

AKD

Index Tracker Fund

Managed by



AKD Investment
Management Ltd.

Annual Report 2007



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CORPORATE INFORMATION



INVESTMENT ADVISER

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

**BOARD OF DIRECTORS OF THE
INVESTMENT ADVISER**

Chairman

Mr. Farrukh Shaukat Ansari

Chief Executive Officer

Mr. Faisal Bengali

Directors

Mr. Sadiq Hussain
Mr. Zahoor Motiwala
Mr. Farooq Ahmed Awan
Mr. Farrukh Hamid Sabzwari
Mr. Ashraf Adamjee

**COMPANY SECRETARY & CFO OF THE
INVESTMENT ADVISER**

Mr. Muhammad Amin Hussain

AUDIT COMMITTEE

Chairman

Mr. Ashraf Adamjee

Members

Mr. Sadiq Hussain
Mr. Zahoor Motiwala

INTERNAL AUDITORS

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

TRUSTEE

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

BANKERS

Habib Metropolitan Bank Limited
Bank Alfalah Limited
Mybank Limited

AUDITORS

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

LEGAL ADVISER

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

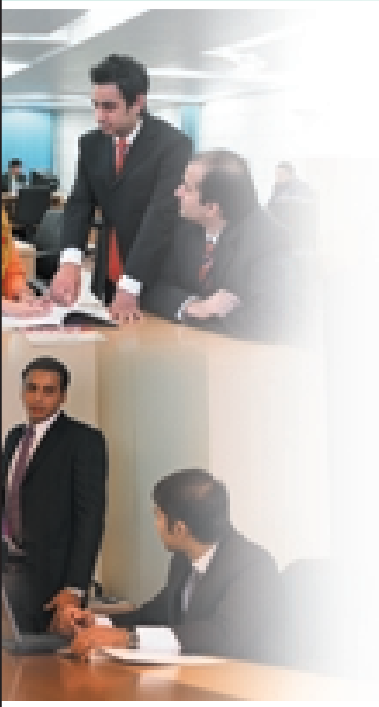
REGISTRAR

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



MISSION & VISION STATEMENT





MISSION STATEMENT

AKDITF aims to provide investors with an instrument encapsulating the return and diversification of the KSE 100 index.

VISION

To become the standard innovation and diversification instrument for equity investors in Pakistan's capital market.



REPORT OF THE DIRECTORS OF THE INVESTMENT ADVISER



Faisal Bengali
Chief Executive Officer

The Management of AKD Investment Management Ltd (AKDIML) is pleased to present the annual report for AKD Index Tracker Fund (AKDITF), for the year ending 30th June 2007. The fund was launched in October '05 and FY07 was the full operational year for AKDITF.

Investment Strategy

AKD Index Tracker Fund is a passively managed fund that tracks the KSE100 index with an accuracy of 96%*. AKDITF is the first Index fund in Pakistan and provides investors with an in-depth diversification instrument.

* The accuracy target has been revised to 85% post restructuring of the fund as an Open-end fund.

Fund Performance

AKD Index Tracker Fund gave a return of 36.40% during FY07, which includes a dividend of Rs. 0.45 per certificate, announced at the end of FY06. AKD Index Tracker stayed true to its objective by tracking the index with an error of less than 3%. The Board of Directors would like to commend the fund managers on tracking the KSE100 index with an accuracy of over 96%. The fund booked a net income of Rs. 48.397 million, giving an EPS of Rs. 0.65 for FY07 versus a net income of Rs. 35.294 million and an EPS of Rs. 0.47 for the same period last year.

At the close of the financial year 2007, the fund was 93.19% invested into a basket of equities weighted according to the KSE100 index. 6.81% of the assets under management were kept in cash for liquidity management and dividend payment.

Market Performance

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

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

Economy

The economy grew by a robust rate of 7% during FY07. SBP's tight monetary policy seems to have succeeded in controlling inflation with official CPI being 7.8% for FY07. SBP is not expected to raise interest rates any further and they will most likely be marginal loosening in the monetary policy in the medium term.

Future Outlook

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

As a fund with maximum exposure to the diversification KSE100 index offers, we believe that our investors will be able to enjoy the full potential of growth offered by Pakistan's capital market.

Announcements

The Management of AKD Investment Management Limited has completed the re-structuring process of the fund and it will function under an Open-end fund structure post the book-closure period i.e. from July 12, 2007.

Payout to certificate holders

The directors of AKDIML, in their meeting held on July 11 07, have approved a final cash dividend of Re. 0.60 per certificate (6% of par value).

Compliance with the Code of Corporate Governance

The Board of Directors states that:

- a) The Financial Statements prepared by the Management Company of the Fund, present fairly its state of affairs, the result of its operations, cash flows and movement in equity & reserves.
- b) Proper books of account of the Fund have been maintained.
- c) Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There is no doubt upon the Fund's ability as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) The Statement showing the attendance of Directors in BOD meetings is as under:

Name of Director	Total No. of Meetings Held	Meetings Attended
Mr. Mohammad Aliuddin Ansari	6	6
Mr. Faisal Bengali	6	6
Mr. Sadiq Hussain	6	6
Mr. Kashif Shamim	6	5
Mr. Farrukh Shaukat Ansari	6	4
Mr. Farooq Ahmed Awan	6	4
Mr. Farrukh Hamid Sabzwari	6	4

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

Traded by	Investment	Sale
	No. of Certificates	
Chief Executive Mr. Faisal Bengali	500	Nil
Director Mr. Sadiq Hussain	500	Nil

Asset Management Rating of the Management Company

In December 2006 JCR-VIS has upgraded the Management Quality rating of AKD Investment Management Ltd. (Management Company of AKD Index Tracker Fund) to 'AM3+' (AM-Three Plus).

While upgrading this rating JCR-VIS states "The upgrade takes into account the management's commitment to enhance fund management and administration capabilities and the measures taken in this regard over the last few months. We believe that the emphasis laid on in-house training of employees will go a long way towards development of a competent management team. Over the long run, growth in assets under management and diversity of investor base are expected to reflect management's efforts since the formation of the company."

Pattern of shareholding

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

Appointment of Auditors

The Board of Directors of the Management Company have re-appointed Messrs M.Yousuf Adil Saleem & Co. Chartered Accountants, as the Fund's auditors for the period 2007-08 as recommended by the Audit Committee.

Acknowledgements

The directors would like to take this opportunity to thank the Securities and Exchange Commission of Pakistan, our trustee M/s Central Depository Company and the unit holders for their cooperation in the restructuring of the fund as an Open-end fund. The board also appreciates the devoted work performed by the staff and officers of the company and the certificate holders for their confidence in the Company, and their continued support and blessings.

