINESS**

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

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 216-217, Continental Trade Centre, Block 8, Clifton, Karachi, in the province of Sindh.

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

The principal activity of the Fund is to make investments in government securities, cash in bank account, money market placements, deposits, certificate of deposits (COD), certificate of musharika (COM), TDRs, commercial paper, reverse repo, TFC/Sukuk, spread transactions and transactions under Margin Trading System. Title of the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

JCR-VIS Credit Rating Company Limited has assigned a management quality rating of 'AM3-' to the Management Company and fund stability rating of "BBB(f)" to the Fund dated June 19, 2013 .

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

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

#### **2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2013**

The following standards, amendments and interpretations are effective for the year ended June 30, 2013. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

<b>Standards / amendments / interpretations</b>	<b>Effective date (accounting periods beginning on or after)</b>
Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other	July 01, 2012

**2.3 New accounting standards and IFRS interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures except for amendments in IAS 19.

<b>Standards / amendments / interpretations</b>	<b>Effective for (annual periods beginning on or after)</b>
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 01, 2013

The Fund expect that the adoption of the above standards and interpretation will not have any material impact on its financial statements in the period of initial application except for increase in disclosure requirement.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan.

**Standards or interpretations**

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and note 5).



**2.5 Accounting convention**

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

**2.6 Functional and presentation currency**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**3.1 Cash and cash equivalents**

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 Fund 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 are 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.

**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 recognized on the trade date - the date on which the Fund commits to purchase or sell the asset.

**3.2.3 Initial recognition and measurement**

Financial assets are initially recognized 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 recognized 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 and sukuk bonds**

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 1 of 2009 dated January 6, 2009 as amended by Circular No.33 and 35 dated October 24, 2012 and November 26, 2012 respectively. In the determination of the rates MUFAP takes in to account the holding pattern of these securities and categorises them as traded, thinly traded and on non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non performing debt securities.

#### **b) Basis of valuation of government securities**

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

### **3.2.5 Impairment**

The Fund assesses at each reporting date whether there is objective evidence that the financial asset or a group of financial assets as impaired. The carrying value of the fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses is recognised in the income statement in case of held for trading financial assets. 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 recognized in the income statement is reclassified from the statement of comprehensive income to the income statement.

For financial assets classified as 'loans and receivable', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect amounts due according to original terms. The amount of the provision is the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

Provision for non-performing debt securities is made in accordance with the criteria for provision of non-performing debt securities specified in circular No.1 dated January 06, 2009 and circular no.13 dated May 4, 2009, Circular No. 33 and 35 dated October 24, 2012 and November 26, 2012 respectively issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

### **3.2.6 Derecognition**

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

**3.2.7 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognized amount and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

**3.3 Financial liabilities**

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

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

**3.4 Derivatives**

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

**3.5 Preliminary expenses and floatation costs**

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

**3.6 Provisions**

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

**3.7 Securities under Margin Trading System (MTS)**

Securities purchased under margin financing are included as 'receivable against Margin Trading System (MTS)' at the fair value of consideration given. All MTS transactions are accounted for on the settlement date. Income on MTS is calculated on outstanding balance at agreed rates and recorded in the Income Statement. Transaction costs are expensed in the Income Statement.

**3.8 Spread transactions (Ready-Future Transactions)**

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

### 3.9 Taxation

The Fund's income is exempt from Income Tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the Fund by the year end to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management intends to distribute sufficient accounting income of the Fund for the year ended 30 June 2013 in order to comply with the above stated clause. Accordingly, no tax provision has been made in these financial statements.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that it is probable that the related tax benefit will be realized. However, the Fund has not recognized any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or unrealized, to its unit holders every year.

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

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

Element of income/(loss) and capital gains/(losses) included in prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognized in the Income Statement to the extent that it is represented by unrealized appreciation/(diminution) arising during the year on available-for-sale securities is included in Distribution Statement.

### 3.11 Earnings per unit - basic and diluted

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

### 3.12 Issue and redemption of units

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

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

**3.13 Net asset value per unit**

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

**3.14 Proposed distributions and transfer between reserves**

Distributions declared and transfers between reserves made subsequent to the date of Statement of Assets and Liabilities are considered as non-adjusting events and are recognized in the financial statements in the year in which such distributions are declared / transfers are made.

**3.15 Revenue recognition**

- Profit on investments is recognized on an accrual basis. (In case of financial assets classified as non-performing, income is recognized on receipt basis).
- Profit on bank deposits is recognized on an accrual basis.
- Realized capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on MTS transactions is recognized on an accrual basis.
- Unrealized capital gains / (losses) arising on marking to market of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the year in which they arise.

