

Golden Arrow
SELECTED STOCKS FUND LIMITED



2013



annual report

**Partner
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Profit from the
Experience**



Managed by: AKD Investment Management Ltd.

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Company Information

BOARD OF DIRECTORS

CHAIRMAN

Mr. Ahmed Abdul Sattar*

DIRECTOR & CHIEF EXECUTIVE OFFICER

Mr. Imran Motiwala**

DIRECTORS***

Mr. Aurangzeb Ali Naqvi

Mr. Muhammad Siddiq Khokhar

Mr. Abdul Karim Memon

Mr. Muhammad Yaqoob

AUDIT COMMITTEE

Mr. Muhammad Siddiq Khokhar (Chairman)

Mr. Abdul Karim Memon (Member)

Mr. Aurangzeb Ali Naqvi (Member)

Mr. Mohammad Yasir Khan Ghouri (Secretary)

CHIEF FINANCIAL OFFICER

Mr. Muhammad Munir Abdullah

COMPANY SECRETARY

Mr. Muhammad Yaqoob

HEAD OF INTERNAL AUDIT & COMPLIANCE

Mr. Mohammad Yasir Khan Ghouri

MANAGEMENT COMPANY

AKD Investment Management Limited

216-217, Continental Trade Centre, Block-8,
Clifton, Karachi -74000.

CUSTODIAN

Central Depository Company
of Pakistan Limited

CDC House 99-B, Block 'B'

S.M.CH.S., Main Shakra-e-Faisal,
Karachi-74400.

AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Progressive Plaza,
Beaumont Road,
Karachi.

LEGAL ADVISER

Ali Daraz Siddiqui,

Room No. 201 Noorani Building,
Campbell Street, Opp. Distt. Court,
Karachi-74200.

REGISTERED OFFICE

216-217, Continental Trade Centre, Block-8,
Clifton, Karachi-74000.

REGISTRAR & SHARE TRANSFER OFFICE

JWAFFS Registrar Services (Pvt.) Ltd.

505, 5th Floor, Kashif Centre,

Near Hotel Mehran, Main Shahrah-e-Faisal
Karachi - 75530.

Tel: 021-35643871-72

RATING

JCR-VIS: MFR 5-Star (3-year period)

JCR-VIS: MFR 5-Star (2-year period)

JCR-VIS: MFR 5-Star (1-year period)

MANAGEMENT COMPANY

JCR-VIS: AM3 - (AM-Three) Minus

*Re-appointed as Chairman of the Board in their
meeting held on August 20, 2013.

**Re-appointed as Chief Executive Officer on May 20,
2013 and the approval is pending from SECP.

***Election of Directors took place on May 09, 2013
and the approval is pending from SECP.

Mission Statement

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

Vision

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirtieth Annual General Meeting of Golden Arrow Selected Stocks Fund Ltd will be held on Friday, 27 September, 2013 at 10:30 a.m. at Haji Abdullah Haroon Muslim Gymkhana , Karachi to transact the following business: -

ORDINARY BUSINESS:

1. To confirm the minutes of the Extraordinary General Meeting held on May 09, 2013.
2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and Auditors' Report for the year ended June 30, 2013.
3. To consider and, if thought fit, approve final cash dividend @ 22% i.e. Rs. 1.10 per share of Rs.5/- each as recommended by the Board of Directors in addition to interim cash dividend @ 20% i.e. Re.1.00 per share of Rs.5/- each already declared/paid for the year ended June 30, 2013.
4. To appoint Auditors of the Company and to fix their remuneration for the year ending June 30, 2014. The present Auditors, M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
5. To transact any other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

Karachi: September 05, 2013

Muhammad Yaqoob
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from September 20, 2013 to September 27, 2013 (both days inclusive). Physical scrips transfers / CDS transaction IDs received in order at the office of Share Registrar, M/s JWAFS Registrar Services (Pvt.) Limited, 5th Floor, Kashif Centre, Near Hotel Mehran, Main Shahrah-e-Faisal, Karachi at the close of the business day on September 19, 2013 will be treated in time for the entitlement to dividend and attend the Annual General Meeting.
2. A member entitled to attend and vote at the meeting shall be entitled to appoint another member of the Company as his / her proxy to attend, speak and vote instead of him / her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the meeting as are available to a member. Proxies, in order to be effective, must be duly completed and signed and received at the Registered Office of the Company not less than 48 hours before the meeting.
3. The Shareholders are requested to notify any change in their address immediately to the Share Registrar, M/s JWAFS Registrar Services (Pvt.) Limited.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No 1 of 2000 dated 26 January 2000 issued by Securities & Exchange Commission of Pakistan:

A. For attending the meeting:

- i) In case of individuals, the account holders or sub account holders whose registration details are uploaded as per the Regulations, shall authenticate his / her identity by showing his / her Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing of proxies:

- i) In case of individuals, the account holders or sub account holders whose registration details are uploaded as per the regulations shall submit the proxy form as per requirement.
 - ii) The proxy form will be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the forms.
 - iii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
 - v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.
5. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 779/(I)/2011 and SRO 831 (I)/2012 of dated 18 August, 2011 and 5 July, 2012 respectively, both SROs stated that the dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.

Accordingly, Members who have not yet submitted copy of their valid CNIC / NTN (in case of corporate entities) are requested to submit the same to the Company, with Members' folio no. mentioned thereon, for updating record.

DIRECTORS' REPORT

The Board of Directors of Golden Arrow Selected Stocks Fund Limited (GASSFL) is pleased to present its report along with financial statements of the Company for the financial year ended June 30, 2013.

COMPANY'S FINANCIAL PERFORMANCE

For the year ended June 30, 2013, GASSFL posted a return of 84.36% versus the KSE-100 Index return of 52.20%, a significant out performance of 32.16% versus its benchmark.

GASSFL posted a profit of PKR. 802.871 million against a profit of PKR. 290.165 million in the same period last year.

We feel proud to inform our shareholders that the Golden Arrow Selected Stocks Fund Limited has been ranked 1st in Asia out of nearly 7,300 funds and had been ranked 5th in the world out of 27,153 funds by Thomson Reuters Lipper for the calendar year 2012.

We congratulate all our stakeholders for the global recognition that Golden Arrow Selected Stocks Fund Limited has achieved. This performance of Golden Arrow Selected Stocks Fund Limited has only been possible because of the trust the shareholders have had in the Board of Directors, the Management Company, the commitment of our employees, and continued support from our Regulator and all other stakeholders.

DIVIDEND

The Board of Directors of Golden Arrow Selected Stocks Fund Limited has pleasure in recommending Final Cash Dividend at the rate of Rs. 1.10 per share in addition to an interim dividend of Re. 1.00 per share for the financial year ended June 30, 2013 (2012: Rs.1.20/Share), subject to the approval of the Shareholders in the Annual General Meeting.

INVESTMENT STRATEGY

The Management Company of GASSFL continues to position the Company to take advantage of the investment opportunities available in the equity markets keeping in view of the local and global macroeconomic environments. The underlying investment philosophy remains intact in terms of taking appropriate exposures in sectors and companies that are likely to exhibit long term growth and enhanced risk adjusted returns.

GASSFL is primarily an equity market mutual fund with minimal exposure to fixed income securities. The Fund's exposure in equities as of June 30, 2013 stood at 97.62%.

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

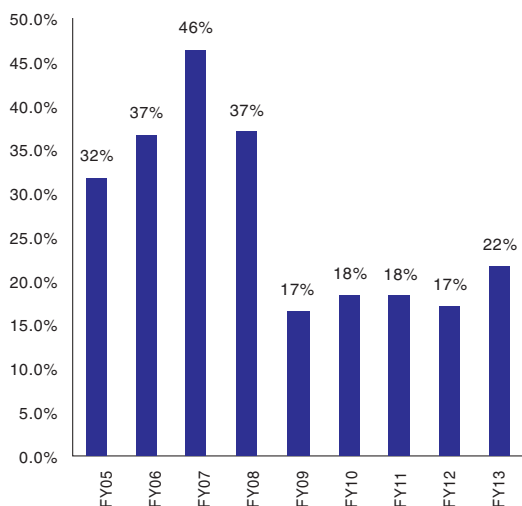
Despite robust returns however, the market continues to trade at an attractive FY14 P/E of 8.47x (at a discount of 29% to MSCI Asia Pacific ex-Japan) a forward dividend yield of 6.27% and a market capitalization/GDP ratio of 22.36%, much lower than the peak level of 46% achieved in FY07.