For and on behalf of the Board

Karachi: July 11, 2007

Faisal Bengali
Chief Executive Officer



Handling with Care

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

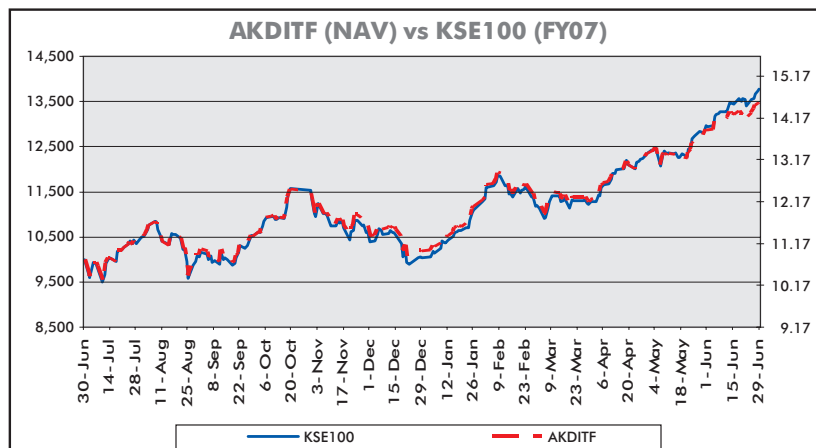
FUND MANAGER'S REPORT

The Management of AKD Investment Management Ltd (AKDIML) is pleased to present the annual report for AKD Index Tracker Fund (AKDITF) for fiscal year FY07. The fund was launched in mid-October, 2005 and the ending 30th June 2007 was the first full fiscal year of operations for AKDITF.

Fund Performance

The fund's return for FY07 was 36.40% (Opening NAV: 10.78, Closing NAV: 14.09) versus a return of 37.87% by the KSE100 index during the same period. The return of AKDITF includes Rs.0.45/certificate dividend announced at the end of FY06.

Following is a graphic presentation of the fund's NAV against KSE100 during the fiscal year 2007.



Market Performance

Fiscal Year 2007 was another year of strong market movement for the Pakistani capital market. The KSE100 started the year at 9,989 and close it at 13,772, gaining 37% during the period. The market gained confidence throughout the year which was evident from the increasing average daily trading volumes during the second half of the year.

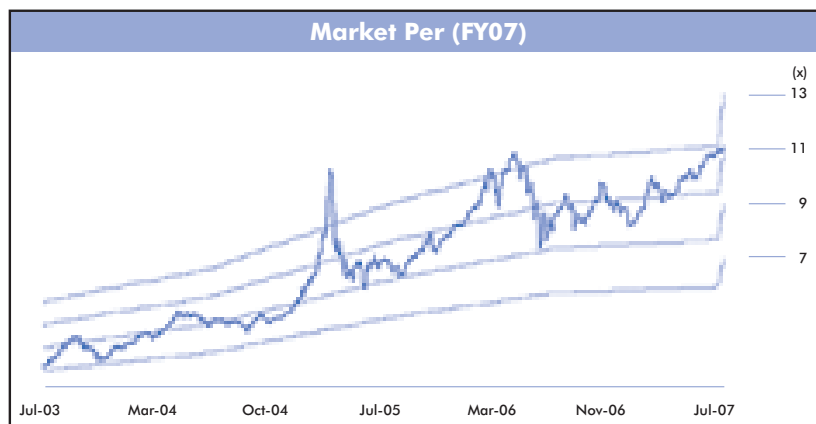
The KSE100 rally was supported by fundamentals this year more so than in the past and the speculative element was very restricted. The KSE100 index underwent frequent correction phases throughout the year.

We see the market action of last year to be divided in 2 distinct phases:

- 1) July 07 ~ December 06: KSE100 stayed range bound between 9,800 and 11,000 during this period. Although high of 11,600 and low of 9,400 were also made during this period, but these moves proved to be speculative. Banking sector mergers & acquisitions activity (Standard Chartered takeover of Union Bank), MCB GDR, rising cement demand, widening banking spreads and foreign interest in local equities were the drivers during this time period. The corrections were triggered by no-confidence move against PM Shaukat Aziz, OGDC GDR pricing concerns, risk management regulatory reforms and rising current and trade account deficits.

2) January 07 ~ June 07: KSE100 index broke out of its range and had a healthy bull rally making an all-time high of 13,772. The rally was led by the banking sector on the back of improved ratings by international credit rating agencies and further merger & acquisition activity (Prime / ABN Amro and PICIC / Tamesek). Developments on Engro's expansion front and PSO's privatization prospects boosted the sentiment. The rally was fuelled by immense interest from foreign investors attracted by cheap valuations and healthy growth potential offered by Pakistan's capital market.

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



(KSE100 index / Price to Earnings band graph)

Source: AKD Research

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

Country Valuations

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

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

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

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

AKD Universe - Key Numbers

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

Source: AKD Research

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

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

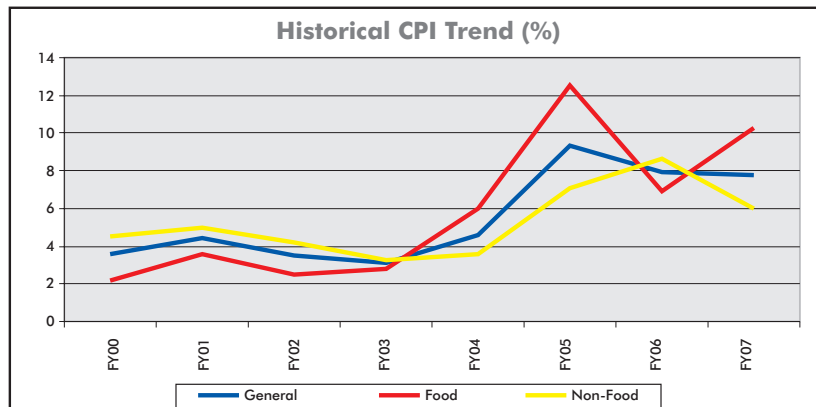
Economy

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

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

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

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



A view of the Fiscal Front:

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

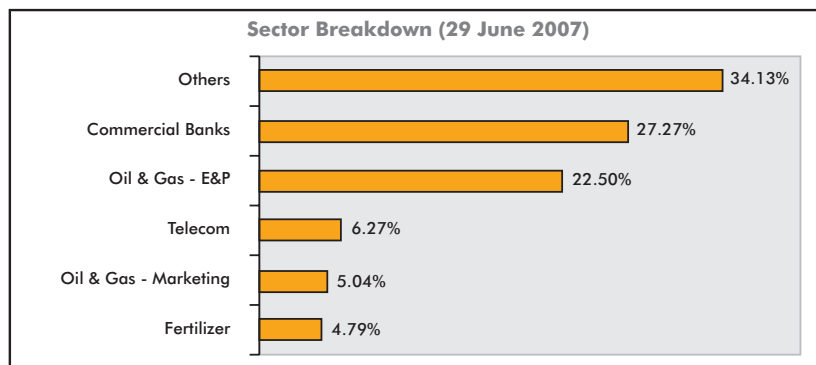
Monetary policy at a glance:

The tight monetary policy implemented by SBP has achieved its target by curtailing inflation. Recent rise in inflation numbers mainly fuelled by food-inflation is due to infra-structure bottle-necks. We do not expect SBP to raise interest rates any further as such an action will hurt economic growth. The bank will most likely use, Open Market Operations, T-bills and reserve requirements as policy tools. SLR (already at 18%) is unlikely to be raised and SBP might raise CRR to control M2 growth.

