

Funds Managed by:
AKD Investment Management Ltd.

2014



annual report



**Partner
with AKD
Profit from the
Experience**



**AKD Investment
Management Ltd.**

TABLE OF CONTENTS

02	Corporate Information
03	Vision
04	Mission Statement
05	Key Management Profile
07	Report of the Directors of the Management Company
13	AKD Opportunity Fund - Financial Statements 2014
61	AKD Index Tracker Fund - Financial Statements 2014
113	AKD Cash Fund - Financial Statements 2014
155	AKD Aggressive Income Fund - Financial Statements 2014

CORPORATE INFORMATION

Imran Motiwala
Chief Executive Officer



Hasan Ahmed
Director



M. Ramzan Sheikh
Director



Abdul Karim Memon
Chairman



Ali Wahab Siddiqui
Director



**Ahmed Abdul
Sattar**
Director



**Nadeem
Saulat Siddiqui**
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. Hasan Ahmed*
Mr. Ahmed Abdul Sattar*
Mr. Nadeem Saulat Siddiqui

CHIEF FINANCIAL OFFICER OF THE MANAGEMENT COMPANY

Mr. Muhammad Munir Abdullah

COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Mr. Muhammad Yaqoob

HEAD OF INTERNAL AUDIT OF THE MANAGEMENT COMPANY

Mr. Abdul Qadir Sultan

HEAD OF COMPLIANCE OF THE MANAGEMENT COMPANY

Mr. Rashid Ahmed

AUDIT COMMITTEE

Mr. M. Ramzan Sheikh (Chairman)
Mr. Hasan Ahmed (Member)
Mr. Ali Wahab Siddiqui (Member)
Mr. Abdul Qadir Sultan (Secretary)

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)
PACRA: AM3 (AM Three)

*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. Motiwala became the CEO of AKD Investment Management Limited in 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 20 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 beginnings 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 then 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.

Nadeem Saulat Siddiqui - Executive Director

Mr. Nadeem Saulat Siddiqui is currently serving as an Executive Director on the board of AKD Investment Management Limited. He joined the company back in October 2009 as General Manager Marketing and Sales, a position that required him to be actively involved in the boosting up the company's sales along with focusing on its marketing strategies. Prior to joining AKD Investment Management Limited, Mr. Siddiqui led Shaukat Khanum Memorial Cancer Hospital & Research Centre's fund collection drive as he held the position of In charge South - Manager Marketing & Resource Development there. Mr. Siddiqui holds an MBA in Marketing from College of Business Administration Lahore

Anum Dhedhi - Chief Investment Officer

Ms. Anum Dhedhi is currently working as a Chief Investment Officer at AKD Investment Limited. She has previously worked as an Economist at AKD Securities and worked under various capacities of research. At a very young age she has attained significant accomplishments in her career. She is also serving as a Director on the Board of Golden Arrow Selected Stocks Fund. She holds a BSc in Financial Economics Degree from the City University Of London, United Kingdom.

Muhammad Yaqoob - Chief Operating Officer & Company Secretary

Mr. Muhammad Yaqoob is currently working as the Chief Operating 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 and AKD Aggressive Income Fund (formerly AKD Income Fund). He also participates in the conversion of AKD Index Tracker Fund from a Closed-end scheme to an open-end scheme. He holds a Masters in Business Administration majors in Finance and a candidate of CFA Level III. He is also serving as a Director on the Boards of Pak Datacom Limited and BIAFO Industries Limited

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.

Abdul Qadir Sultan - Head of Internal Audit

Mr. Abdul Qadir Sultan is a Chartered Accountant by profession from the Institute of Chartered Accountants of Pakistan (ICAP). He completed his article ship from A.F. Ferguson and Co. (a member firm of Price Water House Coopers) one of the premier Chartered Accountancy firms in Pakistan. He also serves as a non-executive director at Javedan Corporation Limited and Agro General Insurance Limited. He is also a member of the Professional Accountants in Business (PAIB) Committee of ICAP. He has a working experience of more than 9 years in various diversified capacities.

Rashid Ahmed - Head of Compliance

Mr. Rashid Ahmed has more than 18 years of working experience in the financial sector. He has been associated with AKD Investment Management Limited since September 2004. Prior to taking over as the Head of Compliance, Mr. Ahmed was working in the Finance Department in the capacity of Senior Manager Accounts. His current duties include looking after pre and post compliance of all applicable rules and regulations, dealing with matters regarding taxation and application of new and existing laws to the Company. Mr. Rashid is a Commerce Graduate from the University of Karachi.

Carrow Michael - Head of Risk Management

Mr. Carrow Michael started his career with AKD Investment Management Limited in 2006 as an Operations Officer and since then he has served in different positions in Operations Department within the Company. He is currently serving as Head of Risk Management and is also a member of Investment Committee. Mr. Michael holds a Masters Degree in Business Administration in Finance from Khadim Ali Shah Bukhari Institute of Technology, Karachi. His areas of expertise include system development, customer support and information technology.

Danish Owais - Head of Research

He worked in various capacities in equity research and investment management. Mr. Danish is a seasoned finance professional with a through understanding of capital market. Prior to joining AKDIML in the capacity of Head of Research. He worked for two years as a financial analyst in world renowned Bank of America in its investment banking division. Mr. Owais holds a MSc. in Finance from Manchester Business school and is a CFA level III candidate.

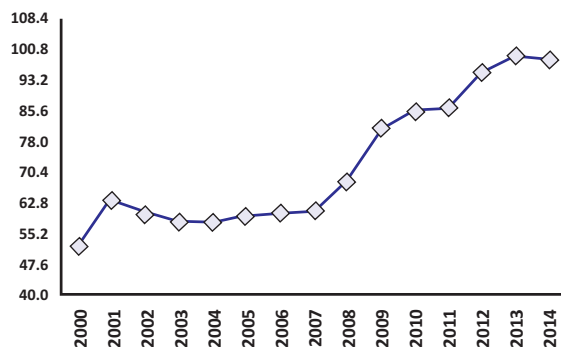
Report of the Directors of the Management Company

The Board of Directors of AKD Investment Management Limited, the Management Company of AKD Opportunity Fund, AKD Index Tracker Fund, AKD Cash Fund and AKD Aggressive Income Fund is pleased to present its report along with the financial statements for the financial year ended June 30, 2014.

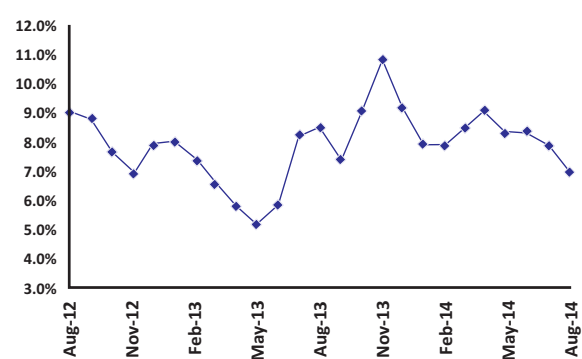
FY2014 saw the Government coming true on its promise to bring the country's economy back on track which resulted in a significant improvement in key economic indicators. A key highlight was improvement on the external account underpinned by the steep rise in the central bank's reserves to more than US\$14bn at the end FY2014, providing more than 3.5 months of import cover. Stability on the external account front received a positive response from Moody's in the form of an outlook upgrade on Pakistan's Sovereign Bonds from 'Negative' to 'Neutral'. However, rating of bonds was reaffirmed as CAA1. In the same vein, Pakistan's Current Account deficit clocked in at US\$2.9bn i.e. 1.2% of GDP, 17%YoY higher than the preceding year mainly due to rising imports, but manageable nonetheless.

Improvement on the external account front paved the way for a stronger PKR that appreciated by 0.16% vs. the US\$ during the year, with 6.8% appreciation witnessed during 3QFY14 alone. This arose on the back of US\$1.5bn assistance provided by Saudi Arabia, release of US\$2.2bn in four equal tranches by IMF from its US\$6.8bn support program approved in September 2013, proceeds of US\$2bn from the sale of sovereign Eurobonds issued at the beginning of April and US\$1.1bn from the auction of 3G & 4G licenses. That said, nascent pressure points have emerged where the ongoing political impasse has led to delays in release of IMF tranches and the proposed OGDC offering. These developments need monitoring since Pakistan's economy is still in recovery mode.

Exch Rate Trend US\$/PkR



Inflation Trend



CPI inflation clocked in at 8.6%YoY in FY14 compared to 7.4% in the same period last year. Inflation largely remained stable during the year barring few seasonal cost pressures in 1HFY14 including food supply disruptions and hike in electricity prices. The State Bank of Pakistan has so far prudently decided to maintain the Discount Rate at 10%. Monetary easing appears to be on the cards across the 2HFY14 but risks stem from sustainability of the reforms process.

On another positive note, FY14 GDP growth clocked in at 4.1% vs. 3.6% growth recorded in the preceding year with the manufacturing sector providing the much needed push. In this regard, private sector credit offtake during FY14 increased by 11%YoY with major chunk of fresh lending going to Food & Beverages, Textile, Energy and Agriculture Sectors. Consequently LSM registered a growth of 3.95%YoY for FY14 indicating improvement in the business environment of the country and confidence by the investors in the future. This was aided by the government's continued focus on energy reforms which is providing impetus to the manufacturing sector. Again however, sustainability of this uptick is dependent on a resolution to circular debt amidst continuing energy sector reforms.

STOCK MARKET REVIEW

The market maintained an upward trajectory in FY14 with the KSE-100 Index delivering another strong return of 41% after the 52% return witnessed in FY13. Last year's market performance was a result of re-rating on the back of positive economic developments and continued foreign flows in the bourses amidst a doubling of Pakistan's weight in the MSCI Frontier Market Index. At the same time, corporate profitability remained robust with key sectors E&P and Automobiles posting 36.14%YoY profit growth and 31%YoY growth, respectively, in 2014.

FY14 saw KSE-All Share volumes declined by 3.1%YoY to average 215mn shares/day while the average traded value increased by 14.8%YoY to PKR8.7bn. This contrast was due to investor focus shifting towards large cap stocks as blue chips led the rally. Taking a look at monthly index change shows that the index closed positive in eight months during FY14, with the highest monthly index change of 11% witnessed in the month of July. While giving some relief over the Capital Gains Tax rate (12.5% instead of scheduled 17.5%), the Government made up for this concession by increasing the duration of CGT upto 2 years, while also imposing a 5% tax on bonus share in Federal Budget FY15.

In a bid to provide buffer to the country's foreign exchange reserves, the Government of Pakistan shortlisted a total of 31 entities for the purpose of privatization. During the year under review, the Government successfully managed to conclude secondary public offerings of PPL and UBL, while OGDC's stake is likely to be offloaded through a mixture of GDRs and secondary public offering by the end of 1HFY15. HBL and ABL are among entities lined up for a near term transaction.