<b>4. BANK BALANCES</b>	<b>Note</b>	<b>2013</b> <b>(Rupees in '000)</b>	<b>2012</b>
In savings accounts	4.1	<b>7,234</b>	23,942
In current accounts		<b>14</b>	14
		<b>7,248</b>	<b>23,956</b>
<b>4.1</b>	These carry markup at the rates ranging from 6% to 10.5% (2012 : 5% to 11.5%)		
<b>4.2 CASH AND CASH EQUIVALENTS</b>			
Bank balances	4	<b>7,248</b>	23,956
Market treasury bills having maturity of three months	5.1.2	<b>173,501</b>	48,713
		<b>180,749</b>	<b>72,669</b>
<b>5. INVESTMENTS</b>			
<b>Financial assets at fair value through profit or loss - held for trading</b>			
- Debt securities	5.1	<b>242,839</b>	174,894
<b>Available-for-sale</b>			
- Debt securities	5.2	<b>18,552</b>	38,572
		<b>261,391</b>	<b>213,466</b>

**5.1 Debts Securities**

Term finance certificates  
Government securities

Note	2013 (Rupees in '000)	2012 (Rupees in '000)
5.1.1	69,338	107,038
5.1.2	173,501	67,856
	<b>242,839</b>	<b>174,894</b>

**5.1.1 Term Finance Certificates**

Name of the Investee Company	-----Number of certificates-----				Profit / mark-up rate	Carrying value	Market value	Appreciation / (diminution)	Market Value as a Percentage of net assets	Market Value as a percentage of total investments
	As at July 1, 2012	Purchases during the year	Sales / redeemed during the year	As at June 30, 2013						
Certificates of Rs 5,000 each, unless otherwise stated										
<b>Term finance certificates - listed</b>										
Dewan Cement Limited (5.1.1.1)	20,000	-	-	20,000	6 months KIBOR+2.00%	-	-	-	-	-
Engro Fertilizer Limited (30-11-2007)	25	-	-	25	6 months KIBOR+1.55%	123	123	-	0.03	0.05
Worldcall Telecom Limited (07-10-2008)	20,000	-	-	20,000	6 months KIBOR+1.6%	32,123	25,635	(6,488)	5.26	9.81
Pace Pakistan Limited (15-02-2008)	115	-	-	115	6 months KIBOR+2%	284	60	(224)	0.01	0.02
Summit Bank Limited (27-10-2011)	5,000	-	-	5,000	6 months KIBOR + 3.25%	24,545	24,393	(152)	5.00	9.33
						<b>57,075</b>	<b>50,211</b>	<b>(6,864)</b>		
<b>Term finance certificates - unlisted</b>										
Al-Abbas Sugar Mills Limited (21-11-2007)	11,000	-	-	11,000	6 months KIBOR+1.75%	5,475	5,481	6	1.12	2.10
JDW Sugar Mills Limited (23-06-2008)	10,246	-	-	10,246	3 months KIBOR+1.25%	11,214	11,372	158	2.33	4.35
Orix Leasing Pakistan Limited (15.01.08) - (face value Rs. 100,000 each)	190	-	190	-	6 months KIBOR + 1.20%	-	2,274	752	-	-
Kohat Cement Company Limited (20-06-2007)	4,000	-	-	4,000	3 months KIBOR + 1.5%	1,522	19,127	916	0.47	0.87
<b>Total - June 30, 2013</b>						<b>75,286</b>	<b>69,338</b>	<b>(5,948)</b>		
<b>Total - June 30, 2012</b>						<b>108,263</b>	<b>107,038</b>	<b>(1,225)</b>		

**5.1.1.1** The Fund had advanced an amount of Rs 100 million in respect of Pre-PO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was January 9, 2008). Dewan Cement Limited (DCL) failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit for the said period. As a matter of prudence, the Fund has made provision for the amount of the investment in accordance with the provisioning policy approved by the Board of Directors of the Management Company (refer note 5.4.1).

5.1.2 Government securities

Issue date	Tenor	Face Value			Balance as at June 30, 2013			Market value as a percentage of total investment
		As at July 1, 2012	Purchase during the year	Sales / matured during the year	As at June 30, 2013	Cost	Market value	
<b>Pakistan Investment Bonds</b>								
July 19, 2012	3 Years	-	25,000	25,000	-	-	-	-
July 19, 2012	5 Years	-	20,000	20,000	-	-	-	-
March 26, 2003	10 Years	-	30,000	30,000	-	-	-	-
March 26, 2003	10 Years	-	5,000	5,000	-	-	-	-
July 19, 2012	10 Years	-	25,000	25,000	-	-	-	-
July 19, 2012	10 Years	-	25,000	25,000	-	-	-	-
<b>Market Treasury Bills</b>								
June 28, 2012	3month	50,000	-	50,000	-	-	-	-
October 04, 2012	3month	-	4,500	4,500	-	-	-	-
November 29, 2012	3month	-	50,000	50,000	-	-	-	-
November 29, 2012	3month	-	33,000	33,000	-	-	-	-
January 24, 2013	3month	-	100,000	100,000	-	-	-	-
February 07, 2013	3month	-	50,000	50,000	-	-	-	-
February 21, 2013	3month	-	25,000	25,000	-	-	-	-
March 21, 2013	3month	-	10,000	10,000	-	-	-	-
May 16, 2013	3month	-	175,000	20,000	155,000	153,513	153,550	37
May 13, 2013	3month	-	10,000	10,000	-	-	-	-
May 17, 2012	6 month	20,000	-	20,000	-	-	-	-
October 4, 2012	6 month	-	5,100	5,100	-	-	-	-
November 15, 2012	6 month	-	75,000	75,000	-	-	-	-
January 10, 2013	6 month	-	20,000	-	20,000	19,950	19,951	1
<b>Total - June 30, 2013</b>					173,463	173,501		38
<b>Total - June 30, 2012</b>					67,869	67,856		(13)

## 5.2 Available-for-sale - Debt Securities

Name of the investee Company	---Number of certificates / Bonds ---				Profit / mark-up rate	Cost	Market value as at June 30, 2013	Appreciation / (Diminution)	Market Value as a percentage of as net assets	Market Value as a percentage of total investments
	As at July 1, 2012	Purchases during the year	Sales / redeemed / transfers during the year	As at June 30, 2013						