Fund Activity

AKDITF is a passively managed fund and therefore should not require any active fund management. However, the fund managers keep fine-tuning the allocations to keep the portfolio weightages as close to the KSE100 as possible. The fund stayed invested in the KSE100 index basket for most part of the year. The fund managers raised cash levels to 7% of the fund's total assets close to the end of the fiscal year 2007. This was done to manage liquidity requirements post restructuring of the fund as an open-end fund.

Sector-wise distribution of the fund, as of 30th June '07, is as follows:



Future Outlook

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

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

SBP has proved its abilities in managing the economy without hurting growth. The marginal loosening of the monetary policy could be a boon for the capital market. Under the current scenario, we conservatively expect the KSE100 index to return 25% - 30% during FY08.

The AKD Index Tracker Fund has been restructured as an open-end fund and we hope that investors will make it a part of their investment strategy and use it as a tool to take a view on the KSE100 index, thus improving their overall returns.

PATTERN OF CERTIFICATE HOLDING

AS AT 30 JUNE 2007

No. of Certificate Holders	Having Certificates From	To	Certificate Held	Percentage %
6	1	100	90	0.00
683	101	500	341,070	0.45
183	501	1000	183,000	0.24
164	1001	5000	480,500	0.64
37	5001	10000	339,500	0.45
10	10001	15000	123,000	0.16
3	15001	20000	60,000	0.08
4	20001	25000	93,000	0.12
3	25001	30000	89,000	0.12
3	30001	35000	97,500	0.13
3	35001	40000	116,000	0.15
3	40001	45000	128,000	0.17
8	45001	50000	393,500	0.52
1	50001	55000	51,000	0.07
1	55001	60000	60,000	0.08
2	60001	65000	124,500	0.17
7	95001	100000	700,000	0.93
1	100001	105000	101,500	0.14
1	110001	115000	114,000	0.15
1	125001	130000	127,000	0.17
2	145001	150000	300,000	0.40
1	150001	155000	153,500	0.20
1	170001	175000	171,000	0.23
1	190001	195000	191,000	0.25
2	195001	200000	400,000	0.53
1	235001	240000	236,500	0.32
2	245001	250000	500,000	0.67
1	250001	255000	255,000	0.34
2	295001	300000	600,000	0.80
1	395001	400000	400,000	0.53
1	400001	405000	403,850	0.54
1	490001	495000	492,480	0.66
3	495001	500000	1,500,000	2.00
1	540001	545000	543,810	0.73
1	580001	585000	581,500	0.78
1	605001	610000	607,000	0.81
1	765001	770000	768,000	1.02
1	1050001	1055000	1,055,000	1.41
1	1795001	1800000	1,800,000	2.40
1	1995001	2000000	2,000,000	2.67
1	2095001	2100000	2,096,000	2.79
1	2490001	2495000	2,494,500	3.33
2	2495001	2500000	5,000,000	6.67
1	2995001	3000000	3,000,000	4.00
2	4155001	4160000	8,318,700	11.09
1	4205001	4210000	4,210,000	5.61
1	4740001	4745000	4,745,000	6.33
1	7400001	7405000	7,402,500	9.87
1	7495001	7500000	7,500,000	10.00
1	13550001	13555000	13,552,500	18.07
1162			75,000,000	100.00

CATEGORIES OF CERTIFICATE HOLDERS

AS AT 30 JUNE 2007

Particulars	Certificate Holders	Certificate Holding	Percentage
Individuals	1,119	13,482,180	17.98
Investment Companies	1	543,810	.73
Insurance Companies	1	39,000	.05
Joint Stock Companies	21	15,831,810	21.11
Financial Institutions	7	12,542,200	16.72
Foreigners	5	23,042,000	30.72
Others	8	9,519,000	12.69
Total	1,162	75,000,000	100.00

CATEGORIES OF CERTIFICATE HOLDERS

AS AT 30 JUNE 2007

Categories of Certificate Holders	Certificate Held	Percentage
Management Company		
AKD Investment Management Limited	543,810	0.73
Associated Companies, Undertaking and Related Parties		
Aqeel Karim Dhedhi Securities (Pvt.) Limited	7,500,480	10.00
NIT	-	-
ICP	-	-
Directors, Chief Executive & their spouse and minor children		
	1,000	-
Mr. Faisal Bengali	500	-
Mr. Sadiq Hussain	500	-
Mr. Zahoor Motiwala	-	-
Mr. Farrukh Shaukat Ansari	-	-
Mr. Farooq Ahmed Awan	-	-
Mr. Farrukh Hamid Sabzwari	-	-
Mr. Ashraf Adamjee	-	-
Executives	-	-
Public Sector Companies and Corporations	492,480	0.66
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	26,133,700	34.84
Individuals	13,481,180	17.97
Others	26,847,350	35.80
TOTAL	75,000,000	100.00

CERTIFICATE HOLDING 10% OR MORE OF THE TOTAL ISSUED CAPITAL

Certificate Holders	No. of Certificates	Percentage
Aqeel Karim Dhedhi Securities (Pvt.) Limited	7,500,480	10.00
D P London P B-Qvt Financial L.P	13,552,500	18.07

REPORT OF THE TRUSTEE TO THE CERTIFICATE HOLDERS

AKD INDEX TRACKER FUND

Report of the Trustee pursuant to the Rule 45(g) of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003.

The AKD Index Tracker Fund, a Closed-end Scheme established under a trust deed executed between AKD Investment Management Limited as the Investment Advisor and Central Depository Company of Pakistan Limited as Trustee on January 3, 2005. The Scheme was authorized by the Securities and Exchange Commission of Pakistan (SECP) on January 27, 2005.

In our opinion, AKD Investment Management Limited, the Investment Advisor of AKD Index Tracker Fund has in all material respects managed AKD Index Tracker Fund during the year ended June 30, 2007 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Karachi: August 31, 2007

Mohammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited



Economic Growth



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

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

This statement is being presented by the Board of Directors of AKD Investment Management Limited (Company), the Management Company of the AKD Index Tracker Fund (Fund) to comply with the Code of Corporate Governance as contained in Regulation No.37 of the listing regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- 1) The Company encourages representation of independent non-executive directors. At present the Board has five independent non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or being member of stock exchange, has been declared as a defaulter by such stock exchange.
- 4) During the year casual vacancies occurred in the Board due to resignation of Mr. Kashif Shamim and Mr. Mohammed Aliuddin Ansari which were filled by appointing Mr. Zahoor Motiwala and Mr. Ashraf Adamjee respectively by the Board.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of directors and employees of the company.
- 6) The Board has developed a vision and mission statement and significant policies of the Fund. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
- 8) The Management Company has already appointed Chief Financial Officer (CFO) / Company Secretary and internal auditor for the company under its management including their remuneration and term & condition of employment as determine by CEO.
- 9) The roles and responsibilities of the Chairman and Chief Executive have been approved by the Board of Directors.
- 10) 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. 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.