A total of three IPOs took place during FY14, all of which witnessed major crowd participation and were massively oversubscribed by the masses. Companies making fortunes as a result of the IPO fever included Avanceon, Hascol and Engro Fertilizers.

SECTORS

Banks: The banking industry in FY14 took full advantage of the opportunity presented by the Government to grow at an outstanding pace by investing in PIBs which now account for close to 30% of the sector's investment portfolio as compared to the previous 10yr average of 13%. Questions over banks' ability to maintain their margins due to minimum rate on deposit linked with Repo rate were countered by record highest participation in PIBs particularly in 2HFY14, with Banks accounting for 67.3% (PKR 2.17trn) in FY14 thus locking in a much higher rate. This, coupled with improving asset quality and a pickup in private sector credit, enabled the banking sector to counter the impact of tighter regulations on interest margins to post robust profits.

Oil & Gas: Oil sector fortunes fluctuated with the increased global geopolitical tensions during the year. Arab Light oil prices reached their highest levels (US\$112/bbl) since Sep'13 during the last week of Jun'14 due to tension in the Middle East, however price have retreated back to settle at US\$108/bbl in the first week of Jul'14. The price increase has been subdued, if compared to a similar crisis in 2011, mainly due to the rising production from the US which has decreased its reliance on crude imports. On the domestic front, FY14 petroleum product sales increased by 10%YoY to a record 21.4mn tons, with volumes aided by a one-off circular debt payment in late FY13.

Textiles: Textile exports surged to US\$13.74bn during FY14 compared to US\$13.05bn in the preceding year, with the increase partly attributable to the commencement of GSP Plus status granted to Pakistan by the European Union (EU). In this regard, textile exports to the EU registered an increase of 18%YoY to more than US\$5bn for the first time.

Cement: The cement industry in FY14 remained in the spotlight on the back of a high PSDP allocation in the FY15 Budget amidst moves towards expansion. The cement sector has gained 62.5% since last year's general elections, outperforming the overall market by more than 23%. Price of cement has been on the rise since July'13 due to major projects announced and strong local demand. Furthermore, profitability was augmented by the continued decline in the international coal prices.

Fertilizers: The fertilizer sector saw drastic changes where in January'14, GIDC rates on feedstock increased from PKR197/mmbtu to PKR300/mmbtu alongside a similar increase in GIDC rates for fuel stock. This matter has been brought to the courts where the Supreme Court has struck off GIDC since its inception. Although a positive, it remains to be seen whether the GOP re-imposes GIDC through a different manner. From a medium term perspective, the fertilizer industry continues to be plagued by gas shortages.

Telecoms: The Telecommunication sector of Pakistan witnessed some positive changes, punctuated by the 3G and 4G auction. Almost all cellular companies participated, opening a new era for the sector. Going forward, telecom sector profitability also depends on tapping into the broadband potential. Among the negatives is the recent breakup of the ICH mechanism (subject to appeals).

Electricity: During FY14, IPPs continued to face liquidity issues as the power purchaser failed to make timely payments. After a considerable decline in receivables as a result of circular debt clearance in Jun'13, power company receivables have piled up again. Medium-term dynamics of the electricity space involve coal conversion/setting up of new coal-based plants but require active regulatory support.

MONEY MARKET REVIEW

CPI Inflation was recorded at 7.4%, witnessing a decline of 0.8%. Additionally, keeping in view increasing pressure on foreign reserves due to IMF tranche delay and expectations of inflation uptick in coming months due to floods, SBP decided to maintain the discount rate at 10%. SBP raised the discount rate in November by 50bps citing the need to contain rising inflationary pressures and generate growth in domestic savings. However it is the need of the economy to cut the interest rate but pre-conditions set by the IMF to continue with the extended fund facility make it difficult for the SBP to cut the discount rate.

During FY14 SBP auctioned T-Bills and PIBs of various maturities. In total 26 T-Bills auctions were conducted during the year where the government managed to raise PKR 6.642trn, with the majority of the amount being raised in 2QFY14. The SBP conducted 12 PIBs auction in FY 14 and raised 2.083 trillion. The current year saw a rise in PIBs yields with the latest 3-year paper being auctioned at 12.59%, 5-year 12.99% and 10-year paper at 13.45%.

MUTUAL FUND INDUSTRY

The open end mutual fund industry closed at PKR386 billion during the year and experienced a 16.60%YoY growth. Money market funds on the other hand remained the dominant asset class closing at PKR114 billion for the year. In the year under review asset under management (AUM) of equity category witnessed the highest growth. AUM of equity funds grew by 43.5% during the year closing at PKR89 billion, exceeding income funds which closed the year at PKR65 billion, an increase of 18%YoY. Key reasons highlighting the change include the decline in baseline yields on the fixed income instruments, making both income and money market funds less attractive compared to equity funds.

FUNDS PERFORMANCE

AKD OPPORTUNITY FUND (AKDOF):

For the year ended June 30, 2014, AKDOF Posted a return of 48.24% vs. the KSE-100 Index return of 41.16%, a significant out performance of 7.08% against its benchmark. AKDOF posted a profit of PKR 305.138mn against a profit of 284.911mn in the same period last year.

AKD INDEX TRACKER FUND (AKDITF):

For the year ended June 30, 2014, AKDITF posted a return of 36.40% vs. KSE-100 Index of 41.16%. AKDITF posted a profit of PKR 11.044mn against a profit of PKR 50.720mn in the same period last year.

AKD CASH FUND (AKDCF):

For the year ended June 30, 2014, AKDCF posted a return of 8.77% vs. benchmark return of 8.44%, outperforming the benchmark by 0.33%. AKDCF posted a profit of PKR 41.336mn against a profit of PKR 23.513mn in the same period last year.

AKD AGGRESSIVE INCOME FUND (AKDAIF):

For the year ended June 30, 2014, AKDAIF posted a return of 5.41% vs. benchmark return of 10.16%, underperforming the benchmark by 4.75%. AKDAIF posted a profit of PKR 24.377mn against a profit of PKR 28.681mn in the same period last year.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- (a) The financial statements, prepared by the Management Company of the Funds, present fairly the state of affairs of the Fund, 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) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgments.
- (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 system of internal control is sound in design and has effectively implemented and monitored.
- (f) There are no doubts upon the Fund's ability to continue 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) Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- (i) Meeting of the Board of Directors of the Management Company are held at least once in every quarter. During the year seven meetings were held. Attendance of Directors in these meeting is as follows:

No.	Name of Director	Number of Meetings		
		Held	Attended	Leave Granted
1	Mr. Abdul Karim Memon	7	7	0
2	Mr. Imran Motiwala	7	7	0
3	Mr. Nadeem Saulat Siddiqui	7	7	0
4	Mr. Ali Wahab Siddiqui	7	7	0
5	Mr. Ahmed Abdul Sattar**	6	6	0
6	Mr. M. Ramzan Sheikh	7	0	7
7	Mr. Aurangzeb Ali Naqvi*	4	4	0
8	Mr. Hasan Ahmed**	3	3	0

* Mr. Aurangzeb Ali Naqvi tendered his resignation on December 30, 2013

** Mr. Ahmed Abdul Sattar and Mr. Hasan Ahmed appointed on August 6, 2013 and December 31, 2013 respectively.

- (j) There have been no trades in the units of the Funds carried out by the Directors, CEO, CFO, Company Secretary 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)
AKD Opportunity Fund				
1.	Mr. Nadeem Saulat Siddiqui	Executive Director	-	11,391

RATING OF THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Ltd. (PACRA) has assigned asset manager rating of 'AM3' (AM Three) to AKD Investment Management Limited (AKDIML) on September 26, 2014.

RATING OF FUNDS

AKD OPPORTUNITY FUND

The Pakistan Credit Rating Agency Ltd. (PACRA) has assigned 5-STAR ranking in long term and 4-STAR ranking in short term star ranking to AKD Opportunity Fund (AKDOF) based on performance review for the period ended December 31, 2013 (trailing 12 months for normal star ranking and trailing 36 months for long term star ranking) on April 8, 2014.

AKD CASH FUND

JCR-VIS Credit Rating Company Limited has reaffirmed the Fund Stability Rating (FSR) of AKD Cash Fund (AKDCF) at 'AA+(f)' (Double A Plus(f)) on September 26, 2014.

AKD AGGRESSIVE INCOME FUND

JCR-VIS Credit Rating Company Limited has reaffirmed the Fund Stability Rating (FSR) of AKD Aggressive Income Fund (AKDAIF) at 'BBB(f)' (Triple B(f)) on September 26, 2014.

PATTERN OF UNIT HOLDING

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 KPMG Taseer Hadi & Co., Chartered Accountants as the statutory auditors for AKD Opportunity Fund (AKDOF) and AKD Index Tracker Fund (AKDITF) for the year 2014-2015 as recommended by the audit committee.

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 2014-2015 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 2014-2015 as recommended by the audit committee.

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: September 27, 2014

Imran Motiwala
Chief Executive Officer

Contents

...▶	62	...▶	Fund Information
...▶	63	...▶	Fund Manager's Report
...▶	67	...▶	Details of Pattern of Holding (Units)
...▶	68	...▶	Trustee Report to the Unit Holders
...▶	69	...▶	Statement of Compliance with the Best Practices of the Code of Corporate Governance
...▶	72	...▶	Review Report to the Unit Holders on the Statement of Compliance with the Best Practices of the Code of Corporate Governance
...▶	73	...▶	Independent Auditors' Report to the Unit Holders
...▶	74	...▶	Statement of Assets and Liabilities
...▶	75	...▶	Income Statement
...▶	76	...▶	Statement of Comprehensive Income
...▶	77	...▶	Distribution Statement
...▶	78	...▶	Statement of Movement in Unit Holders' Fund
...▶	79	...▶	Cash Flow Statement
...▶	80	...▶	Notes to the Financial Statements

AKD Index Tracker 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

Bank Alfalah Limited
Bank Al-Habib Limited
Habib Metropolitan Bank Limited
KASB Bank Limited
MCB Bank Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No.2
Beaumont Road, Karachi.

LEGAL ADVISER

Sattar & Sattar
Attorneys -at -law
3rd Floor, UBL Building,
1.1 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
BMA Capital Management Limited
IGI Investment Bank Limited
The Bank of Punjab
Alfalah Securities (Private) Limited
Reliance Financial Products (Private) Limited
Bulls & Bulls (Private) Limited

RATING

Asset Management Company
PACRA: AM3 (AM-Three)

FUND MANAGER’S REPORT

i) Description of the Collective Investment Scheme Category and type:

Open end Scheme investing in Equity Securities of KSE-100 Index.

ii) Statement of Collective Investment Scheme's investment objective:

The Objective of the AKD Index Tracker Fund is to trail the return of KSE-100 Index and provide investors with a high quality, in-depth diversification instrument.