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

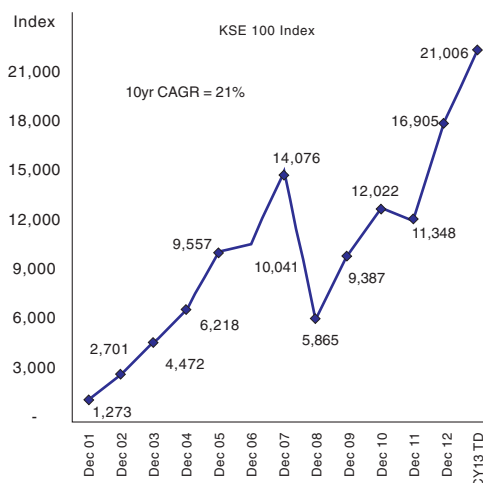
- Capital Gains Tax reforms (at-source tax deduction and exemption from enquiry into source of funds until Jun'14)
- Monetary Easing with the central bank reducing interest rates by 500bps since Jul'11 to 9% at present
- Robust corporate profitability where profit growth for top-tier Pakistani companies was up 25%YoY in 2011 and 15%YoY in 2012

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

KSE Market Capitalization as % of GDP



KSE Returns CAGR



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

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

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

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

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

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

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

Robust remittances: Remittances increased from US\$2.4bn in fiscal 2002 to US\$13.2bn in fiscal year 2012 an increase of 5.5x due to reformed initiatives taken in the last several years resulting from facilitating the non-resident Pakistanis at large an initiative that was long overdue. Strong remittances ensure that despite reliance on imported oil (~30% of the import bill), Pakistan Current Account deficit remains relatively small.

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

Outlook: Positives aside, Pakistan's economy continues to face challenges, first and foremost being the Balance of Payments position where Pakistan looks likely to enter into an IMF program in the near-term. Key checkpoints going forward include:

IMF program: With FX exchange reserves import cover down to less than 3 months, entry into an IMF program appears imminent where news reports point to a program size over US\$6.0 bn. This should lead to comfort on the external front and also pave the way for release of further funds from World Bank, ADB and other lenders. Participation in an IMF program should also lead to structural reforms particularly in the energy space and in terms of effort to increase the tax base (low Tax-to-GDP ratio of 9% leads to a high fiscal deficit - estimated in excess of 8% of GDP in FY13). Furthermore, this should shore up the PkR exchange rate which operates under a managed float regime and has depreciated by 4.2%FYTD after weakening by 10% in FY12.

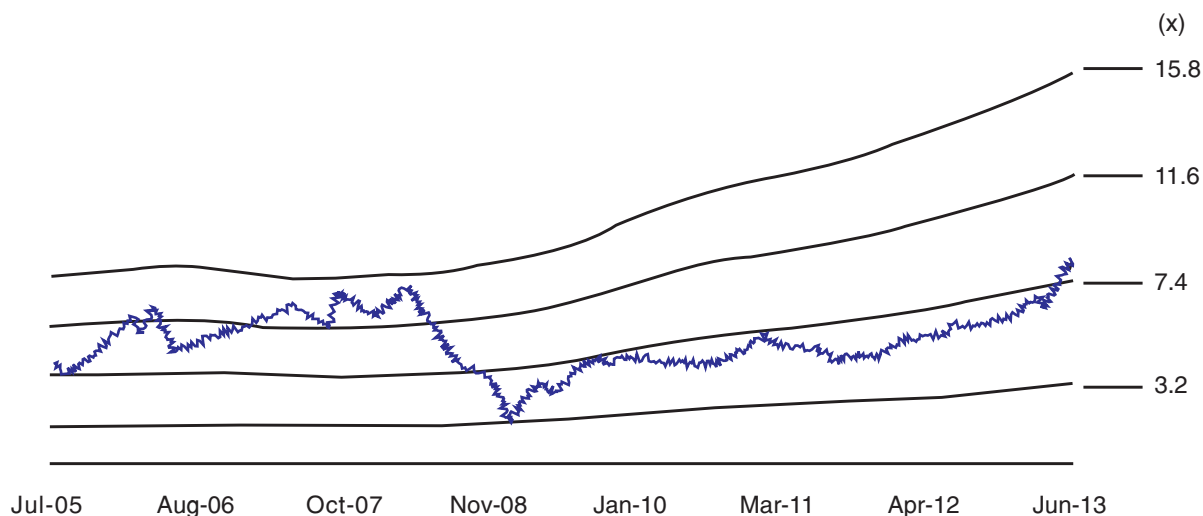
Power sector reforms: At current levels, Pakistan's energy shortfall stands at 5,000MW. That said, it is worth mentioning that the actual power shortage is not due to an imbalance between the demand and supply but rather it is fueled by mismanagement. In this regard, the ground realities are that more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