- 11) The Directors have been provided with the copies of the NBFC (Establishment and Regulation) Rule, 2003, Companies Ordinance 1984, Listing Regulation, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the company and the funds and are aware of their duties and responsibilities.
- 12) The Directors' Report for the year ended June 30, 2007 has been prepared in compliance with the requirements of the Code of Corporate Governance.
- 13) The financial statements of the Company were duly signed by the CEO and CFO before approval of the Board.
- 14) The Directors, CEO and executives do not hold any interest in the certificate of the Fund other than that disclosed in the pattern of certificate holding.
- 15) The Company has complied with all the corporate and financial reporting framework requirements of the Code.
- 16) The Board has formed an audit committee. It comprises of three members, majority of whom are non-executive directors including the Chairman of the committee.
- 17) The terms of reference of the committee have been formed and advised to the committee for compliance.
- 18) There exists an effective internal audit function within the 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 Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates 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 Institute of Chartered Accountants of Pakistan.
- 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) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Karachi: July 11, 2007

Faisal Bengali
Chief Executive Officer

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of AKD Investment Management Limited (the investment adviser) of **AKD Index Tracker Fund** to comply with the Clause XIV of the Listing Regulation No. 37 (Chapter XI) and No. 35 (Chapter XI) of the Karachi and Islamabad Stock Exchange where the Fund is listed.

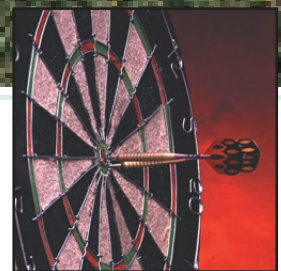
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the investment adviser of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of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

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

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

Karachi: July 11, 2007

M. Yousuf Adil Saleem & Co.
Chartered Accountants



Targeted Success

“ Success is not what you achieve, but what you achieve for others. ”

INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the accompanying financial statements of **AKD Index Tracker Fund** (the Fund) which comprise the statement of assets and liabilities as at June 30, 2007, and the income statement, distribution statement, statement of movements in equity and reserves and cash flow statement together with a summary of significant accounting policies and other explanatory notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

Investment Adviser's Responsibility for the Financial Statement

Investment Adviser of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 entity'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 entity'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

- (a) in our opinion, the financial statements for the year ended June 30, 2007 have been prepared in accordance with the relevant provisions of Non Banking Finance Companies (Establishment and Regulation) Rules, 2003;
- (b) in our opinion, proper books of accounts have been kept by the Investment Adviser of the Fund as required by the Trust Deed and the relevant provisions of the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the financial statements prepared are in agreement with the Fund's books and records;
- (c) in our opinion and to the best of our information and according to explanation given to us, the statements of assets and liabilities, the income statement, distribution statement, statement of movement in equity and reserves and cash flow statement together with a summary of significant accounting policies and other explanatory notes give the information required by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, and approved accounting standards as applicable in Pakistan, in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at June 30, 2007 and the transactions of the Fund for the year then ended.

Karachi: July 11, 2007

M. Yousuf Adil Saleem & Co.
Chartered Accountants



Financial Statements

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2007

	Note	June 2007 Rupees in '000'	June 2006 Rupees in '000'
ASSETS			
Bank balances	4	79,129	74,005
Investment in marketable securities	5	985,700	732,283
Dividend and profit receivable	6	4,195	8,396
Preliminary expenses and floatation cost	7	4,500	6,000
Conversion cost		2,141	-
Other receivables		136	291
Total Assets		1,075,801	820,975
LIABILITIES			
Remuneration payable to Investment Adviser	8	6,624	4,673
Accrued expenses and other liabilities	9	11,444	8,405
Total Liabilities		18,068	13,078
NET ASSETS		1,057,733	807,897
CAPITAL AND RESERVES			
Capital	10	750,000	750,000
Unrealised appreciation in market value of securities classified as 'available for sale'		257,792	22,603
Unappropriated profit		49,941	35,294
Total Certificate Holders' Fund		1,057,733	807,897
Net Asset Value (Per certificate of Rs. 10/- each) Rupees		14.10	10.77

The annexed notes from 1 to 20 form an integral part of these financial statements.

For AKD Investment Management Limited
(Investment Adviser)

Faisal Bengali
Chief Executive Officer

Zahoor Motiwala
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2007

	Note	June 30, 2007 Rupees in '000'	September 19, 2005 to June 30, 2006 Rupees in '000'
INCOME			
Capital gain on sale of marketable securities		16,609	5,196
Dividend income		36,667	20,479
Profit on deposit and PLS accounts		5,741	18,233
Other income		81	-
		59,098	43,908
OPERATING EXPENSES			
Remuneration to Investment Adviser	8	6,624	4,673
Remuneration to Trustee		1,177	866
Annual fee to Securities and Exchange Commission of Pakistan		888	623
Central Depository Company charges		131	769
Amortisation of preliminary expenses and floatation cost		1,500	1,500
Others	11	381	183
		10,701	8,614
Profit before taxation		48,397	35,294
Taxation	12	-	-
Profit for the year / period		48,397	35,294
Earnings per certificate (Rupee)	13	0.65	0.47

The annexed notes from 1 to 20 form an integral part of these financial statements.

For AKD Investment Management Limited
(Investment Adviser)

Faisal Bengali
Chief Executive Officer

Zahoor Motiwala
Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2007

	June 30, 2007	September 19, 2005 to June 30, 2006
	Rupees in '000'	Rupees in '000'
Unappropriated profit brought forward	35,294	-
Final Dividend for the period ended		
June 30, 2006 @ 4.5% (Re. 0.45 per certificate)	(33,750)	-
Net profit for the year / period	48,397	35,294
Unappropriated profit carried forward	49,941	35,294

The annexed notes from 1 to 20 form an integral part of these financial statements.

For AKD Investment Management Limited
(Investment Adviser)

Faisal Bengali
Chief Executive Officer

Zahoor Motiwala
Director

STATEMENT OF MOVEMENT IN EQUITY AND RESERVES

FOR THE YEAR ENDED JUNE 30, 2007

	Issued, subscribed & paid up capital	Unrealised appreciation in available for sale securities	Unappro- priated Profit	Total	Net assets per certificate
	Rupees in 000				
Issue of certificates during the period	750,000	-	-	750,000	10.00
Profit for the period	-	-	35,294	35,294	0.47
Unrealised appreciation in value of securities classified as 'available for sale'	-	22,603	-	22,603	0.30
Balance as at June 30, 2006	750,000	22,603	35,294	807,897	10.77
Final Dividend for the period ended June 30, 2006 @ 4.5% (Re. 0.45 per certificate)	-	-	(33,750)	(33,750)	(0.45)
Profit for the year	-	-	48,397	48,397	0.65
Unrealised appreciation in value of securities classified as 'available for sale'	-	238,402	-	238,402	3.18
Capital gain realized against sale of securities classified as 'available for sale'	-	(3,213)	-	(3,213)	(0.03)
Balance as at June 30, 2007	750,000	257,792	49,941	1,057,733	14.10

For AKD Investment Management Limited
(Investment Adviser)