Certificates / Bonds of Rs 5,000 each unless otherwise stated

-----Rupees in '000'-----

### Term Finance Certificates - Unlisted

Avari Hotels Limited (1-11-2007)	7,093	-	-	7,093	1 year KIBOR+2.5%	13,204	13,649	445	2.80	5.22
Al-Abbas Sugar Mills Limited (21-11-2007)	600	-	-	600	6 months KIBOR + 1.75%	299	299	-	0.06	0.11
						<b>13,503</b>	<b>13,948</b>	<b>445</b>		

### Sukuk Bonds - Unlisted

New Allied Electronics Industries (Private) Limited face value of Rs. 312.5 each (25-7-2007)	96,000	-	-	96,000	3 months KIBOR + 2.60%	30,000	-	(30,000)	-	-
Kohat Cement Company Limited (20-06-2007)	2,763	-	-	2,763	3 months KIBOR + 1.50%	2,095	1,571	(524)	0.32	0.60
Maple Leaf Cement Factory Limited (3-12-2007)	2,000	-	-	2,000	3 months KIBOR + 1.0%	8,979	3,033	(5,946)	0.62	1.16
Maple Leaf Cement Factory Limited additional (31-3-2010)	75	-	75	-	3 months KIBOR + 1.0%	-	-	-	-	-
						<b>41,074</b>	<b>4,604</b>	<b>(36,470)</b>		
						<b>54,577</b>	<b>18,552</b>	<b>(36,025)</b>		
						<b>36,470</b>	<b>-</b>	<b>36,470</b>		
						<b>18,107</b>	<b>18,552</b>	<b>445</b>		
						<b>39,379</b>	<b>38,572</b>	<b>(807)</b>		

Less: Impairment loss recognized in the Income Statement in the current and prior years (note 5.4)

**Total-June 30, 2013**

**Total-June 30, 2012**

## 5.3 Net unrealized appreciation on remeasurement of investments classified as 'available-for-sale' - net

	Note	2013 (Rupees in '000)	2012
Market value of investments	5.2	18,552	38,572
Less:			
Cost of investments	5.2	54,577	75,540
Impairment loss recognized	5.2	(36,470)	(36,161)
Cost of investments - net		18,107	39,379
		445	(807)
Less: Net unrealized diminution in fair value of investments classified as available-for-sale at beginning of the year		(807)	(3,272)
Realized on disposal of investments		-	27
		(807)	(3,245)
		1,252	2,438

## 5.4 Movement in impairment loss

Opening		136,161	147,506
Add: charge for the year		1,204	2,620
Less: reversal during the year		(895)	(2,294)
		309	326
Less: write-off during the year	6.1	-	(11,671)
Closing	5.4.1	136,470	136,161

### 5.4.1 The break up of impairment loss is as follows:

Financial assets at fair value through profit or loss - held for trading	5.1.1.1	100,000	100,000
Available-for-sale	5.2	36,470	36,161
		<b>136,470</b>	<b>136,161</b>



		Note	2013 (Rupees in '000)	2012
<b>5.5</b>	<b>Unrealized (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net</b>			
	Market value of securities	5.1.1 & 5.1.2	242,839	174,894
	Less: carrying value of securities	5.1.1 & 5.1.2	<b>(248,749)</b>	(176,132)
			<b>(5,910)</b>	(1,238)
<b>6.</b>	<b>LOANS AND RECEIVABLES</b>			
	<b>Certificates of investments</b>			
	- Saudi Pak Leasing Company Limited	6.1	<b>10,762</b>	20,000
	<b>Preference Shares</b>			
	- Security Leasing Corporation Limited	6.2	<b>11,352</b>	11,352
	<b>Term Finance certificates</b>			
	- First Dawood Investment Bank Limited	6.3	-	19,829
			<b>22,114</b>	51,181

**6.1** During the year, the Saudi Pak Leasing Company Limited had agreed to settle the obligation by upfront payments of Rs. 1.24 million and payment of Rs. 16 million in 12 equal monthly installments commencing from January 31, 2013 alongwith 425,000 shares of Pace Baraka Limited at an agreed value of Rs. 2.76 million, the fund accepted the proposal subject to fulfillment of all conditions. As of June 30, 2013, six monthly installments have been received in full as per agreed terms.

**6.2** Security Leasing Corporation Limited had deferred the payment of 3rd redemption pertaining to 1,722,625 shares (face value of Rs. 10 each) due in November 2009 and 4th redemption pertaining to 1,722,625 shares (face value of Rs. 10 each) due in November 2010 in view of the 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 the latest audited financial statements available at the time of redemption. The break up values per share of Security Leasing Corporation Limited as per the financial statements for the year ended June 30, 2009 and June 30, 2010 were Rs. 5.44 and Rs. 1.27 respectively, which are lower than the face value. Further, the break up value of the shares as per the financial statements of the company for the nine months ended March 31, 2010 was Rs 1.15. Therefore, the redemption of 1,722,625 shares due on November 30, 2009 has been valued at Rs 5.44 per share and the remaining shares have been valued at Rs 1.15 per share on prudence basis. As these preference shares had been delisted from the Karachi Stock Exchange Limited on August 19, 2011, the Management Company reclassified the said investment into loans and receivables.