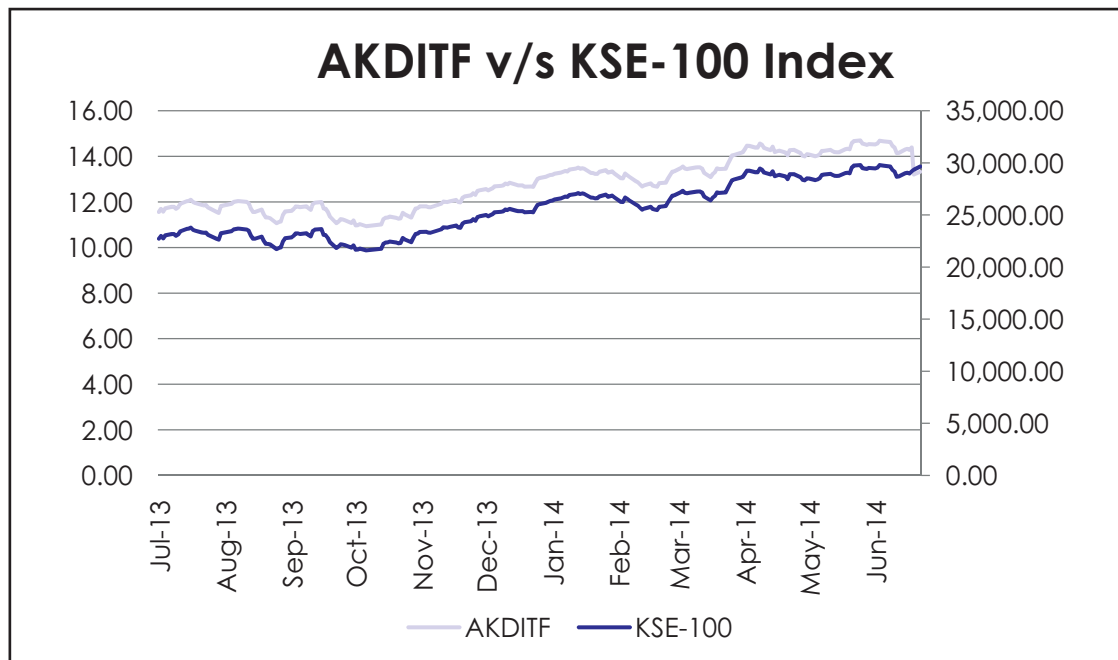
iii) Explanation as to whether Collective Investment Scheme achieved its stated objective:

For the FY14, the return of the AKD Index Tracker Fund stood at 36.40% versus the benchmark KSE-100 Index return of 41.16%, thus underperforming the benchmark by 4.76%.

iv) Statement of benchmark (s) relevant to the Collective Investment Scheme:

KSE-100 Index

v) Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmark:



Monthly Yield	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
AKD Index Tracker Fund	10.78%	-4.84%	-1.92%	4.06%	6.25%	3.48%	5.17%	-3.75%	4.95%	6.08%	2.78%	-0.46%
KSE-100 Index	10.98%	-4.94%	-1.48%	4.32%	6.70%	3.95%	6.03%	-3.74%	5.34%	6.45%	2.85%	-0.29%

vi) Description of the strategies and policies employed during the period under review in relation to the Collective Investment scheme's performance:

AKD Index Tracker Fund is a passively managed open end equity portfolio; its performance is directly linked to the performance of KSE-100 Index with up to 85% accuracy. The Fund

Manager attempts to trial the movement of the Index by using the weights of the respective stocks in the KSE-100 Index.

vii) Disclosure of Collective Investment Scheme's asset allocation as the date of the report and particulars of significant changes in asset allocation since the last report (if applicable)

Asset Allocation (% of Total Asset)	30 Jun-14	30 Jun-13
Equities	95.10%	92.66%
Cash	3.61%	7.09%
Other Assets	1.29%	0.26%
Leverage	Nil	Nil
TFCs	Nil	Nil

viii) Analysis of the collective investment scheme's performance

FY14 Return	36.40%
Benchmark	41.16%

ix) Changes in total NAV and NAV per unit since the last reviewed period;

Net Asset Value (Rupees in '000)		NAV per Unit (Rupees)		
30 Jun-14	30 Jun-13	Change	30 Jun-14	30 Jun-13
370,557	273,227	35.62%	13.32	12.96

x) Statement on the characteristics and general composition of the index:

AKD Index Tracker Fund tracks the returns of the KSE-100 Index with up to 85% accuracy, providing investors with high quality, in depth diversification instrument.

xi) Disclosure on the markets that the Collective Investment Scheme has invested in including-review of the market (s) invested in and returns during the period:

ECONOMY

The State Bank of Pakistan continued its monetary tightening stance by increasing the discount rate with the last rise of 50bps in Nov'13 to 10.00%, since then the discount rate has been sustained at this level on the back of stable macro-economic conditions underpinned by 7.4% CPI in August'14. However, economic growth has been under pressure owing to interest rates on the higher side and increased reliance of Government to borrow from banks. Hence, GDP has witnessed the growth of 4.1% than the forecast of 4.30%, significantly lower than our neighboring economies. SBP acknowledged the need of discount rate cut to provide the much needed impetus to the economy, but continued energy shortages, risk of uptick in inflation due to increase in perishable items prices and higher utilities charges, making discount cut decision in the current year difficult for SBP.

On the external account front, improvement was witnessed with the foreign reserves crossing \$14 billion mark in the backdrop of successful completion of 3G licenses auction, launching sovereign Eurobonds and release of part of IMF loan of \$6.6 billion in addition with the \$1.5 billion funding provided by Saudi Arabia. However, IMF tranches are dependent on Government coming true to its commitment to further increase electricity and gas tariffs along with macroeconomic stability, both will require courage and political maturity by the elected government. PKR stability is highly dependent on improved relations between US-Pak relations and resolution of the political noise.

Year on year growth in M2 has decelerated to 12.5 percent by end June 2014 -the lowest rate of monetary expansion during last three years. This was mainly due to a significant reduction in government borrowings for budgetary support from the banking system. International oil prices are expected to stay within a narrow band. International Commodities are in turmoil, with oil trading at low prices within a narrow band. Globally, World Bank has predicted an economic slowdown in the developed economies. This provides dual benefits to Pakistan as on one hand, our current account will benefit due to lower oil import bill and secondly, global investors will look to invest in markets offering higher yields.

Despite the continued political chaos putting the economic recovery in doldrums, the Government decision to go forward with the privatization of OGDCL with proceeds expected to be around \$800 million shows the commitment to structural reforms. In the short term, Government will face setbacks, but continued attention on bringing the economy on track by working on the reforms will reap fruits in the future. Securities listed on the Karachi Stock Exchange have continued to show resilience as broad market valuations remain attractive. With a population of almost 200 million, most of the listed equity securities continue to show strong growth coupled with pricing power to pass on the inflationary pressures. The Karachi Stock Exchange trades at an attractive P/E of 8.44x, EPS growth of 15% ROE of 21.98% and a dividend yield of 5.57%. While the benchmark KSE-100 continues to test new highs, our investment strategy would remain to focus on stocks with earnings growth potential while trading below its intrinsic value.

EQUITY MARKET

KSE-100 Index posted a return of 41% in FY14 compared to 52% return realized in FY13. The outstanding market performance observed last year is owed to the re-rating on the back of positive economic developments and continued foreign flows in the bourses amidst a doubling of Pakistan's weight in the MSCI Frontier Market Index. The high corporate profitability led to growth in key sectors such as E&P and Automobiles with a 36.14%YoY and 31%YoY profitability growth, respectively, in 2014. Due to increased investors' interest in large cap stocks in FY14, the average traded volume increased by 14.8%YoY to PKR8.7bn where as KSE-All Shares volume declined by 3.1%YoY to average 215mn shares/day. Observing monthly index changes, KSE-100 Index closed positive in eight months during FY14, with the highest monthly index change of 11% in the month of July. Another positive development in the market was witnessed when the FY15 Federal Budget provided some relief over the Capital Gains Tax rate (12.5% instead of the scheduled 17.5%). The Government, however, increased the duration of CGT up to 2 years for the concession in CGT.

Other key market developments include, the Government successfully kick-starting the dormant Privatization program after a tenure of seven years with secondary public offerings of UBL and PPL taking place. More offerings are to follow in FY15 with transactions for OGDCL, HBL and ABL expected to materialize.

FUTURE OUTLOOK

The Government's commitment towards eradicating terrorism is underpinned by the ongoing full scale military operation in Northern Waziristan. We believe this action will boost foreign investor's confidence going forward. Furthermore, change in Pakistan's outlook by rating agency Moody's from negative to stable has been a cherry on top. The current fiscal year saw KSE-100 index touching an all time high of 30,474.75 points, and now trades at a P/E of 8.44 times and an expected dividend yield of 5.57%. With the market trading at a 30% discount to its regional peers, we believe it has a substantial amount of potential waiting to be unleashed.

- xii) **Description and explanation of any significant changes in the state of the affairs of the Collective Investment Scheme during the period and up till the date of the Fund manager's report, not otherwise disclosed in the financial statements.**

There were no significant changes in the state of affairs during the year under review.

- xiii) **Disclosure on unit split (if any), comprising :**

There was no unit split during the year.

- xiv) **Break down of unit holdings by size:**

Range (Units)	No. of Investors
0.1 - 9,999	686
10,000 - 49,999	17
50,000 - 99,999	5
100,000 - 499,999	3
500,000 and above	1
	712

- xv) **Disclosure of circumstances that materially affect any interests of unit holders:**

Investments are subject to credit and market risk.