Faisal Bengali
Chief Executive Officer

Zahoor Motiwala
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2007

	Note	June 30, 2007 Rupees in '000'	September 19, 2005 to June 30, 2006 Rupees in '000'
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		48,397	35,294
Adjustments for non cash item:			
Amortisation of preliminary expenses and floatation cost		1,500	1,500
		49,897	36,794
(Increase) / decrease in assets			
Investment in marketable securities		(18,228)	(709,680)
Dividend and profit receivable		4,201	(8,396)
Preliminary expenses and floatation cost		-	(7,500)
Other assets		155	(291)
		(13,872)	(725,867)
Increase / (decrease) in liabilities			
Remuneration payable to Investment Adviser		1,951	4,673
Accrued expenses and other liabilities		898	8,405
		2,849	13,078
Net cash (used in) / generated from operating activities	A	38,874	(675,995)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of certificates		-	750,000
Dividend paid		(33,750)	-
Net cash (used in) / generated from financing activities	B	(33,750)	750,000
Net increase in bank balances during the year / period	A+B	5,124	74,005
Bank balances at the beginning of the year / period		74,005	-
Bank balances at the end of the year / period		79,129	74,005

The annexed notes from 1 to 20 form an integral part of these financial statements.

For AKD Investment Management Limited
(Investment Adviser)

Faisal Bengali
Chief Executive Officer

Zahoor Motiwala
Director

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2007

1. STATUS AND NATURE OF BUSINESS

- 1.1** AKD Index Tracker Fund (The Fund) was established as a closed-end scheme under a Trust Deed executed between AKD Investment Management Limited (AKDIML) as Investment Adviser and Central Depository Company of Pakistan Limited (CDC) as Trustee, on January 03, 2005 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The certificates of the Fund are listed on the Karachi and Islamabad Stock Exchanges.
- 1.2** The objective of the Fund is to invest in full depth of the market (KSE-100 index) according to the weightage prescribed by the KSE, eliminating specific sector/stock risk, reliance on market timings and Fund Manager's performance.
- 1.3** AKD Investment Management Limited (Management Company) entered into a supplementary Trust Deed with Central Depository Company of Pakistan (CDC) on May 02, 2007 in order to initiate the conversion of the fund from a close-end scheme to an open-end scheme pursuant to the resolution passed at an extra ordinary general meeting of certificate holders held on January 26, 2007, approving the same.

The conversion of the Fund from closed-end scheme to open-end scheme was authorized by Securities and Exchange Commission of Pakistan (SECP) vide letter No. SEC/ NBFC - II / JD / AKDIML / 2007 / 370 dated May 30, 2007. The post conversion trust deed and post conversion offering documents were approved by the SECP vide letter No. SEC / NBFC-II / AKDITF / 2007/ 292 dated April 25, 2007 and letter No. SEC / NBFC-II / AKDITF/ 2007 / 379 dated June 01, 2007 respectively.

AKD Investment Management Limited will invest or arrange Rs. 250,000,000/- as seed capital of AKD Index Tracker Fund and will issue core units there of respectively. Each certificate holder will be allocated units according to their respective holding as that date on the basis of ratio of 1 certificate:1 unit without any restriction.

2. STATEMENT OF COMPLIANCE

- 2.1** These financial statements have been prepared in accordance with requirements of Companies Ordinance, 1984, the Trust Deed, the NBFC Rules, directives issued by the Securities and Exchange Commission of Pakistan and approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Accounting Standards (IAS) as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, the Trust Deed, the NBFC Rules or directives issued by SECP differ with the requirements of these standards, the requirements of Companies Ordinance, 1984, the Trust Deed, the NBFC Rules and the said directives take precedence.
- 2.2** Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after January 1, 2007 are either not relevant to fund's operations or are not expected to have significant impact on the fund's financial statements other than increased disclosures in certain cases.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These financial statements of the Fund are prepared under the historical cost convention, except marketable securities which are included at fair value.

3.2 Marketable securities

Investments held for trading

An investment held for trading is acquired principally for the purpose of generating profit from short-term fluctuations in prices. These are initially measured at cost being the fair value of consideration given on the date when the Fund commits to purchase the investment. Transaction costs such as brokerage fee, commission and capital value tax that are directly attributable to acquisition of held for trading investments are being recognised in the income statement for the period. Subsequently, these are valued at fair value, which is the quoted bid price at stock exchange at the date of statement of assets and liabilities. The resultant gain or loss on remeasurement of value of investment is recognised in the income.

Investments available for sale

Other investments are classified as available for sale and are initially measured at cost being the fair value of consideration given on the date when the fund commits to purchase the investment, including transaction costs associated with the investment. Subsequently, these are valued at fair value, which is the quoted bid price at stock exchange at the balance sheet. Changes in fair value of all available for sale investments are recognised in equity.

3.3 Revenue recognition

Capital gains / (losses) arising on sale of securities are included in the income statement in the period in which such securities are sold / derecognised.

Dividend income is recognised when the right to receive dividend is established.

Profit on bank deposits is recognised on accrual basis.

3.4 Taxation

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

3.5 Offsetting financial instruments

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

3.6 Financial assets and financial liabilities

Financial assets and liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument and de-recognised when the Fund loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets carried on the statement of assets and liabilities include bank balances, investment in marketable securities, dividend and profit receivable and other receivable.

Financial Liabilities carried on the statement of assets and liabilities include remuneration payable to the investment adviser, accrued expenses and other liabilities.

At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Transaction costs are included in the initial measurement of all financial assets and financial liabilities except for transaction costs that may be incurred on disposal and transaction costs associated with held for trading investment. The recognition method adopted for measurement of financial assets and liabilities subsequent to initial recognition is disclosed in the individual policy statement associated with each item.

3.7 Derivatives

Derivatives instruments held by the Fund generally comprise of unpaid right letter. These are initially measured at fair value. The fair value of a derivative is based on quoted bid price of Stock Exchange ruling at the balance sheet date. Subsequently, the resultant gain or loss on remeasurement of value of derivative financial instrument is recognized in equity.

Derivative financial instrument entered into by the Fund do not meet the hedging criteria as defined by International Accounting Standard -39 ,Recognition and Measurement of Financial Instrument (IAS - 39), consequently hedge accounting is not used by the Fund.

3.8 Preliminary expenses and floatation cost

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund, and are stated at cost less accumulated amortisation. These expenses are being amortised over a period of five years starting from the year 2005-2006.

3.9 Conversion costs

Conversion costs represent expenditure incurred in connection with the conversion of AKDITF into an open end scheme and include fees paid to the SECP and other expenses. These costs will be amortised over a period of five years as per clause 11.3 of the post conversion trust deed of the scheme which has been approved by the Securities and Exchange Commission of Pakistan.

3.10 Payables and accruals

Payables and accruals are carried at cost which is the fair value of the consideration to be paid in the future for the services received, whether billed or not to the Fund.

3.11 Critical judgement and estimate

In the process of applying the Fund's accounting policies, the management has not identified any area where critical judgments have been exercised which have significant impact on the financial statements.

Further, there are no key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date that have significant risks of causing a material adjustment within the next financial year.