**6.2.1 Non-compliance with the investment criteria as specified by the Securities and Exchange Commission of Pakistan**

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all asset Management Companies to classify funds under their management on the basis of categorization criteria laid down in the circular. AKD Investment Management Limited (Management Company) classified AKD Aggressive Income Fund (the Fund) as 'Aggressive Fixed Income Scheme' in accordance with the said circular. As at June 30, 2013, the fund is compliant with all the requirements of the said circular except for investment in preference shares of Security Leasing Corporation Limited.

- 6.3** The Fund had an investment in TFCs of First Dawood Investment Bank Limited amounting to Rs. 31.5 million out of which Rs. 11.7 million were written off by the Fund uptill last year. In order to secure the interest of unit holders, Management Company had transferred the securities of Kohat Cement Company Limited and Golden Arrow Selected Stocks Fund Limited having aggregate market value of Rs 16.5 million as of June 30, 2012 in to the CDC account of the Fund as collateral. During the year, the Fund further received redemption proceeds, dividend and markup in full settlement of its outstanding amount in the books and returned balance amount to the Management Company.

7. PROFIT AND OTHER RECEIVABLES	Note	2013 (Rupees in '000)	2012
Profit / income receivable on:			
- term finance certificates and sukuk bonds		8,484	13,527
- Margin Trading System		735	863
- bank deposits		144	687
Receivable against the redemption of TFC		-	9,137
Receivable on conversion of units	7.1	25,790	-
		<b>35,153</b>	<b>24,214</b>

- 7.1** On June 28, 2013, The Management Company filed a conversion application to convert its units from AKD Cash Fund to AKD Aggressive Income Fund which was received subsequent to the year end.

## 8. DEPOSITS AND PREPAYMENTS

Security deposits with:

- National Clearing Company of Pakistan Limited (NCCPL)		2,750	2,750
- Central Depository Company of Pakistan Limited		100	100
Prepayment - NCCPL Annual fee (MTS)		177	177
		<b>3,027</b>	<b>3,027</b>

## 9. PAYABLE TO AKD INVESTMENT MANAGEMENT LIMITED – MANAGEMENT COMPANY

Management fee	9.1	578	516
Sales tax payable	15	101	83
Federal Excise Duty on Management Remuneration	9.2	55	-
Preliminary expenses and floatation costs		-	25
Proceeds on redemption of securities held as collateral	6.3	-	12,372
		<b>734</b>	<b>12,996</b>

- 9.1** Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. In the current year, the Management Company has charged remuneration at the rate of 1.50 percent per annum, of the average annual net assets of the Fund.

- 9.2** During the year, the federal government has levied Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company vide Federal Budget for the fiscal year 2012-13 applicable from June 13, 2013.

	Note	2013 (Rupees in '000)	2012
<b>10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee fee	10.1	66	59
CDS charges		19	14
		<b>85</b>	<b>73</b>

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

The tariff structure applicable to the Fund from July 1, 2012 to June 30, 2013 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	0.17% p.a. of Net Asset Value
Rs 1,000 million upto Rs. 5,000 million	Rs 1.7 million plus 0.085% p.a. of NAV exceeding Rs 1,000 million
Rs. 5,000 million above	Rs 5.1 million plus 0.07% p.a. of NAV exceeding Rs 5,000 million

The remuneration is paid to the trustee on monthly basis in arrears.

## 11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Fund is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund.

	Note	2013 (Rupees in '000)	2012
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for worker's welfare fund	16	2,817	2,232
Auditors' remuneration	14	260	235
National Clearing Company Pakistan Limited charges		68	76
Withholding tax		5	-
Others		862	829
		<b>4,012</b>	<b>3,372</b>

## 13. CONTINGENCIES AND COMMITMENTS

### 13.1 Contingencies

There were no contingencies as at June 30, 2013 and June 30, 2012

**13.2 Commitment:**

**2013                      2012**  
**(Rupees in '000)**

Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions have not been settled as at June 30, 2013	<b>32,857</b>	8,833
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the purchase transactions have not been settled as at June 30, 2013	<b>18,180</b>	-

**14. AUDITORS' REMUNERATION**

Annual statutory audit fee	<b>200</b>	200
Half yearly review fee	<b>60</b>	60
Fee for review of statement of compliance with the Code of Corporate Governance	<b>25</b>	25
Out of pocket expenses	<b>66</b>	36
	<b>351</b>	321

**15. SALES TAX AND FEDERAL EXCISE DUTY ON MANAGEMENT FEE**

During the prior year, the provincial government had levied General Sales Tax at the rate of 16% on the remuneration of the Management Company vide Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011. Further during the period Federal Excise Duty (FED) was also levied on remuneration of the Management Company effective June 13, 2013 at the rate of 16% amounting to Rs 0.055 million.

**16. PROVISION FOR WORKERS' WELFARE FUND**

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

On July 15, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of the nature of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per our legal counsel the stay granted to Collective Investment Schemes (CIS) remains intact and the constitution petitions filed by the CIS to challenge the Workers Welfare Fund contribution have not been affected by SHC judgment.

As a matter of abundant prudence, management company has decided to continue and retain the provision for WWF amounting to Rs. 2.817 million (including Rs. 0.585 million for the current year) in these financial statements. The net asset value of the fund as at June 30, 2013 would have been higher by Re. 0.29 per unit (0.58 %), if the same were not recognised.