- xvi) **Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker (s) or dealers by virtue of transaction conducted by the Collective Investment Scheme:**

No soft commission has been received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

DETAILS OF PATTERN OF HOLDING (UNITS)

As At June 30, 2014

Particulars	Unit Holders	Unit Held	Percentage
Individuals	702	1,822,944	6.55%
Banks/DFIS	-	-	-
Retirement Funds	2	25,421,724	91.42%
Others	8	565,894	2.03%
Total	712	27,810,562	100.00%

TRUSTEE REPORT TO THE UNIT HOLDERS

AKD INDEX TRACKER 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 Index Tracker 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, 2014 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 15, 2014

Aftab Ahmed Diwan
Chief Operating 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:

1. 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 Sheikh Mr. Ali Wahab Siddiqui* Mr. Hasan Ahmed*
Executive Directors	Mr. Imran Motiwala - Chief Executive Officer Mr. Nadeem Saulat Siddiqui
Non Executive Directors	Mr. Ahmed Abdul Sattar* Mr. Abdul Karim Memon*

*Approval from SECP awaited

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

2. The directors of the Management Company have confirmed that none of them is serving as a director on more than seven listed companies, including this Management Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. 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.
4. A casual vacancy occurring on the Board on December 30, 2013 was filled up by the directors within the statutory period of 90 days. Applications have been filed with the Securities and Exchange Commission of Pakistan for the approval of the appointments of four directors of the Management Company under the Fit and Proper Criteria specified under the NBFC Regulation 2008. However the approval of the SECP is still awaited.
5. 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.
6. 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. The Directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. However, during the year no training programs were arranged for any of the Directors of the Management Company.
10. No new appointment of CFO and Company Secretary has been made during the year. However 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 CEO and CFO 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 Chairman of the Committee is an independent director.
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.
18. The Board has set up an effective Internal Audit function managed by qualified and experienced professionals who are conversant with the policies and procedures of the Company and Industry best practices. They are involved in the Internal Audit function on a full time basis. The Head of Internal Audit department functionally reports to the Audit Committee.
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 material principles enshrined in the CCG have been complied with, except that the Board put in place an annual evaluation mechanism of its own evaluation, which was approved by the Board in its meeting held on September 27, 2014.

For and on behalf of the Board

Karachi: September 27, 2014

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 enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of the Management Company of **AKD Index Tracker Fund** ("the Fund") for the year ended 30 June 2014 to comply with the listing regulation No. 35 of Karachi 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 Management Company 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 and to highlight any non compliance with the requirements of the Code. A review is limited primarily to inquiries of the Fund personnel and review of various documents prepared by the Fund 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 Fund's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price 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 Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement of Compliance:

Paragraph Reference	Description
9	No training programs were arranged for any of the directors of the Company during the year.
23	The mechanism for annual evaluation of the Board's performance as per the requirements of the Code of Corporate Governance was approved by the Board on September 27, 2014.

Furthermore, we draw attention to paragraph 4 of the Statement regarding the approval of directors, which is currently pending with the Securities and Exchange Commission of Pakistan.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the Financial Statements

We have audited the accompanying financial statements of **AKD Index Tracker Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2014 and the related income statement, statement of comprehensive income, distribution statement, statement of movement in Unit Holders' fund, cash flow statement, for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the management determines is necessary to enable the preparation of the 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 auditing standards as applicable in Pakistan. 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 our 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, we consider 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 affairs as at 30 June 2014 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 have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Karachi: September 27, 2014

KPMG Taseer Hadi & Co.
Chartered Accountants
Aryn Pirani

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2014

	Note	2014 (Rupees in '000)	2013
ASSETS			
Bank balances	4	14,056	17,361
Investments	5	356,471	253,172
Receivable against sale of investment (subsequently cleared)		1,093	2,990
Dividend and other receivables	6	621	393
Security deposits	7	2,600	2,600
Total Assets		374,841	276,516
LIABILITIES			
Remuneration payable to the Management Company	8	227	176
Remuneration payable to the Trustee	9	60	57
Annual fee payable to the Securities and Exchange Commission of Pakistan	10	308	217
Amount payable on redemption of units (subsequently paid)		55	-
Accrued expenses and other liabilities	11	979	410
Provision for Workers' Welfare Fund	12	2,033	1,807
Unclaimed dividend		622	622
Total Liabilities		4,284	3,289
Contingencies and Commitments	21		
Net Assets		370,557	273,227
Unit holders' fund (as per statement attached)		370,557	273,227
		(Number of Units)	
Number of units in issue	13	27,810,562	21,089,664
		(Rupees)	
Net assets value per unit (face value per unit Rs. 10/-)		13.32	12.96

The annexed notes from 1 to 22 form an integral part of these financial statements.

For AKD Investment Management Limited
(Management Company)

Imran Motiwala
Chief Executive Officer

Ahmed Abdul Sattar
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

Income	Note	2014 (Rupees in '000)	2013
Investment income			
Gain on sale of 'available for sale investments' - net		8,831	40,225
Dividend income from available for sale investments		17,049	14,173
Profit on bank balances		846	301
		26,726	54,699
Other Income		-	70
		26,726	54,769
Expenses			
Remuneration to the Management Company	8	2,431	1,710
Remuneration to the Trustee	9	706	700
Annual fee to the Securities and Exchange Commission of Pakistan	10	308	217
Bank charges		5	4
Auditors' remuneration	14	266	306
Other expenses	15	1,476	708
		5,192	3,645
Net income from operating activities		21,534	51,124
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed - net		(10,265)	631
Provision for Workers' Welfare Fund	12	(225)	(1,035)
Net income for the year before taxation		11,044	50,720
Taxation		-	-
Net income for the year after taxation		11,044	50,720

The annexed notes from 1 to 22 form an integral part of these financial statements.

For AKD Investment Management Limited
(Management Company)

Imran Motiwala
Chief Executive Officer

Ahmed Abdul Sattar
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2014

	2014 (Rupees in '000)	2013
Net income for the year	11,044	50,720
Other comprehensive income for the year		
<i>Items that will be reclassified subsequently to income statement</i>		
Unrealised appreciation during the year in the fair value of investments classified as 'available for sale' - net	78,041	37,622
Total comprehensive income for the year	89,085	88,342

The annexed notes from 1 to 22 form an integral part of these financial statements.

Imran Motiwala
Chief Executive Officer

For AKD Investment Management Limited
(Management Company)

Ahmed Abdul Sattar
Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	2014 (Rupees in '000)	2013
Deficit at beginning of the year (realised)	(37,095)	(77,193)
Final distribution: bonus units issued for the year ended 30 June 2013 at the rate of Rs. 2.25 per unit distributed on 08 July 2013 (2013 : Bonus units issued for the year ended 30 June 2012 at the rate of Rs. 0.47 per unit distributed on 09 July 2012)	(47,452)	(9,547)
Interim distribution: bonus units issued for the year ended 30 June 2014 at the rate of Rs. 1.25 per unit distributed on 26 June 2014	(31,726)	-
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - amount representing unrealised capital gains / (losses) that form part of the unit holders' fund	15,474	(1,075)
Net income for the year	11,044	50,720
	(52,660)	40,098
Deficit at end of the year (realised)	(89,755)	(37,095)

The annexed notes from 1 to 22 form an integral part of these financial statements.

For AKD Investment Management Limited
(Management Company)

Imran Motiwala
Chief Executive Officer

Ahmed Abdul Sattar
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2014

	2014 (Rupees in '000)	2013
Net assets at beginning of the year	273,227	188,660
Amount received on issue of 7,870,816* (2013: 1,363,624) units	12,843	2,721
Amount paid on redemption of 1,149,918 (2013: 587,181) units	(14,863)	(5,865)
	(2,020)	(3,144)
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed - amount representing element of loss / (income) and realised capital losses / (gains) transferred to income statement	10,265	(631)
Total comprehensive income for the year	89,085	88,342
Net assets at end of the year	370,557	<u>273,227</u>
	----- (Rupees) -----	
Ex-distribution net asset value per unit as at the beginning of the year	10.71	<u>8.82</u>
Net asset value per unit as at the end of the year (face value per unit Rs. 10/-)	13.32	<u>12.96</u>

* This includes 6,866,120 (2013: 1,082,757) units issued as bonus units during the year.

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

Imran Motiwala
Chief Executive Officer

Ahmed Abdul Sattar
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	2014 (Rupees in '000)	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	11,044	50,720
Adjustments for non cash items:		
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed - net	10,265	(631)
	21,309	50,089
(Increase) / decrease in assets		
Investments	(25,258)	(29,845)
Receivable against sale of securities	1,897	(2,990)
Dividend and other receivables	(228)	40
	(23,589)	(32,795)
Increase / (decrease) in liabilities		
Remuneration payable to the Management Company	51	61
Remuneration payable to the Trustee	3	-
Annual fee payable to the Securities and Exchange Commission of Pakistan	91	44
Payable against redemption of units	55	-
Accrued expenses and other liabilities	569	112
Provision for Workers' Welfare Fund	226	1,035
	995	1,252
Net cash (used in) / generated from operating activities	(1,285)	18,546
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received on issuance of units	12,843	2,721
Cash paid on redemption of units	(14,863)	(5,865)
Net cash used in financing activities	(2,020)	(3,144)
Net (decrease) / increase in cash and cash equivalents during the year	(3,305)	15,402
Cash and cash equivalents at beginning of the year	17,361	1,959
Cash and cash equivalents at end of the year	14,056	17,361

The annexed notes from 1 to 22 form an integral part of these financial statements.

For AKD Investment Management Limited
(Management Company)

Imran Motiwala
Chief Executive Officer

Ahmed Abdul Sattar
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

AKD Index Tracker Fund ("The Fund") was established under a Trust Deed executed between AKD Investment Management Limited (AKDIML) as Asset Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 02 May 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 12 April 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Fund is registered as notified entity under Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The Management Company of the Fund has obtained a license to act as an Asset Management Company under the NBFC Rules from SECP. Registered office of the Management Company is situated at Continental Trade Centre, Block-8, Clifton, Karachi, in the province of Sindh.

The Fund is an open-end mutual fund and is listed on the Karachi Stock Exchange Limited. Its units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering the same to the Fund. Title to the assets of Fund is held in the name of Central Depository Company Limited as a trustee of the Fund.

The Fund is categorised as Index Tracker Scheme as per circular 7 of 2009 by SECP. As per the circular, the Fund shall strive to remain fully invested in accordance with the stated index (i.e. KSE-100 index), however, under no circumstances shall it be invested less than 85% of its net assets in securities covered in the index or its subsets during the year based on monthly average investment calculated on daily basis. The uninvested amount shall be kept in cash and / or near cash instrument where near cash instrument include cash in bank account (excluding TDRs), and treasury bills not exceeding 90 days maturity.

The Pakistan Credit Rating Agency Ltd.(PACRA) has assigned an asset manager rating of 'AM3' to the management company on 26 September 2014.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These financial statements of the Fund as at and for the year ended 30 June 2014 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, provisions of and directives issued under the Companies Ordinance, 1984, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations). In case the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the requirements of the Rules and the Regulations shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments are measured at fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand rupees.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment are as follows:

- Classification and fair valuation of investments (note 3.1 and 18)
- Taxation (note 3.6 and 16)
- Workers Welfare Fund liability (note 12)
- Impairment of other assets (note 3.13)

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Fund's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Fund's financial statements.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Fund's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.
- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have

interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a Fund can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:
 - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
 - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
 - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
 - Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
 - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements:

3.1 Investments

3.1.1 All investments are initially recorded at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of held for trading investments, in which case the transaction costs are charged off to the income statement.