	Note	2007 Rupees in '000'	2006 Rupees in '000'
4. BANK BALANCES			
Balances in			
- Deposit and PLS account	4.1	76,921	74,005
- Current account		2,208	-
		<u>79,129</u>	<u>74,005</u>

4.1 The deposit and PLS account carry mark-up 9% to 11.5%. (2006: 9% to 13%)

5. MARKETABLE SECURITIES - AVAILABLE FOR SALE
(Face value of Rs. 10/- each unless stated otherwise)

Name of the investee	Number of Share				Balance as at June 30, 2007				Percentage in relation to				
	Opening	Purchases	Sales	Bonus/ Right	Closing balance	Cost value (Rs.'000)	Book value (Rs.'000)	Market value per share	Market value (Rs.'000)	Unrealised gain/(loss) (Rs.'000)	Total book value of Investment	Own net assets	Investee paid up capital (Face value)
Investment Banks / Investment Companies / Sec. Companies													
Arif Habib Securities Limited	7,400	-	-	74,815	82,215	2,820	3,685	116.60	9,586	5,901	0.49	0.91	0.03
Pakistan Industrial Credit and Investment Corporation Limited	168,000	100,000	18,000	26,800	276,800	16,012	11,757	82.10	22,725	10,968	1.57	2.15	0.07
Commercial Banks													
Allied Bank Limited	95,500	40,000	-	27,100	162,600	12,171	12,007	138.95	22,593	10,585	1.61	2.14	0.03
Askari Commercial Bank Limited	65,835	-	-	32,917	98,752	5,887	5,106	105.90	10,458	5,351	0.68	0.99	0.03
Bank Al Habib Limited	75,600	-	-	30,240	105,840	4,377	4,838	66.50	7,038	2,200	0.65	0.67	0.03
Bank Al-Falah Limited	126,666	-	35,000	68,665	160,331	5,484	4,440	65.10	10,438	5,998	0.59	0.99	0.02
Faysal Bank Limited	138,000	-	-	-	138,000	9,206	8,487	74.00	10,212	1,725	1.14	0.97	0.03
Meezan Bank Limited	-	110,000	-	-	110,000	2,502	2,502	32.00	3,520	1,018	0.33	0.33	0.03
Habib Metropolitan Bank Limited	56,666	-	-	37,966	94,632	4,504	3,896	77.00	7,287	3,391	0.52	0.69	0.02
MCB Bank Limited	154,800	23,900	13,000	25,605	191,305	25,241	35,263	365.00	69,826	34,563	4.72	6.60	0.03
National Bank of Pakistan Limited	228,000	13,700	10,000	34,755	266,455	35,918	50,041	262.00	69,811	19,770	6.70	6.60	0.03
NIB Bank Limited	-	97,000	-	-	97,000	2,256	2,256	21.00	2,087	(219)	0.30	0.19	0.03
NIB Bank Limited - Right	-	-	-	538,350	538,350	-	-	9.15	4,926	4,926	-	-	-
Prime Commercial Bank Limited	70,800	-	70,800	-	-	-	-	-	-	-	-	-	-
The Bank of Punjab	85,400	-	-	29,168	114,568	7,361	7,084	116.50	13,347	6,263	0.95	1.26	0.03
Union Bank Limited	96,000	-	96,000	-	-	-	-	-	-	-	-	-	-
United Bank Limited	203,000	58,900	58,600	54,725	258,025	30,367	30,040	219.95	56,753	26,713	4.02	5.37	0.03
Insurance													
Adamiye Insurance Company Limited	27,500	57,000	20,000	3,437	67,937	10,661	10,563	325.95	22,144	11,581	1.41	2.09	0.07
New Jubilee Insurance Company Limited	25,200	-	-	6,300	31,500	1,771	1,764	121.00	3,812	2,048	0.24	0.36	0.03
Face value Rs. 5/- each	-	-	6,230	6,230	-	-	-	-	-	-	-	-	-
PICC Insurance Limited	-	-	-	-	-	-	-	-	-	-	-	-	-
Textile Composite													
Nishat (Chunio) Limited	25,000	-	25,000	-	-	-	-	-	-	-	-	-	-
Nishat Mills Limited	50,000	-	-	5,000	55,000	4,856	5,240	130.45	7,175	1,935	0.70	0.68	0.03

Name of the investee	Number of Share				Balance as at June 30, 2007				Percentage in relation to				
	Opening	Purchases	Sales	Bonus / Right	Closing balance	Cost value (Rs.'000)	Book value (Rs.'000)	Market value per share	Market value (Rs.'000)	Unrealised gain/(loss) (Rs.'000)	Total book value of Investment	Own net assets	Investee paid up capital (Face value)
Synthetics & Rayon													
Dewan Saliman Fiber Limited	125,000	-	125,000	-	-	-	-	-	-	-	-	-	-
Ibrahim Fibers Limited	65,000	-	-	-	65,000	2,500	2,594	57.00	3,705	1,112	0.35	0.35	0.02
Sugar & Allied Industries													
JDW Sugar Mills limited	-	10,000	-	2,000	12,000	852	852	70.35	844	(8)	0.11	0.08	0.04
Cement													
Attock Cement Limited	20,000	-	-	-	20,000	1,703	1,820	122.45	2,449	629	0.24	0.23	0.03
Cherat Cement Limited	27,000	-	-	4,050	31,050	2,487	1,755	56.50	1,754	(1)	0.23	0.17	0.03
D.G. Khan Cement Limited	120,000	25,000	-	45,000	190,000	15,825	14,277	116.50	22,135	7,858	1.91	2.09	0.07
D.G. Khan Cement Limited - Right	30,000	-	-	(30,000)	-	-	-	-	-	-	-	-	-
Fauji Cement Company Limited	120,000	-	-	-	120,000	3,149	2,304	19.70	2,364	60	0.31	0.22	0.03
Lucky Cement Limited	80,000	-	-	-	80,000	5,809	8,284	137.75	11,020	2,736	1.11	1.04	0.03
Maple Leaf Cement Factory Limited	90,000	-	-	22,500	112,500	3,673	2,585	24.40	2,745	160	0.35	0.26	0.03
Tobacco													
Lakson Tobacco Company Limited	14,880	-	-	-	14,880	3,749	4,434	575.00	8,556	4,122	0.59	0.81	0.02
Pakistan Tobacco Company Limited	82,500	-	-	-	82,500	5,876	5,639	157.00	12,953	7,314	0.75	1.22	0.03
Refinery													
Attock Refinery Limited	18,000	-	-	4,500	22,500	3,450	1,561	116.55	2,622	1,062	0.21	0.25	0.04
National Refinery Limited	23,200	-	-	-	23,200	8,884	6,194	341.00	7,911	1,717	0.83	0.75	0.03
Pakistan Refinery Limited	7,200	-	-	1,440	8,640	2,733	1,540	221.95	1,918	378	0.21	0.18	0.03
Power Generation & Distribution													
Hub Power Company Limited	389,500	-	-	-	389,500	9,480	8,959	36.70	14,295	5,336	1.20	1.35	0.03
Kor Addu Power Company Limited	391,500	24,000	45,000	-	370,500	16,651	15,571	60.15	22,286	6,715	2.08	2.11	0.04
Oil and Gas Marketing Companies													
Attock Petroleum Limited	15,400	-	-	-	15,400	5,677	4,974	501.35	7,721	2,747	0.67	0.73	0.04
Pakistan State Oil Company Limited	56,000	-	2,500	-	53,500	22,762	16,532	391.45	20,943	4,411	2.21	1.98	0.03