**17. TAXATION**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. (Refer note 3.8)

**18. TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons include AKD Investment Management Limited, being the Management Company of the Fund, Aqeel Karim Dhedhi Securities (Private) Limited, Central Depository Company of Pakistan Limited being the Trustee, other collective schemes managed by the Management Company, AKD Investment Management Limited - Staff Provident Fund, directors and officers of the Management Company, Unit holder's holding more than 10% of the units outstanding and entities having common directorship with the Management Company. The transactions with connected persons are in the normal course of business.

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

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

<b>18.1 Transactions during the year</b>	<b>2013</b>	<b>2012</b>
	<b>(Rupees in '000)</b>	
<b>AKD Investment Management Limited - Management Company</b>		
Purchase of units ( 2013: 557,159 ; 2012: 73,844)	<b>27,790</b>	3,651
Redemption of units (2013: 84,204 ; 2012: 73,844)	<b>4,033</b>	3,700
Management fee	<b>6,726</b>	6,451
Sales tax on management fee	<b>1,085</b>	1,032
Provision for Federal Excise Duty - on Management Remuneration	<b>55</b>	-
Settlement of Term Finance Certificates of First Dawood Investment Bank Limited	<b>19,829</b>	-
Amount refunded	<b>1,702</b>	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee	<b>762</b>	731
<b>AKD Investment Management Limited - Staff Provident Fund</b>		
Purchase of units (2013: 146,380 ; 2012: 64,564)	<b>6,864</b>	3,195
Bonus units (2013: 2,211 ; 2012: Nil)	<b>104</b>	-
Redemption of units (2013: 171,789 ; 2012: 41,366)	<b>8,207</b>	2,106
<b>AKD Opportunity Fund</b>		
Purchase of Term Finance Certificates (2013: Nil ; 2012: 2,000)	-	3,212

	2013	2012
	(Rupees in '000)	
<b>Golden Arrow Selected Stocks Fund Limited</b>		
Purchase of Term Finance Certificates / Sukuk (2013: Nil ; 2012: 9,200)	-	14,862
<b>AKD Cash Fund</b>		
Sale of Treasury Bills (2013: FV 10 million ; 2012 : Nil)	<b>9,944</b>	-
<b>Saudi Pak Leasing Company Limited</b>		
Principal received	<b>9,238</b>	6,000
Markup received	-	142
<b>Key Management Personnel and others</b>		
Spouse - Chief Executive Officer		
Purchase of units (2013: 8,529 ; 2012: Nil)	<b>400</b>	-
Redemption of units (2013: 8,529 ; 2012: Nil)	<b>405</b>	-
<b>Unit holders holding 10% or more of the units in issue</b>		
<b>The Bank of Khyber</b>		
Cash dividend	<b>7,025</b>	7,583
Redemption of 299,298 Units (2012: 488,140 Units)	<b>15,000</b>	25,000
<b>National Bank of Pakistan Employees Pension Fund</b>		
Issuance of 504,801 Bonus Units (2012: 387,929 Units)	<b>23,839</b>	18,166
<b>18.2 Amounts outstanding as at year end</b>		
<b>AKD Investment Management Limited - Management Company</b>		
Management fee payable	<b>578</b>	516
Sales tax on management fee payable	<b>101</b>	83
Preliminary expenses and floatation costs payable	-	25
Collaterals held	-	12,372
Units held (2013: 472,955 ; 2012: Nil)	<b>23,795</b>	-
Federal Excise Duty on management remuneration	<b>55</b>	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	<b>66</b>	59
CDS charges payable	<b>19</b>	14
Security deposit	<b>100</b>	100

	2013 (Rupees in '000)	2012
<b>AKD Investment Management Limited Staff Provident Fund</b>		
Units held 2013: Nil (2012: 23,198)	-	1,200
<b>AKD Cash Fund</b>		
Receivable against conversion of units	<b>25,790</b>	-
<b>Unit holder holding 10% or more of the units in issue</b>		
<b>The Bank of Khyber</b>		
Units held 1,261,904 Units (2012: 1,561,202 Units)	<b>63,489</b>	80,753
<b>National Bank of Pakistan Employees Pension Fund</b>		
Units held 5,802,364 Units (2012: 5,297,563 Units)	<b>291,929</b>	274,014

## 19. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience in years
Mr. Imran Motiwala	Chief Executive Officer - Golden Arrow Selected Stocks Fund Limited & AKD Investment Management Limited, Fund Manager - Golden Arrow Selected Stocks Fund Limited & AKD Opportunity Fund	BBA	19
Mr. Muhammad Yaqoob	Chief Investment Officer (CIO), Company Secretary and Fund Manager - AKD Aggressive Income Fund, AKD Cash Fund & AKD Index Tracker Fund	MBA	9
Mr. Nadeem Saulat Siddiqui	Executive Director & Head of Public Relations	MBA	20
Mr. Carrow Michael	Head of Operations and HR	MBA	7
Mr. Farjad Bhanji	Manager Compliance	MFA	1.5
Mr. Farrukh Ahmed	Investment Analyst	BA (HONS)	6

19.2 Mr. Muhammad Yaqoob is the Manager of the Fund. AKD Index Tracker Fund and AKD Cash Fund are also being managed by him.

20. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID	2013 %	2012 %
Invest & Finance Securities Limited	<b>89</b>	54
Invest Capital Markets Limited	<b>8</b>	17
BMA Capital Management Limited	<b>3</b>	19
Invest One Markets Limited	-	9
KASB Securities Limited	-	1
	<b>100</b>	100

**21. PATTERN OF UNIT HOLDINGS**

	<b>As at June 30, 2013</b>		
	<b>Number of unit holders</b>	<b>Investment amount</b>	<b>Percentage of investment</b>
	<b>(Rupees in '000)</b>		
Individuals	30	7,611	1.56
Bank and DFIs	2	64,010	13.13
NBFCs	1	23,795	4.88
Retirement funds	8	386,739	79.33
Others	3	5,362	1.10
	<b>44</b>	<b>487,517</b>	<b>100.00</b>
	<b>As at June 30, 2012</b>		
	<b>Number of unit holders</b>	<b>Investment amount</b>	<b>Percentage of investment</b>
	<b>(Rupees in '000)</b>		
Individuals	39	25,801	6.04
Bank and DFIs	2	81,288	19.04
Retirement funds	8	319,730	74.89
Others	2	131	0.03
	<b>51</b>	<b>426,950</b>	<b>100.00</b>

**22. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

During the year 46th, 47th, 48th, 49th, 50th and 51st Board meetings of AKD Investment Management Ltd were held on July 9, 2012, October 23, 2012, October 31, 2012, January 9, 2013, February 22, 2013 and April 27, 2013 respectively. Information in respect of attendance by Directors in these meetings is given below:

Name of Director	Number of meetings held	Attended	Leave granted	Meetings not attended
Mr. Farrukh Shaukat Ansari *	6	5	1	46th meeting
Mr. Imran Motiwala	6	6	-	-
Mr. Nadeem Saulat Siddiqui	6	6	-	-
Mr. M.Ramzan Sheikh	6	3	3	47th, 48th and 50th meeting
Mr. Muhammad Amin Hussain *	6	4	2	49th and 50th meeting
Mr. Aurangzeb Ali Naqvi	6	6	-	-
Mr. Ali Qadir Gilani *	4	1	3	46th, 48th and 49th meeting
Mr. Abdul Karim Memon **	1	1	-	-
Mr. Muhammad Yaqoob (Company Secretary & CIO)	6	6	-	-
Mr. Muhammad Munir (CFO)	6	6	-	-

\* Mr. Ali Qadir Gilani, Mr. Muhammad Amin Hussain and Mr. Farrukh Shaukat Ansari resigned on February 11, 2013, April 27, 2013 and June 29, 2013 respectively.

\*\* Mr. Abdul Karim Memon was appointed as Director of the Management Company on April 20, 2013 in place of Mr. Ali Qadir Gilani.



## 23. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of investments such as government securities, cash in bank account, money market placements, deposit, certificate of deposits (COD), certificate of Musharika (COM), TDRs, commercial paper, reverse repo, TFC/Sukuks, MTS and spread transactions. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Management Company is responsible for the management of these risks as enumerated below.

### 23.1 Market risk

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

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

#### 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 Fund, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

#### 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.

##### - Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing Term Finance Certificates (TFCs) and Sukuk Bonds / Certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 0.6934 million (2012: Rs. 1.215 million) in case of TFCs and Sukuk Bonds / Certificates classified as financial assets at fair value through profit or loss. In case of TFCs and Sukuk Bonds / Certificates classified as available-for-sale 100 basis points increase / decrease in KIBOR with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 0.1855 million (2012: 0.321 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association is expected to change over time. Further, in case of variable rate instruments, the sensitivity analysis has been done from the last repricing date. Accordingly, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

##### - Sensitivity analysis for fixed rate instruments

As at June 30, 2013, Market treasury bills and preference shares are held by the Fund, classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. The sensitivity analysis has not been performed in respect of preference shares as the company has currently defaulted in the payment of redemption amount due on November 30, 2009. In case of Treasury bills, an increase/(decrease) of 100 basis points increase/(decrease) in rates announced by Financial Market Association on June 30, 2013, with all other variables held constant, the net income for the year and net assets would be lower/higher by Rs 0.16 million (2012: Rs 0.19 million).

The composition of the Fund's investment portfolio and rates announced by the Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

The Fund's MROR Sensitivity related to financial assets and financial liabilities as at June 30, 2013 can be determined from the following:

As at June 30, 2013						
Effective rate of mark-up / return	----- Exposed to Yield / Interest risk -----			Not exposed to yield / interest risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
%	----- (Rupees in '000) -----					
<b>On-balance sheet financial instruments</b>						
<b>Financial Assets</b>						
Bank balances	6.0- 10.5	7,234	-	-	14	7,248
Investments	9.09-11.83	173,501	5,780	82,110	-	261,391
Receivable against Margin Trading System	10.50-18.43	163,775	-	-	-	163,775
Loans and receivables		-	-	-	22,114	22,114
Profit and other receivables		-	-	-	35,153	35,153
Deposits		-	-	-	2,850	2,850
		<b>344,510</b>	<b>5,780</b>	<b>82,110</b>	<b>60,131</b>	<b>492,531</b>
<b>Financial Liabilities</b>						
Payable to AKD Investment Management Limited - Management Company		-	-	-	734	734
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	85	85
Payable on redemption of units		-	-	-	24	24
Accrued expenses and other liabilities		-	-	-	1,190	1,190
		-	-	-	2,033	2,033
<b>On-balance sheet gap</b>		<b>344,510</b>	<b>5,780</b>	<b>82,110</b>	<b>58,098</b>	<b>490,498</b>
<b>Off-balance sheet financial instruments</b>						
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions have not been settled		32,857	-	-	-	32,857
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the Purchase transactions have not been settled		(18,180)	-	-	-	(18,180)
<b>Off-balance sheet gap</b>		<b>14,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,677</b>
		<b>359,187</b>	<b>5,780</b>	<b>82,110</b>	<b>58,098</b>	<b>505,175</b>