3.1.2 The Fund classifies its investments in the following category:

Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or are not classified as at fair value through profit or loss, loans and receivable or held to maturity. These financial assets are intended to be held for an indefinite period of time which may be sold in response to need for liquidity or changes in prices (or to meet the statutory limits). These are initially measured at cost which is the quoted bid price at stock exchange at the date when the Fund commits to purchase the investment plus transaction costs that are directly attributable to the acquisition of the investments. Subsequent to initial recognition, 'available for sale' investments are measured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity until the available for sale investment is derecognised or when the investments are considered to be impaired. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement for the year.

3.1.3 Trade date accounting

All regular way of purchases and sales of investments are recognised on the trade date i.e. the date the Fund commits to purchase / sell the investments.

3.2 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received. The offer price represents the net assets value of units at the end of the day plus the allowable sales load, if any. The sales load is payable to the Distribution Companies and the Management Company as processing fee.

Units redeemed are recorded at the redemption price prevalent on the day on which the units are redeemed. The redemption price represents the net assets value at the end of the day.

3.3 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed

To prevent the dilution of per unit income and distribution of income already paid out on redemption, as dividend, an equalisation account called "element of income and capital gains included in prices of units sold less those in units redeemed" is created.

Element of income is recognised in the income statement for the year to the extent that it is represented by income earned during the year.

3.4 Provisions

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

3.5 Net asset value per unit

The net asset value (NAV) per unit as disclosed in the statement of assets and liabilities of the Fund is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

3.6 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its income excluding realised and unrealised capital gains for the year is distributed amongst the unit holders.

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

3.7 Offsetting of financial instruments

Financial assets and liabilities are only 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 recognised amounts and the Fund intends either to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

3.8 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Fund loses control of the contractual rights that comprises that financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. The particular recognition method adopted for measurement of financial liabilities investments subsequent to initial recognition is disclosed in the individual policy statement associated with each item.

3.9 Impairment of Financial assets

The carrying amount of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events has had a negative effect on the estimated future cash flows of the asset. If such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement for the year except as described below.

For available-for-sale financial investments, the company assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is removed from equity and recognised in the income statement for the year. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in income statement for the year.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate.

3.10 Dividend distributions and appropriations

Dividend distributions (including the bonus units) are recorded in the period in which the distributions are approved. 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.

3.11 Revenue recognition

- Gains and losses arising on sale of investments are included in the income statement for the period in which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as 'available for sale' are included in the other comprehensive income in the period in which they arise.
- Dividend income is recognised in the income statement for the year when the right to receive the dividend is established. For quoted equity securities this is the ex-dividend date.
- Mark up on bank deposits are recognised on time proportionate basis at the implicit rate of return.

3.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of balances with the banks and deposits with bank having original maturities of three months or less.

3.13 Other assets

Other assets are stated at cost less impairment losses, if any.

		30 June 2014	30 June 2013
		(Rupees in '000)	
4. BANK BALANCES			
Profit and loss saving accounts	4.1	13,420	16,723
Current accounts		636	638
		<u>14,056</u>	<u>17,361</u>

- 4.1 These represents profit and loss sharing accounts maintained with various banks carrying profit rates ranging from 7% to 8.5% (30 June 2013: 6% to 10.5%) per annum.

5. INVESTMENTS

***Investments in securities
classified as 'available for sale'***

Listed equity securities	5.1	<u>356,471</u>	<u>253,172</u>
--------------------------	-----	----------------	----------------

5.1 Listed equity securities - available for sale

Sectors / companies (Ordinary shares have a face value of Rs. 10 each unless stated otherwise)	Holding at beginning of the year 1st July 2013	Acquired during the year	Bonus / right shares received during the year	Disposed during the year	Holding at end of the year 30 June 2014	Cost as of	Market	Percentage in relation to total market value of Investment
						the year ended 30 June 2014	value as at 30 June 2014	
						(a)	(b)	
		----- Number of Shares -----				----- (Rupees in '000) -----		
Oil and Gas								
Attock Refinery Limited	7,019	600	-	500	7,119	989	1,511	0.42
National Refinery Limited	5,960	300	-	100	6,160	1,321	1,327	0.37
Attock Petroleum Limited	3,250	-	650	-	3,900	915	2,300	0.65
Pakistan State Oil Company Limited	27,051	1,500	2,755	1,000	30,306	4,842	11,784	3.31
Shell Pakistan Limited	3,961	-	990	-	4,951	432	1,368	0.38
Mari Petroleum Company Limited	4,354	-	-	-	4,354	275	1,626	0.46
Oil and Gas Development Company Limited - note 5.2	151,522	8,950	-	6,700	153,772	18,553	40,178	11.27
Pakistan Oilfields Limited	25,854	1,200	-	800	26,254	8,600	15,078	4.23
Pakistan Petroleum Limited	81,742	4,600	16,908	4,600	98,650	9,132	22,131	6.21
						45,059	97,303	
Chemicals								
Dawood Hercules Corporation Limited	40,046	2,000	-	1,500	40,546	1,416	2,830	0.79
Engro Corporation Limited	60,994	10,400	-	9,400	61,994	6,315	11,067	3.10
Fauji Fertilizer Bin Qasim Limited	77,951	4,000	-	3,000	78,951	2,519	3,140	0.88
Fauji Fertilizer Company Limited	167,850	9,300	-	6,900	170,250	15,156	19,111	5.36
ICI Pakistan Limited	3,238	-	-	-	3,238	471	1,264	0.35
Lotte Chemical Pakistan Limited	87,452	5,000	-	-	92,452	652	665	0.19
Archroma Pakistan Limited	1,690	-	-	-	1,690	230	556	0.16
Arif Habib Corporation Limited	21,437	5,000	-	-	26,437	570	736	0.21
Agritech Limited	-	10,000	-	-	10,000	118	103	0.03
Engro Fertilizer Limited	-	5,559	-	5,559	-	-	-	-
Fatima Fertilizer Company Limited	75,434	-	-	-	75,434	1,078	2,188	0.61
						28,525	41,660	
Forestry (Paper and Board)								
Century Paper & Board Mills Limited	-	11,500	-	-	11,500	683	613	0.17
Security Papers Limited	3,500	-	700	4,200	-	-	-	-
						683	613	
Industrial Metals and Mining								
International Industries Limited	11,500	-	-	100	11,400	371	564	0.16
International Steels Limited	25,000	12,000	-	-	37,000	589	853	0.24
						960	1,417	

Sectors / companies (Ordinary shares have a face value of Rs. 10 each unless stated otherwise)	Holding at beginning of the year 1st July 2013	Acquired during the year	Bonus / right shares received during the year	Disposed during the year	Holding at end of the year 30 June 2014	Cost as of the year ended 30 June 2014	Market value as at 30 June 2014	Percentage in relation to total market value of Investment
	----- Number of Shares -----					(a)	(b)	
						----- (Rupees in '000) -----		
Construction and Materials(Cement)								
D.G. Khan Cement Company Limited	57,537	3,000	-	2,500	58,037	2,210	5,105	1.43
Cherat Cement Company Limited	14,500	-	1,450	-	15,950	726	1,044	0.29
Javedan Corporation Limited	2,500	-	-	-	2,500	225	157	0.04
Lucky Cement Limited	30,848	1,500	-	1,000	31,348	3,173	12,862	3.61
Attock Cement Pakistan Limited	4,597	-	689	-	5,286	211	834	0.23
Lafarge Pakistan Cement Limited	94,000	-	-	5,500	88,500	547	1,414	0.40
Maple Leaf Cement Factory Limited	-	43,500	-	-	43,500	1,149	1,307	0.37
Fauji Cement Company Limited	175,500	6,000	-	3,500	178,000	1,340	3,425	0.96
Kohat Cement Company Limited	-	10,500	-	-	10,500	1,091	1,342	0.38
						10,672	27,490	
General Industrials								
Siemens (Pakistan) Engineering Company Limited	578	-	-	90	488	359	613	0.17
Packages Limited	6,917	1,700	-	1,500	7,117	1,351	3,569	1.00
Ghani Glass Limited	8,185	-	409	-	8,594	390	464	0.13
Tri-Pack Films Limited	2,079	-	-	2,079	-	-	-	-
Thal Limited (Face value Rs. 5/- each)	5,721	1,000	-	-	6,721	513	1,394	0.39
						2,613	6,040	
Electronic & Electrical Goods								
Pakistan Cables Limited	1,500	-	-	-	1,500	107	150	0.04
Engineering								
Millat Tractors Limited	3,767	150	376	-	4,293	1,438	2,143	0.60
Industrial Transportation								
Pakistan International Container Terminal Limited	1,238	-	-	-	1,238	97	354	0.10
Pakistan International Bulk Terminal Limited	3,369	-	-	3,369	-	-	-	-
						97	354	
Support Services								
TRG Pakistan Limited	84,161	7,000	-	1,700	89,461	582	1,255	0.35

Sectors / companies (Ordinary shares have a face value of Rs. 10 each unless stated otherwise)	Holding at beginning of the year 1st July 2013	Acquired during the year	Bonus / right shares received during the year	Disposed during the year	Holding at end of the year 30 June 2014	Cost as of the year ended 30 June 2014		Market value as at 30 June 2014	Percentage in relation to total market value of Investment
						(a)	(b)		
	----- Number of Shares -----					----- (Rupees in '000) -----			
Automobile and Parts									
Indus Motor Company Limited	4,577	100	-	-	4,677	795	2,516		0.71
Agriauto Industries Limited	3,000	-	-	3,000	-	-	-		-
Atlas Honda Limited	-	2,100	-	-	2,100	636	483		0.14
Pak Suzuki Motor Company Limited	5,110	-	-	-	5,110	329	1,400		0.39
						1,760	4,399		
Beverages									
Shezan International Limited	-	800	-	-	800	695	720		0.20
Murree Brewery Company Limited	2,198	80	219	-	2,497	348	2,346		0.66
						1,043	3,066		
Food Producers									
Nestle Pakistan Limited	531	-	-	-	531	666	4,333		1.22
National Foods Limited	3,400	2,200	850	1,000	5,450	2,199	4,368		1.23
Rafhan Maize Products Co. Limited	95	-	-	-	95	140	1,121		0.31
JDW Sugar Mills Limited	7,050	-	-	-	7,050	661	1,391		0.39
Engro Foods Limited	27,300	1,000	-	409	27,891	1,405	2,860		0.80
						5,071	14,073		
Personal Goods (Textile)									
Nishat Mills Limited	41,447	2,500	-	1,500	42,447	2,309	4,751		1.33
Nishat (Chunian) Limited	19,000	-	1,900	-	20,900	728	886		0.25
Azgard Nine Limited	68,000	-	-	-	68,000	514	405		0.11
Bata Pakistan Limited	406	-	-	-	406	207	1,314		0.37
Colgate Palmolive (Pakistan) Limited	1,042	-	104	-	1,146	366	2,001		0.56
Kohinoor Textile Mills Limited	-	45,000	-	500	44,500	1,319	1,056		0.30
						5,443	10,413		
Tobacco									
Pakistan Tobacco Company Limited	2,840	-	-	-	2,840	132	3,593		1.01
Pharma and Bio Tech									
Abbott Laboratories (Pakistan) Limited	4,625	200	-	-	4,825	491	2,761		0.77
GlaxoSmithKline (Pakistan) Limited	10,712	-	1,071	-	11,783	503	1,956		0.55
						994	4,717		