Name of the investee	Number of Share				Balance as at June 30, 2007				Percentage in relation to				
	Opening	Purchases	Sales	Bonus / Right	Closing balance	Cost value (Rs.'000)	Book value (Rs.'000)	Market value per share	Market value (Rs.'000)	Unrealised gain/(loss) (Rs.'000)	Total book value of Investment	Own net assets	Investee paid up capital (Face value)
Shell Pakistan Limited	13,500	-	-	3,375	16,875	9,544	6,499	410.05	6,920	421	0.87	0.65	0.03
Sui Northern Gas Pipelines Limited	159,000	-	-	15,900	174,900	10,576	15,900	70.75	12,374	(3,526)	2.13	1.17	0.03
Sui Southern Gas Company Limited	205,000	-	-	-	205,000	5,168	5,925	25.80	5,289	(636)	0.79	0.50	0.03
Oil and Gas Exploration Companies													
Mari Gas Company Limited	11,600	-	-	-	11,600	1,737	1,467	175.00	2,030	563	0.20	0.19	0.03
Oil and Gas Development Company Limited	1,368,000	-	42,000	-	1,326,000	151,823	181,331	119.80	158,855	(22,476)	24.26	15.02	0.03
Pakistan Oil Field Limited	66,000	-	4,000	-	62,000	16,885	20,758	317.00	19,654	(1,104)	2.78	1.86	0.03
Pakistan Petroleum Limited	218,000	-	-	-	218,000	44,991	46,183	262.45	57,214	11,031	6.18	5.41	0.03
Engineering													
International Industries Limited	10,700	-	-	3,531	14,231	1,552	1,266	148.25	2,110	844	0.17	0.20	0.03
Automobile Assembler													
Al-Ghazi Tractors Limited (Face value Rs. 5/- each)	14,500	-	-	-	14,500	2,542	2,958	285.00	4,133	1,175	0.40	0.39	0.03
Indus Motor Company Limited	29,500	-	-	-	29,500	4,813	5,635	305.50	9,012	3,378	0.75	0.85	0.04
Pak Suzuki Motors Company Limited	29,400	6,000	3,000	13,200	45,600	8,003	10,671	392.00	17,875	7,204	1.43	1.69	0.06
Honda Atlas Cars Limited	17,000	-	-	-	17,000	1,308	1,199	63.20	1,074	(124)	0.16	0.10	0.02
Cable and Electrical Goods													
Siemens Engineering Limited	2,000	-	-	-	2,000	1,701	2,360	1,735.00	3,470	1,110	0.32	0.33	0.03
Transport													
Pakistan International Airlines Corporation Limited "A"	500,000	63,000	-	-	563,000	6,048	7,693	8.35	4,701	(2,992)	1.03	0.44	0.03
Pakistan National Shipping Corporation Limited	45,000	-	-	-	45,000	3,868	2,840	94.00	4,230	1,391	0.38	0.40	0.03
Technology and Communication													
Pakistan Telecommunication Limited "A"	1,201,000	-	39,000	-	1,162,000	72,457	47,177	57.00	66,234	19,057	6.31	6.26	0.03
Fertilizer													
Dawood Hercules Chemicals Limited	22,800	-	-	-	22,800	5,118	6,737	278.90	6,359	(378)	0.90	0.60	0.03
Engro Chemicals Pakistan Limited - Right	-	-	-	8,250	8,250	-	-	128.00	1,056	1,056	-	-	-

Name of the investee	Number of Share					Balance as at June 30, 2007					Percentage in relation to		
	Opening	Purchases	Sales	Bonus / Right	Closing balance	Cost value (Rs.'000)	Book value (Rs.'000)	Market value per share	Market value (Rs.'000)	Unrealised gain/(loss) (Rs.'000)	Total book value of Investment	Own net assets	Investee paid up capital (Face value)
Engro Chemicals Pakistan Limited	55,000	-	-	-	55,000	8,397	9,317	253.00	13,915	4,598	1.25	1.32	0.03
Fuji Fertilizer Bin Qasim Limited	298,000	-	10,000	-	288,000	11,035	8,424	39.00	11,232	2,808	1.13	1.06	0.03
Fuji Fertilizer Company Limited	157,500	-	-	-	157,500	20,805	19,058	121.25	19,097	39	2.55	1.81	0.03
Pharmaceuticals													
Abbot Laboratories Pakistan Ltd.	24,720	-	-	4,944	29,664	3,911	4,005	186.00	5,518	1,513	2.54	0.52	0.03
Glaxosmithkline (Glaxo Wellcome) Limited	22,400	11,000	-	8,350	41,750	6,290	6,149	187.50	7,828	1,679	0.82	0.74	0.03
Chemicals													
ICI Pakistan Limited	50,000	-	-	-	50,000	6,218	5,455	167.10	8,355	2,900	0.73	0.79	0.04
Pakistan PTA Limited	475,000	-	-	-	475,000	4,025	3,040	5.50	2,613	(428)	0.41	0.25	0.03
Paper and Board													
Packages Limited	20,200	-	-	1,010	21,210	3,819	4,229	319.05	6,767	2,538	0.57	0.64	0.03
Food and Personal Care Products													
Nestle Pakistan Limited	7,600	-	-	-	7,600	5,958	8,377	1,545.00	11,739	3,360	1.12	1.11	0.02
Unilever Pakistan Limited (Face value Rs. 50/- each)	4,960	2,260	-	-	7,220	12,662	13,801	2,235.00	16,137	2,336	1.85	1.53	0.05
June 30, 2007 Rupees in '000'						727,908	747,298		985,700	238,402			
June 30, 2006 Rupees in '000'						709,680	709,680		732,283	22,603			

The SECP vide its letter no. NBFC-II/JDI/AKD-ITF/999 dated December 9, 2004 granted exemptions under Sub rule 3 & 4 of Rule 49 of the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 which are:

49(3) - The investment of a closed-end fund in any other company or security shall not, at any time, exceed an amount equal to ten per cent of paid-up capital of the closed-end fund or an amount sufficient to acquire ten per cent of issued capital of that other company or issue, whichever is lower.

49(4) - No closed-end fund shall invest more than twenty five per cent of its net asset value in securities of any one sector as per classification of the stock exchange.