As at June 30, 2012

Effective rate of mark-up / return	----- Exposed to Yield / Interest risk -----			Not exposed to yield / interest risk	Total
	Upto three months	More than three months and upto one year	More than one year		
%	----- (Rupees in '000) -----				

**On-balance sheet financial instruments**

**Financial Assets**

Bank balances	5.00- 11.50	23,942	-	-	14	23,956
Investments	11.64-17.24	48,683	25,222	139,561	-	213,466
Receivables against Margin Trading System	13.49-21.78	127,885	-	-	-	127,885
Loans and receivables		-	-	-	51,181	51,181
Profit and other receivables		-	-	-	24,214	24,214
Deposits		-	-	-	2,850	2,850
		200,510	25,222	139,561	78,259	443,552

**Financial Liabilities**

Payable to AKD Investment Management Limited - Management Company	-	-	-	-	12,996	12,996
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	-	73	73
Payable on redemption of units	-	-	-	-	15	15
Accrued expenses and other liabilities	-	-	-	-	1,140	1,140
	-	-	-	-	14,224	14,224

**On-balance sheet gap**

200,510	25,222	139,561	64,035	429,328
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**Off-balance sheet financial instruments**

Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions have not been settled	8,833	-	-	-	8,833
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**Off-balance sheet gap**

8,833	-	-	-	8,833
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209,343	25,222	139,561	64,035	438,161
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## 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. Presently, the Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at June 30, 2013.

## 23.2 Credit risk

### 23.2.1 Credit risk management

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in term finance certificates, sukuk bonds / certificates, loans and receivables, profit and other receivables and balances with banks. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings, moreover, the Fund has placed its investment in treasury bills of the government of Pakistan as well.

The Fund's maximum exposure to credit risk related to receivables at June 30, 2013 and June 30, 2012 is the carrying amounts of following financial assets.

	June 30, 2013	June 30, 2012
	(Rupees in '000)	
Bank balances	7,248	23,956
Investments	87,890	145,610
Receivable against Margin Trading System	163,775	127,885
Loans and receivables	10,762	39,829
Profit and other receivables	35,153	24,214
Deposits	2,850	2,850
	<b>307,678</b>	<b>364,344</b>

The analysis below summarizes the credit quality of the Fund's investments in bank balances as at June 30, 2013 and June 30, 2012:

	June 30, 2013	June 30, 2012
	(Rupees in '000)	
<b>Bank balances by rating category</b>		
A1+	7,207	23,896
A-2	25	44
A-3	16	16
	<b>7,248</b>	<b>23,956</b>

**23.2.2** An analysis of the financial assets that are individually impaired as per the requirements of Circular No. 1 dated January 6, 2009 ,Circular No. 13 dated May 4, 2009 and Circular No.33 dated October 24, 2012 issued by the Securities and Exchange Commission of Pakistan are as under:

	Cost	
	2013	2012
	(Rupees in '000)	
<b>Term Finance Certificates</b>		
<b>Days</b>		
15 to 89	32,123	-
90 to 179	-	-
180 to 270	-	-
270 to 365	-	574
over 365	<b>104,520</b>	<b>171,853</b>

**23.2.3 Concentration of credit risk**

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

**23.3 Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realizable.

The Fund has the ability to borrow in the short term to ensure settlement. The Fund did not avail borrowing. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Funds. The facility would bear interest at commercial rates.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemptions during the year.

**23.3.1** The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

<b>As at June 30, 2013</b>					
<b>Total</b>	<b>Upto three months</b>	<b>More than three months and upto one year</b>	<b>More than one year</b>		
------(Rupees in '000)-----					
<b>Liabilities</b>					
Payable to AKD Investment Management Limited - Management Company	734	734	-	-	
Payable to Central Depository Company of Pakistan Limited - Trustee	85	85	-	-	
Payable on redemption of units	24	24	-	-	
Accrued expenses and other liabilities	1,190	1,190	-	-	
	<b>2,033</b>	<b>2,033</b>	<b>-</b>	<b>-</b>	

<b>As at June 30, 2012</b>					
<b>Total</b>	<b>Upto three months</b>	<b>More than three months and upto one year</b>	<b>More than one year</b>		
------(Rupees in '000)-----					
<b>Liabilities</b>					
Payable to AKD Investment Management Limited - Management Company	12,996	12,996	-	-	
Payable to Central Depository Company of Pakistan Limited - Trustee	73	73	-	-	
Payable on redemption of units	15	15	-	-	
Accrued expenses and other liabilities	1,140	1,140	-	-	
	<b>14,224</b>	<b>14,224</b>	<b>-</b>	<b>-</b>	