Sectors / companies (Ordinary shares have a face value of Rs. 10 each unless stated otherwise)	Holding at beginning of the year 1st July 2013	Acquired during the year	Bonus / right shares received during the year	Disposed during the year	Holding at end of the year 30 June 2014	(a) (b)		Percentage in relation to total market value of Investment
						Cost as of the year ended 30 June 2014	Market value as at 30 June 2014	
----- Number of Shares -----						----- (Rupees in '000) -----		
Travel and Leisure								
Pakistan Services Limited	3,400	2,800	-	-	6,200	1,917	3,046	0.85
Fixed Line Telecommunication								
Pakistan Telecommunication Company Limited "A"	139,457	8,000	-	4,200	143,257	1,630	3,649	1.02
Electricity								
Hub Power Company Limited	193,941	19,500	-	4,000	209,441	9,634	12,302	3.45
Kot Addu Power Company Limited	304	108,000	-	-	108,304	6,845	6,394	1.79
K-Electric Limited (Face value Rs. 3.5/- each)	661,148	30,000	-	19,000	672,148	3,482	5,707	1.60
Nishat Chunian Power Limited	35,165	2,000	-	2,000	35,165	667	1,334	0.37
Nishat Power Limited	33,630	2,000	-	1,500	34,130	607	1,214	0.34
Pakgen Power Limited	-	35,000	-	-	35,000	697	631	0.18
Kohinoor Energy Limited	16,000	-	-	-	16,000	375	663	0.19
						22,307	28,245	
Multiutilities (Gas & Water)								
Sui Northern Gas Pipelines Limited	29,670	8,000	-	-	37,670	587	853	0.24
Sui Southern Gas Company Limited	41,343	-	-	-	41,343	487	1,516	0.43
						1,074	2,369	
Commercial Banks								
Allied Bank Limited	24,693	-	2,469	-	27,162	963	3,731	1.05
Askari Bank Limited	24,557	126,256	-	60,500	90,313	1,292	1,717	0.48
Askari Bank Limited - LoR	-	38,256	-	38,256	-	-	-	-
Bank Al Habib Limited	144,891	7,000	14,789	5,033	161,647	3,708	7,270	2.04
Bank Al-Falah Limited	161,305	8,000	-	6,500	162,805	2,175	4,477	1.26
Bank Of Khyber	16,000	27,000	4,781	47,781	-	-	-	-
BankIslami Pakistan Limited	56,000	-	-	56,000	-	-	-	-
Faysal Bank Limited	76,542	4,000	10,067	2,500	88,109	589	1,423	0.40
Habib Bank Limited	31,849	1,500	3,234	1,000	35,583	2,860	6,896	1.93
Habib Metropolitan Bank Limited	100,068	14,500	-	-	114,568	2,276	3,688	1.03

Sectors / companies (Ordinary shares have a face value of Rs. 10 each unless stated otherwise)	Holding at beginning of the year 1st July 2013	Acquired during the year	Bonus / right shares received during the year	Disposed during the year	Holding at end of the year 30 June 2014	(a) (b)		Percentage in relation to total market value of Investment
						Cost as of the year ended 30 June 2014	Market value as at 30 June 2014	
		----- Number of Shares -----				----- (Rupees in '000) -----		
JS Bank Limited	76,500	-	-	76,500	-	-	-	-
JS Bank Limited - Preference Shares (LoR)	-	10,699	-	10,699	-	-	-	-
MCB Bank Limited	97,080	4,800	9,778	4,100	107,558	15,315	32,412	9.09
Meezan Bank Limited	24,032	500	-	-	24,532	271	1,061	0.30
National Bank of Pakistan Limited	120,918	6,000	-	4,000	122,918	4,165	7,649	2.15
NIB Bank Limited	367,336	10,000	-	1,000	376,336	670	839	0.24
Soneri Bank Limited	190,725	11,500	20,222	11,000	211,447	1,123	2,698	0.76
Standard Chartered Bank (Pakistan) Limited	45,598	-	-	-	45,598	365	1,106	0.31
The Bank Of Punjab	119,718	122,941	-	106,000	136,659	1,434	1,244	0.35
The Bank Of Punjab - LoR	-	52,941	-	52,941	-	-	-	-
United Bank Limited	73,190	17,000	-	31,801	58,389	4,415	9,842	2.76
						41,621	86,053	
Non Life Insurance								
Adamjee Insurance Company Limited	20,309	1,000	38,981	1,850	58,440	1,320	2,675	0.75
EFU General Insurance Limited	15,782	1,000	4,418	-	21,200	1,095	2,600	0.73
Jubilee General Insurance Company Limited	7,952	-	1,192	-	9,144	231	791	0.22
Pakistan Reinsurance Company Limited	33,826	-	-	-	33,826	687	876	0.25
IGI Insurance Limited	8,952	-	895	-	9,847	590	2,242	0.63
						3,923	9,184	
Life Insurance								
EFU Life Assurance Limited	5,784	-	-	-	5,784	270	588	0.16
Real Estate Investment And Services								
Pace (Pakistan) Limited	31,539	-	-	-	31,539	63	126	0.04
Financial Services								
Jahangir Siddiqui & Company Limited	99,503	-	-	-	99,503	958	1,039	0.29
Equity Investment Instruments								
Allied Rental Modaraba	-	2,500	-	-	2,500	133	142	0.04
PICIC Growth Fund	54,012	-	-	-	54,012	837	1,714	0.48
JS Growth Fund	30,000	3,000	-	33,000	-	-	-	-
						970	1,856	

Sectors / companies (Ordinary shares have a face value of Rs. 10 each unless stated otherwise)	Holding at beginning of the year 1st July 2013	Acquired during the year	Bonus / right shares received during the year	Disposed during the year	Holding at end of the year 30 June 2014	(a) (b)		Percentage in relation to total market value of Investment	
						----- (Rupees in '000) -----			
	----- Number of Shares -----								
Software And Computer Services									
Netsol Technologies Limited	3,990	3,000	399	-	7,389	<u>143</u>	<u>216</u>	0.06	
Health Care Equipment & Services									
Shifa International Hospital Limited	2,000	1,400	-	-	3,400	<u>268</u>	<u>492</u>	0.14	
Media									
Hum Network Limited	4,000	-	3,560	-	7,560	<u>110</u>	<u>803</u>	0.23	
Technology Hardware & Equipment									
TPL Trakker Limited	10,000	-	-	-	10,000	<u>81</u>	<u>83</u>	0.02	
Household Goods									
Feroze 1888 Mills Limited	-	500	-	-	500	<u>35</u>	<u>36</u>	0.01	
Total as at 30 June 2014						<u>180,549</u>	<u>356,471</u>		
Total as at 30 June 2013						155,291	253,172		

5.2 These include 100,000 shares having market value of Rs. 26.128 million of Oil and Gas Development Company Limited as pledged with National Clearing Company of Pakistan Limited as on 30 June 2014.

5.3 Unrealised gain on revaluation of available for sale investments are as follows:

	30 June 2014	30 June 2013
	(Rupees in '000)	
Balance as of 01 July	97,881	60,259
Unrealised gain for the year	82,789	62,761
Unrealised gain recognised in the income statement on sale - net	(4,748)	-
Balance as of 30 June, recognised directly into unit holders' fund (difference of column a and b in the above table)	175,923	97,881

6. DIVIDEND AND OTHER RECEIVABLES

Dividend receivables	6.1	544	270
Profit receivable on bank balances	6.1	67	112
Others		10	11
		621	393

6.1 Received subsequent to the year end.

7. SECURITY DEPOSITS

National Clearing Company of Pakistan Limited		2,500	2,500
Central Depository Company of Pakistan Limited		100	100
		2,600	2,600

8. REMUNERATION TO THE MANAGEMENT COMPANY

The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding three percent per annum of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent per annum of such assets of the Fund. Currently, the Management Fee is charged @ 0.75% of the average daily net assets of the Fund (2013: 0.75%). This amount was settled subsequent to the year end.

Balance at beginning of the year		176	115
Remuneration for the year		2,431	1,710
Paid during the year		(2,380)	(1,649)
Balance at end of the year		227	176

9. REMUNERATION TO THE TRUSTEE

The Trustee is entitled to monthly remuneration for services under the provision of Trust Deed.

Net assets up to Rs. 1 billion

Rs. 0.7 million or 0.20% per annum of the daily average net assets of the Fund, which ever is higher.

Net assets exceeding Rs. 1 billion

Rs. 2 million plus 0.10% per annum of the daily average net assets of the Fund exceeding Rs. 1 billion.

	30 June 2014	30 June 2013
	(Rupees in '000)	
Balance at beginning of the year	57	57
Remuneration for the year	706	700
Paid during the year	(703)	(700)
Balance at end of the year	60	57

10. ANNUAL FEE TO THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to the Securities and Exchange Commission of Pakistan (SECP) in accordance with Rule 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, whereby the Fund is required to pay annual fee to SECP at the rate of 0.095% of the average daily net assets of the Fund.

Balance at beginning of the year	217	173
Remuneration for the year	308	217
Paid during the year	(217)	(173)
Balance at end of the year	308	217

11. ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration		239	250
Sales tax payable on Management Company's remuneration	11.1	42	31
Federal Excise Duty	11.2	406	17
Other liabilities		292	112
		979	410

11.1 During the current year, an amount of Rs. 0.451 million was charged on account of sales tax on Management fee levied through Sindh Sales Tax on Services Act, 2011. As at year end, sales tax on Management Company remuneration of Rs. 0.042 million was due, which was paid subsequent to the year end to the Management Company, who then paid it to the Government of Sindh.