	Note	2007 Rupees in '000'	2006 Rupees in '000'
6. DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		3,748	7,625
Profit receivable on bank deposit and PLS account.		447	771
		<u>4,195</u>	<u>8,396</u>
7. PRELIMINARY EXPENSES AND FLOATATION COST			
Opening balance as at July 01		6,000	-
Expense incurred during the year / Period		-	7,500
Total expenses		<u>6,000</u>	<u>7,500</u>
Less: Amortisation during the period / year		<u>(1,500)</u>	<u>(1,500)</u>
Balance as at June 30		<u>4,500</u>	<u>6,000</u>

8. REMUNERATION PAYABLE TO INVESTMENT ADVISER

The NBFC licensed by the SECP to operate as an investment adviser of a closed-end fund shall be entitled to be paid annually, after the accounts of the fund have been audited, a remuneration during the first five years of a fund's existence, of an amount not exceeding three per cent of the average annual net assets of the fund and thereafter of an amount equal to two per cent of such assets. However the remuneration of the Investment Adviser has been determined at the rate 0.75 percent of average monthly net assets of the Fund as specified in clause no.8.2 of offering document.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Investment Adviser	8	7,357	7,500
Annual fee to SECP	9.1	888	624
Remuneration to Trustee	9.2	107	91
Auditors' remuneration		205	100
Central Depository Company charges		-	9
Payable to CDC for Conversion		659	-
Unclaimed Dividend		2,209	-
Other Liabilities		19	81
		<u>11,444</u>	<u>8,405</u>

9.1 Annual fee to SECP has been determined at one tenth of one percent of average monthly net assets of the Fund as per Rule 54 of the NBFC Rules.

9.2 Trustee is entitled to a monthly remuneration for service based on daily NAV of the Fund at the rates specified in Trust Deed.

10. CAPITAL

	2007 No. of Certificates	2006 No. of Certificates	Issued, subscribed and paid up Capital	2007 Rupees in '000'	2006 Rupees in '000'
	<u>75,000,000</u>	<u>75,000,000</u>	Fully paid ordinary certificates of Rs.10/- each issued for cash	<u>750,000</u>	<u>750,000</u>
				Number of Certificates	Number of Certificates
10.1 The associated companies holds certificates as follows:				<u>543,810</u>	<u>543,810</u>
AKD Investment Management Limited				<u>8,827,480</u>	<u>8,827,480</u>
Aqeel Karim Dhedhi Securities (Private) Limited					

	Note	2007 Rupees in '000'	2006 Rupees in '000'
11. OTHERS			
Auditors' remuneration	11.1	230	100
Fees and Subscription		124	-
Legal and professional charges		25	-
Bank commission and charges		2	2
MUFAP fee		-	81
		<u>381</u>	<u>183</u>
11.1 Auditors' remuneration			
Statutory audit fee		135	75
Half-yearly review fee		25	25
Other certifications		25	-
Prior year fees		45	-
		<u>230</u>	<u>100</u>

12. TAXATION

The Fund is exempt from tax under 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 its accounting income of that year, as reduced by capital gain whether realized or unrealized, is distributed amongst its certificate holders.

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

13. EARNINGS PER CERTIFICATE

Profit for the year / period	Rupees in '000'	48,397	35,294
Weighted average number of certificates	Number in '000'	75,000	75,000
Basic earnings per certificate	Re.	0.65	0.47

There is no effect of dilution on the earnings per certificate computed above.

14. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**AKD Investment Management Limited**

Remuneration to Investment Adviser	<u>6,624</u>	<u>4,673</u>
Payment made on behalf of the fund	<u>1,357</u>	<u>7,500</u>

Aqeel Karim Dhedhi Securities (Pvt.) Limited

Commission paid on purchase of marketable securities through associated company	<u>1</u>	<u>78</u>
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15. SUBSEQUENT EVENT

The Fund has been converted into open end scheme from July 01, 2007 and its transactions in units will commence from July 12, 2007. For conversion detail please refer to notes to the account no 1.3.

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Risk Management

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

Market risk

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

The investment adviser manages market risk by monitoring exposure on marketable securities by following internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the SECP.

Credit Risk Management

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

All investing transactions are settled / paid for upon delivery using approved brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has received payment. On a purchase, payment is made once the securities have been received by the broker. If either party fails to meet the obligation, the trade will fail.

The Fund enters into transactions with diverse credit worthy counter parties thereby mitigating any significant concentration of credit risk.

Liquidity Risk

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

Fair value of financial instruments

Investments categorized as 'available for sale' are carried at their fair value. The management of Investment Adviser is of the view that the fair market value of most of the remaining financial assets and financial liabilities are not significantly different.

YIELD / INTEREST RATE RISK

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest/ markup rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market interest rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest/ mark-up based assets and liabilities that mature or reprice in a given period. The Fund is not exposed to yield / interest rate risk as there are no material interest bearing financial asset and liabilities.

17. DIVIDEND

The Board of Director of the Investment Adviser of the fund in its meeting held on July 11, 2007 has approved a final cash dividend for the year ended June 30, 2007 of Re. 0.60 per certificate i.e. 6% amounting to Rs. 45,000,000. These financial statements do not reflect the appropriation of the dividend.

18. PERFORMANCE TABLE

	2007	2006
Net assets - Rupees in thousand	1,057,733	807,897
Net assets value per certificate - Rupees	14.10	10.77
Profit after tax - Rupees in thousand	48,397	35,294
Earning per certificate - Rupee	0.65	0.47
Dividend distribution - Rupees in thousand	*45,000	*33,750
Bonus distribution - Rupees in thousand	Nil	Nil

* The dividend distributions have been shown against the year to which they relate although these were declared and distributed subsequently to the year end.

19. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on July 11, 2007 by the Board of Directors of the Investment Adviser.

20. FIGURES

Figures have been rounded off to the nearest thousands rupees.

For AKD Investment Management Limited
(Investment Adviser)

Faisal Bengali
Chief Executive Officer

Zahoor Motiwala
Director

STATEMENT OF INCOME AND EXPENDITURE

IN RELATION TO THE INVESTMENT COMPANY

FOR THE YEAR ENDED JUNE 30, 2007

	2007	2006
	Rupees in '000'	
INCOME		
Remuneration from AKD Index Tracker Fund	6,624	4,673
Dividend income	245	-
	6,869	4,673
OPERATING EXPENSES		
Staff Salaries & Benefits	2,866	2,003
Travelling & Conveyance	120	72
Utilities	90	53
Communication	123	69
Postage and courier	47	85
Printing and stationery	204	124
Insurance	65	24
Advertising	-	115
Entertainment	38	47
Miscellaneous	30	15
Computer expenses	128	1
Legal and professional charges	115	59
Seminar & others	26	5
Fees and subscription	15	212
SECP (license fee)	5	16
Credit rating fee	32	24
Repairs and maintenance	69	38
Vehicle running and maintenance	83	96
Amortisation of deferred expenditure	-	97
Amortisation of computer software	129	-
Auditors' remuneration	19	53
Lease Rental	-	150
Office rent	272	79
Depreciation	430	296
MUFAP subscription	48	-
Share registrar fee	207	-
Newspaper and subscription	3	-
Directors' fee	5	-
Software maintenance	73	-
Brokerage	1	-
Donation	1	-
Financial Charges	137	47
	5,381	3,780
PROFIT FOR THE YEAR	1,488	893

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



**AKD Investment
Management Ltd.**

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