## 23.3.2 FINANCIAL INSTRUMENTS BY CATEGORY

-----As at June 30, 2013-----			
Loans and receivables	Financial assets at fair value through profit or loss	Assets classified as available-for-sale	Total
-----Rupees in '000-----			
<b>Assets</b>			
Bank balances	7,248	-	7,248
Investments	-	242,839	261,391
Receivable against Margin Trading System	163,775	-	163,775
Loans and receivables	22,114	-	22,114
Profit and other receivables	35,153	-	35,153
Deposits	2,850	-	2,850
	231,140	242,839	492,531
-----As at June 30, 2013-----			
	Other financial liabilities	Liabilities at fair value through profit or loss	Total
-----Rupees in '000-----			
<b>Liabilities</b>			
Payable to AKD Investment Management Limited - Management Company	734	-	734
Payable to Central Depository Company of Pakistan Limited - Trustee	85	-	85
Payable on redemption of units	24	-	24
Accrued expenses and other liabilities	1,190	-	1,190
	2,033	-	2,033
-----As at June 30, 2012-----			
Loans and receivables	Financial assets at fair value through profit or loss	Assets classified as available-for-sale	Total
-----Rupees in '000-----			
<b>Assets</b>			
Bank balances	23,956	-	23,956
Investments	-	174,894	213,466
Receivable against Margin Trading System	127,885	-	127,885
Loans and receivables	51,181	-	51,181
Profit and other receivables	24,214	-	24,214
Deposits	2,850	-	2,850
	230,086	174,894	443,552

	-----As at June 30, 2012-----		
	Other financial liabilities	Liabilities at fair value through profit or loss	Total
	-----Rupees in '000-----		
<b>Liabilities</b>			
Payable to AKD Investment Management Limited - Management Company	12,996	-	12,996
Payable to Central Depository Company of Pakistan Limited - Trustee	73	-	73
Payable on redemption of units	15	-	15
Accrued expenses and other liabilities	1,140	-	1,140
	14,224	-	14,224

### 23.4 Fair value of financial assets and liabilities

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing at the close of trading on the year end date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

IFRS 7 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Investments of the Fund carried at fair value are categorized as follows:

	As at June 30, 2013			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>ASSETS</b>				
Investment in securities - at fair value through profit or loss	-	242,839	-	242,839
Investment in securities - available-for-sale	-	-	18,552	18,552
	As at June 30, 2012			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>ASSETS</b>				
Investment in securities - at fair value through profit or loss	-	174,894	-	174,894
Investment in securities - available-for-sale	-	-	38,572	38,572

**24. UNIT HOLDER FUND RISK MANAGEMENT**

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

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

In accordance with the risk management policies stated in note 23, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments or short-term borrowings where necessary.

**25. NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD**

The Board of Directors of the Management Company in its meetings held on July 08, 2013 has approved a final distribution in respect of the year ended June 30, 2013 of Rs. 2.90 per unit (2012: Rs. 4.5 per unit) amounting to Rs. 28.10 million (2012: Rs. 37.144 million). The financial statements for the year ended June 30, 2013 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2014.

**26. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on October 10, 2013 by the Board of Directors of the Management Company.

**27. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

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

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

\_\_\_\_\_  
**Aurangzeb Ali Naqvi**  
Director



## PERFORMANCE TABLE

	2013	2012	2011	2010	2009	2008	2007
Total net assets value (Rs '000)*	<b>483,823</b>	419,872	406,032	471,641	588,900	3,862,671	2,450,766
Net assets value per unit - (Rs)*	<b>47.4121</b>	47.2246	46.8272	45.2784	44.6562	50.4220	50.1770
Selling price as at June 30 (Rs)	<b>50.8153</b>	52.2419	51.0326	49.1653	45.1028	51.9363	52.2885
Repurchase price as at June 30 (Rs)*	<b>47.4121</b>	47.2246	46.8272	45.2784	44.6562	50.4220	50.1770
Highest selling price (Rs)	<b>50.8153</b>	52.2419	51.0326	49.1936	52.3009	54.5448	52.3129
Lowest selling price (Rs)	<b>47.0096</b>	47.4844	45.7544	45.0428	43.4063	50.8675	50.8000
Highest repurchase price (Rs)	<b>50.3121</b>	51.7245	50.5272	48.7064	51.7830	54.0047	51.7949
Lowest repurchase price (Rs)	<b>46.5441</b>	47.0142	45.3013	44.5967	42.9764	50.3638	50.2500
<b>Return of the Fund</b>							
- capital growth (Rs '000)	<b>60,567</b>	13,259	(66,415)	(108,794)	(3,287,517)	1,425,651	83,826
- income distribution (Rs '000)*	<b>28,101</b>	37,145	30,294	33,534	32,928	478,712	75,443
<b>Distribution per unit</b>							
Interim							
- Gross (2009: announced on October 17, 2008, 2008: announced on April 7, 2008) (Rs)	-	-	-	-	0.75	3.50	-
Final							
- Gross (2013: announced on July 8, 2013, 2012: announced on July 9, 2012) (2011: announced on July 8, 2011, 2010: announced on July 8, 2010) (2008: announced on July 7, 2008, 2007: announced on July 11, 2007) (Rs)	<b>2.90</b>	4.50	3.70	3.40	-	1.00	1.59
----- <b>Percentage</b> -----							
<b>Average Annual Return</b>							
- Last one year	<b>6.54</b>	10.46	11.59	9.01	-9.95	9.46	12.90 **
- Last two years	<b>8.51</b>	11.22	10.38	-0.99	-0.27	-	-
- Last three years	<b>9.73</b>	10.60	2.81	2.49	-	-	-
- Last four years	<b>9.65</b>	4.55	4.48	-	-	-	-
- Last five years	<b>4.85</b>	5.55	-	-	-	-	-
----- <b>No. of days</b> -----							
Weighted Average Portfolio Duration	<b>176</b>	62	76	87	77	79	22

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

\*\* Annualized Return for the first year operation commencing from 23rd March 2007.

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

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



**AKD Investment  
Management Ltd.**

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