11.2 The Finance Act, 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. However MUFAP has filed a petition in the Sindh High Court (SHC) challenging the levy of FED on assets management services. The SHC in its short order of September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to maintain the provision for FED amounting to of Rs. 0.406 million as at 30 June 2014. Had the said provision of FED not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re. 0.01 / 0.11%.

12. 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 Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

During the year 2011, a single bench of the 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. However, in the month of 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 and overruled a single-member LHC bench judgement issued in August 2011. However, the Honourable Peshawar High Court on 29 May 2014 on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

However, as per the advice of legal counsel of MUFAP, the stay granted to CIS (as mentioned in the first paragraph) remains intact and the constitution petitions filed by the CIS to challenge the Workers Welfare Fund contribution have not been affected by the SHC judgment.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of prudence and abundant caution, has decided to make provision for WWF amounting to Rs. 2.033 million up to 30 June 2014.

Had the above recognition not been made, the net assets value per unit of the Fund would be higher by Re. 0.07 / 0.55%.

13. NUMBER OF UNITS IN ISSUE

Total outstanding at beginning of the year
Issued during the year
Bonus units issued during the year
Redemptions during the year
Total units in issue at the end of the year

30 June
2014 30 June
2013
(Numbers)

21,089,664	20,313,221
1,004,696	280,867
6,866,120	1,082,757
(1,149,918)	(587,181)
27,810,562	21,089,664

Face value of the unit is Rs. 10 each.

14. AUDITORS' REMUNERATION

Statutory audit
Half-yearly review
Review of code of corporate governance
Out of pocket expenses

(Rupees in '000)

175	160
50	45
25	25
16	76
266	306

15. OTHER EXPENSES	30 June 2014	30 June 2013
	(Rupees in '000)	
Printing and stationery	281	168
National Clearing Company of Pakistan Limited charges	206	190
Central Depository Company of Pakistan Limited charges	9	12
Karachi Stock Exchange listing fee	40	40
Fees and subscription	100	5
Sales tax on Management Company's remuneration	451	276
11.1		
Federal excise duty	389	17
11.2		
	1,476	708

16. 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 Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, accordingly, no provision for taxation has been made in these financial statements. Refer note 20 for the details of distribution.

17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include AKD Investment Management Limited (AKDIML) being the Management Company of the Fund, Aqeel Karim Dhedhi Securities (Private) Limited and AKD Securities Limited being the related parties of the Management Company, Central Depository Company of Pakistan Limited being the trustee, other collective investment schemes managed by the Management Company and directors and key management personnel of the Management Company and above entities and also includes entities holding 10% or more in the units of the Fund as at 30 June 2014. It also includes staff retirement benefit funds of the above related parties / connected persons and entities in which the above parties or their connected persons have a material interest. The related party transactions have been transacted at arm's length basis.

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of Non-Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively as disclosed in notes 8 and 9 to these financial statements. Purchase and redemptions of the Fund's units by the related parties / connected persons are recorded at the applicable net asset value per unit. Other transactions are at agreed rates.

17.1 Details of transactions with connected persons / related parties during the year	Note	30 June 2014	30 June 2013
		(Rupees in '000)	
AKD Investment Management Limited - Management Company of the Fund			
Remuneration	8	2,431	1,710
Sales tax on Management Company's remuneration*	11.1 & 15	451	276
Federal excise duty*	11.2 & 15	389	17
Sales load		1	3
National Bank of Pakistan Employees Pension Fund (having invested more than 10% in the units of the Fund)			
Issue of bonus units - 6,168,051 (2013: 956,865) units		71,164	8,437
Mr. Aqeel Karim Dhedhi - Chairman of the Group			
Issue of bonus units - 96 (2013: 15)		1	1
AKD Securities Limited - Brokerage House			
Commission paid on purchase and sale of marketable securities		6	4
Mr. Imran Motiwala - Chief Executive Officer of the Management Company			
Issue of bonus units - Nil (2013: 2,322)		-	20
Redemption of units - Nil (2013: 45,886)		-	444
Gain by the investor on the redemption of units - net		-	73
Spouse - Chief Executive Officer			
Units issued - Nil (2013: 42,990)		-	404
Redemption of units - Nil (2013: 42,990)		-	442
Gain by the investor on the redemption of units - net		-	42
Golden Arrow Selected Stocks Fund Limited			
Sale of shares by AKD Index Tracker Fund		63	-
AKD Investment Management Limited Staff Provident Fund			
Issue of bonus units - 81,952 (2013: 1,692) units		948	15
Units issued - 983,294 units (2013: 212,691) units		12,561	2,000
Redemption of units - 965,969 units (2013: Nil) units		12,508	-
Gain by the investor on the redemption of units - net		1,641	-

Central Depository Company of Pakistan Limited - Trustee of the Fund	Note	30 June 2014	30 June 2013
(Rupees in '000)			
Remuneration	9	706	700
CDS charges	15	9	12

* Sales tax and FED is paid / payable to the management company for onwards payment to the Government.

17.2 Details of balances with connected persons / related parties as at year end

AKD Investment Management Limited - Management Company of the Fund

Remuneration payable	8	227	176
Sales tax payable on Management Company's remuneration*	11 & 11.1	42	31
Federal Excise Duty payable*	11 & 11.2	406	17

Central Depository Company of Pakistan Limited - Trustee of the Fund

Remuneration	9	60	57
Security Deposit	7	100	100
CDS charges		1	1

National Bank of Pakistan Employees Pension Fund (having invested more than 10% in the units of the Fund)

Number of units outstanding - 25,076,315 (90.17% of the total units in issue as at the year end) (2013: 18,908,264 (89.66% of the total units in issue as at the year end))		334,124	244,966
---	--	----------------	---------

Mr. Aqeel Karim Dhedhi - Chairman of the Group

Number of units outstanding - 390 (2013: 294) units		5	4
---	--	----------	---

AKD Investment Management Limited Staff Provident Fund

Number of units outstanding - 345,409 units (2013: 246,132)		4,602	3,189
---	--	--------------	-------

AKD Securities Limited - Brokerage House

Brokerage payable		1	1
-------------------	--	----------	---

* Sales tax and FED is paid / payable to the management company for onwards payment to the Government.

18. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the management company supervises the overall risk management approach within the Fund.

The Fund maintains positions in a variety of financial instruments in accordance with guidelines given by SECP and the constitutive documents of the Fund. The Fund primarily invests in Equity Securities but also has bank balances, which is subject to varying degree of risks.

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

18.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from bank balances, return / mark-up receivable and balances due from brokers, etc.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, and guidelines given by Securities and Exchange Commission of Pakistan from time to time.

Credit risk is managed and controlled by the management company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Analysing credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit enhancements.

Exposure to credit risk

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk at 30 June 2014 was as follows:

	30 June 2014		30 June 2013	
	Statement of assets (Rupees in '000)	Maximum exposure (Rupees in '000)	Statement of assets (Rupees in '000)	Maximum exposure (Rupees in '000)
Bank balances including profit receivable*	14,123	14,123	17,473	17,473
Investments	356,471	-	253,172	-
Receivable against sale of investments*	1,093	1,093	2,990	2,990
Dividend and other receivables*	554	554	281	281
Security deposits*	2,600	2,600	2,600	2,600
	374,841	18,370	276,516	23,344

* Loans and receivables by category.

Difference in balance as per the statement of assets and liabilities and maximum exposure in investments is due to the fact that investments in equity securities of Rs. 356.471 million (30 June 2013: Rs. 253.172 million) is not exposed to credit risk.

Past due / impaired assets

None of the financial assets of the Fund were past due or impaired as at 30 June 2014.

Credit ratings and Collaterals

Details of the credit ratings of bank balances including profit due as at 30 June 2014 are as follows:

Ratings	30 June 2014	30 June 2013
	(%)	
A1+	98	99
Others	2	1
Total	100	100

Above rates are on the basis of available ratings assigned by PACRA (as of 30 June 2014).

Concentration of credit risk

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

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	Note	30 June 2014		30 June 2013	
		(Rupees in '000)	(%)	(Rupees in '000)	(%)
Commercial banks including profit due Receivable against sale of shares due from National Clearing Company of Pakistan Limited (NCCPL)	4 & 6	14,123	77	17,473	75
Dividend receivables from - Oil and Gas sector - Others	6	1,093 350 194	6 2 1	2,990 270 -	13 1 -
NCCPL - security deposit Central Depository Company - security deposit	7 7	2,500 100	13 1	2,500 100	11 -
		18,360	100	23,333	100

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

Security

None of the financial assets of the Fund are secured.

18.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in

marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six days from the date of the redemption request.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total net assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made during the period.

In order to manage the Fund's overall liquidity, the Fund also has the option 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. However, during the period no such option was exercised or considered necessary.

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities (at amortised cost) into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date and represents the undiscounted cash flows.

	Carrying amount of liabilities	On demand	Within 3 months	Total
30 June 2014	------(Rupees in 000) -----			
<i>Non-derivative financial liabilities (at amortised cost)</i>				
Remuneration Payable to the Management Company (excluding Sindh Sales tax and federal excise duty)	227	227	-	227
Remuneration payable to the Trustee	60	60	-	60
Annual fee payable to the Securities and Exchange Commission of Pakistan	308	-	308	308
Accrued expenses and other liabilities (excluding Workers' Welfare Fund)	979	979	-	979
Amount payable on redemption of units	55	55	-	55
Unclaimed dividend	622	622	-	622
	2,251	1,943	308	2,251
Unit holders' fund	370,557	370,557	-	-
	Carrying amount of liabilities	On demand	Within 3 months	Total
30 June 2013	------(Rupees in 000) -----			
<i>Non-derivative financial liabilities (at amortised cost)</i>				
Remuneration Payable to the Management Company (excluding Sindh Sales tax and federal excise duty)	176	176	-	176
Remuneration payable to the Trustee	57	57	-	57
Annual fee payable to the Securities and Exchange Commission of Pakistan	217	-	217	217
Accrued expenses and other liabilities (excluding Workers' Welfare Fund)	410	410	-	410
Unclaimed dividend	622	622	-	622
	1,482	1,265	217	1,482
Unit holders' fund	273,227	273,227	-	-

None of the above financial liabilities are interest bearing. Besides all the financial liabilities of the Company are unsecured.

18.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

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. The maximum risk resulting from financial instruments equals their fair values.

18.3.1 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. Currently the Funds interest rate exposure arises on investments in profit and loss sharing bank balances which carries a variable interest rate. The Management Company monitors the interest rate environment on a regular basis and may change the mix of its portfolio to enhance the earning potential of the Fund subject to the above defined guidelines, etc. Other risk management procedures are the same as those mentioned in the credit risk management.

18.3.1.1 At 30 June, details of the interest rate profile of the Fund's interest bearing financial assets were as follows:

	30 June 2014	30 June 2013
	(Rupees in '000)	
Variable rate instruments		
Financial assets (bank balances)	<u>13,420</u>	<u>16,723</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at year end, unit holder fund would have increased / (decreased) by Rs. 134,198. The analysis assumes that all other variables remain constant.

18.3.1.2 A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date is as follows:

	Mark-up / profit (%)	On demand ----- (Rupees in '000) -----	Total
<u>30 June 2014</u>			
Assets			
Bank balances	7% to 8.5%	<u>13,420</u>	<u>13,420</u>
<u>30 June 2013</u>			
Assets			
Bank balances	6% to 10.5%	<u>16,723</u>	<u>16,723</u>

None of the Fund's liability is subject to interest rate risk.

18.3.2 Equity 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 instrument traded in the market.

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KSE 100 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believes that the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio.

<u>Sector wise portfolio</u>	As at 30 June 2014	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
Oil and Gas	26.26	26.44
Commercial Banks	23.22	23.45
Chemicals	11.24	11.50
Food Producers	3.80	5.16
Electricity	7.62	7.73
Personal Goods (Textile)	2.81	2.88
Fixed Line Telecommunication	0.98	0.98
Construction And Materials (Cement)	7.42	7.55
Non Life Insurance	2.48	2.54
Engineering	0.58	0.58
Automobile and Parts	1.19	1.24
General Industrials	1.63	1.68
Multiutilities (Gas And Water)	0.64	0.66
Travel and Leisure	0.82	0.84
Pharma And Bio Tech	1.27	1.33
Tobacco	0.97	1.02
Industrial Transportation	0.10	0.10
Industrial Metal and Mining	0.38	0.39
Life Insurance	0.16	0.17
Financial Services	0.28	0.29
Equity Investment Instruments	0.50	0.70
Beverages	0.83	0.85
Media	0.22	0.23
Health Care Equipment & Services	0.13	0.14
Technology Hardware and Equipment	0.02	0.03
Forestry (Papers And Board)	0.17	0.17
Software and Computer Services	0.06	0.06
Support Services	0.34	0.34
Real Estate Investment And Services	0.03	0.04
Household Goods	0.01	0.88
Electronic and Electrical Goods	0.04	0.05

<u>Sector wise portfolio</u>	As at 30 June 2013	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
Oil and Gas	28.96	29.22
Commercial Banks	21.12	21.50
Chemicals	12.57	12.69
Food Producers	3.58	7.43
Electricity	6.95	7.97
Personal Goods (Textile)	2.98	3.05
Fixed Line Telecommunication	1.13	1.15
Construction and Materials (Cement)	5.87	6.08
Non Life Insurance	2.00	2.06
Industrial Engineering	0.72	0.75
Automobile and Parts	0.88	0.93
General Industrials	1.31	1.36
Multiutilities (Gas And Water)	0.52	0.53
Travel and Leisure	0.37	0.59
Pharma and Bio Tech	1.04	1.05
Tobacco	0.16	0.17
Industrial Transportation	0.10	0.10
Industrial Metal and Mining	0.35	0.36
Life Insurance	0.16	0.17
Financial Services	0.42	0.43
Equity Investment Instruments	0.61	0.88
Beverages	0.22	0.23
Media	0.06	0.07
Health Care Equipment & Services	0.03	0.05
Technology Hardware and Equipment	0.03	0.03
Forestry (Papers and Board)	0.09	0.10
Software And Computer Services	0.05	0.08
Support Services	0.31	0.33
Real Estate Investment and Services	0.05	0.06
Household Goods	-	0.54
Electronic and Electrical Goods	0.04	0.04

In case of 5% increase / (decrease) in KSE 100 index on 30 June 2014, with all other variables held constant, net income of the Fund for the year would have increased / (decreased) by Rs. 17.82 million (30 June 2013: Rs. 13.54 million) whereas the net assets would have increased / (decreased) by the same amount, as a result of gains / (losses) on equity securities at fair value through income statement for the year.

This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of 30 June 2014 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

18.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external

factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities.
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

18.5 Unit holder's fund risk management

Management's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units and with effect from 1 July 2012, the Fund is subject to maintain minimum fund size of 100 million at all times as per the requirement of NBFC regulation.

18.6 Fair value of financial instruments

The Fund's accounting policy on fair value measurements is discussed in note 3.1

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at 30 June 2014, all the investments were categorised in level 1.

19. SUPPLEMENTARY INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

19.1 List of top ten brokers by percentage of commission paid	Commission paid
	30 June 2014
	%
Habib Metropolitan Financial Services Limited	12.73
Next Capital Limited	11.58
Optimus Capital Management (Private) Limited	8.72
AKD Securities Limited	8.38
Global Securities Pakistan Limited	7.93
FDM Capital Securities (Private) Limited	7.83
Creative Capital Securities (Private) Limited	7.79
Fawad Yousuf Securities (Private) Limited	7.09
Investment Managers Securities (Private) Limited	6.01
Concordia Securities (Private) Limited	4.95
	30 June 2013
	%
Creative Capital Securities (Private) Limited	14.38
Global Securities Pakistan Limited	14.32
Concordia Securities (Private) Limited	14.28
First National Equities Limited	14.06
Optimus Capital Management (Private) Limited	13.79
Invest Capital Market Limited	8.48
Fawad Yousuf Securities (Private) Limited	4.94
First Capital Equities Limited	4.70
Foundation Securities (Private) Limited	3.95
AKD Securities Limited	3.68

19.2 Performance table

	2014	2013	2012
Total net assets value - Rupees in '000	370,557	273,227	188,660
Net assets value per unit at the end of year - Rupees	13.32	12.96	9.29
Net income / (loss) for the year - Rupees in '000	11,044	50,720	9,842
Total return of the Fund - Rupees in '000			
- Income distribution - Rupees in '000	31,726	47,452	9,547
- Accumulated capital growth - Rupees in '000	(130,387)	(109,705)	(112,973)
Distribution per unit (annual) - Rupees [announced on 26 June 2014, 8 July 2013 and 9 July 2012 respectively]	1.25	2.25	0.47
Selling price per unit as at 30 June - Rupees	13.46	13.09	9.39
Repurchase price per unit as at 30 June - Rupees	13.32	12.95	9.28
Highest selling price per unit during the year - Rupees	14.85	14.16	9.96
Lowest selling price per unit during the year - Rupees	11.05	9.24	7.55
Highest repurchase price per unit during the year - Rupees	14.69	14.01	9.85
Lowest repurchase price per unit during the year - Rupees	10.93	9.14	7.47
Average annual return of the Fund			
- Last one year	36%	47%	8%
- Last two years	42%	27%	17%
- Last three years	30%	27%	21%

The income distribution have been shown against the year to which they relate although these were declared and distributed subsequently to the year end, except for distribution for 2014.

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

The portfolio composition of the Fund has been disclosed in note 5 to the financial statements.

19.3 Unit holding pattern of the Fund

Category	Number of unit holders	Units held	Investment amount (Rupees in '000)	Percentage of total
30 June 2014				
Individuals	702	1,822,944	24,290	6.55
Associated Companies and Directors	-	-	-	-
Insurance Companies	-	-	-	-
Banks and DFIs	-	-	-	-
NBFCs	-	-	-	-
Retirement Funds	2	25,421,724	338,727	91.42
Public Limited Companies	-	-	-	-
Others	8	565,894	7,540	2.03
	712	27,810,562	370,557	100.00
30 June 2013				
Individuals	743	1,508,568	19,544	7.15
Associated Companies and Directors	-	-	-	-
Insurance Companies	-	-	-	-
Banks and DFIs	-	-	-	-
NBFCs	-	-	-	-
Retirement Funds	3	19,154,395	248,155	90.83
Public Limited Companies	-	-	-	-
Others	8	426,701	5,528	2.02
	754	21,089,664	273,227	100.00

19.4 Particulars of the Fund manager and Investment Committee

Following are the details of the fund manager:

Name of fund manager	Qualification	Name of other funds managed
Saba Mahmood	MBA	AKD Cash Fund

Following are the members of the investment committee of the Management Company:

Name of members	Designation	Qualification	Experience in years
Mr. Imran Motiwala	Chief Executive Officer	BBA	20
Miss. Anum Dhedhi	Chief Investment Officer	BSC	3
Mr. Muhammad Yaqoob	Chief Operating Officer, Company Secretary and Fund Manager of: - AKD Opportunity Fund - AKD Aggressive Income Fund - Golden Arrow Selected Stocks Fund Limited	MBA	10
Mr. Nadeem Saulat Siddiqui	Head of Public Relationship Director of Management Company	MBA	21
Mr. Carrow Michael	Head of Risk Management	MBA	8
Miss. Saba Mahmood	Fund Manager of: -AKD Index Tracker Fund -AKD Cash Fund	MBA	1

19.5 Directors meeting attendance

During the year, seven meetings of the Board of Directors of the management company were held and their details are as follows:

Name of Directors	Meeting attended	08-Jul-2013	10-Oct-2013	29-Oct-2013	28-Nov-2013	21-Feb-2014	21-Apr-2014	26-Jun-2014
Mr. Abdul Karim Memon	7	✓	✓	✓	✓	✓	✓	✓
Mr. Imran Motiwala	7	✓	✓	✓	✓	✓	✓	✓
Mr. Nadeem Saulat Siddiqui	7	✓	✓	✓	✓	✓	✓	✓
Mr. Aurangzeb Ali Naqvi*	4	✓	✓	✓	✓	X	X	X
Mr. Ali Wahab Siddiqui	7	✓	✓	✓	✓	✓	✓	✓
Mr. M. Ramzan Sheikh	0	X	X	X	X	X	X	X
Mr. Ahmed Abdul Sattar**	6	X	✓	✓	✓	✓	✓	✓
Mr. Hasan Ahmed**	3	X	X	X	X	✓	✓	✓
		5	6	6	6	6	6	6

* Mr. Aurangzeb Ali Naqvi tendered his resignation on 30 December 2013.

** Mr. Hasan Ahmed and Mr. Ahmed Abdul Sattar were appointed as director of the Management Company on 31 December 2013 and 06 August 2013.

19.6 Rating**AKD Investment Management Limited
(Management Company of the Fund)**

Agency	PACRA
Asset Manager Rating	'AM3'
Date	September 26, 2014

Due to specialised nature of the Fund, performance ranking of the Fund has not been carried out, as the comparable benchmark is not available.

20. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

There were no non-adjusting events after the balance sheet date.

21. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2014 (June 30, 2013 : Nil)

22. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on September 27, 2014 by the Board of Directors of the Management Company.

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

Imran Motiwala
Chief Executive Officer

Ahmed Abdul Sattar
Director



**AKD Investment
Management Ltd.**

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