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

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

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

Pakistan's P/E band



STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- (a) The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- (b) Proper books of account of the Company have been maintained;
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- (e) The system of internal control is sound in design and has been effectively implemented and monitored; and
- (f) There are no doubts upon the Company's ability to continue as a going concern.

No.	Name of Director	Number of Meetings		
		Held	Attended	Leave Granted
1	Mr. Ahmed Abdul Sattar **	5	5	0
2	Mr. Imran Motiwala **	5	5	0
3	Mr. Aurangzeb Ali Naqvi **	5	5	0
4	Ms. Parveen Akhtar Malik *	2	2	0
5	Mr. Ramzan Sheikh *	2	1	1
6	Mr. Muhammad Amin Hussain*	5	4	1
7	Ms. Ayesha Aqeel Dhedhi *	5	5	0
8	Mr. Abdul Karim Memon **	3	3	0
9	Mr. Muhammad Yaqoob **	1	1	0
10	Mr. Muhammad Siddiq Khokhar **	0	0	0

* These directors have resigned during the year.

** The election of directors took place on May 09, 2013 and their approval is pending from SECP.

RATING OF GOLDEN ARROW SELECTED STOCKS FUND LIMITED

JCR-VIS has assessed the performance ranking of Golden Arrow Selected Stocks Fund Limited (GASSFL) for the period December 31, 2012 at "MFR 5 Star" dated April 05, 2013, very good performance' viz a viz other closed end mutual funds based on 3 year period.

PATTERN OF SHAREHOLDING

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

KEY FINANCIAL DATA AT A GLANCE

Key Financial Data for last six years at a glance is enclosed.

INVESTMENT POLICY

General nature of the business transacted and to be transacted by the Company will be the investing of its assets in securities. The purpose of the company is to provide a vehicle where by investors can invest their funds in securities under the direction of AKD Investment Management Limited, subject to the general control and directions of the Board of Directors. The objective of Company is to achieve superior returns through a combination of Investment Strategies, which includes investing in high earnings growth stocks, deep value and high dividend paying scrips. The Company has a strategy in place to limit capital losses when volatility rises in the stock market by diversifying into defensive stocks and fixed income securities. Stocks for the portfolio will be selected on the basis of fundamentals and authentic research from top quality Brokerage Houses.

APPOINTMENT OF AUDITORS

The Auditors, M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and offer themselves for reappointment. The Directors, on the recommendation of the Audit Committee propose M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as auditors for the year ending June 30, 2014, subject to the approval of the Shareholders in the Annual General Meeting.

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 Exchanges for their support to the Mutual Fund Community as a whole and our Custodian 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 AKD Investment Management Limited. The Board will also like to thank shareholders for their confidence in the Company and their continued support and guidance.

MATERIAL INFORMATION

As per clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, as amended by Securities and Exchange Commission of Pakistan (SECP) vide its Notification S.R.O. 1492(I)/2012 dated December 26, 2012 an asset management company managing an Investment Company shall, from the expiry of five years from November 21, 2007, hold within one month of such period a meeting of shareholders to seek their approval to convert the Investment Company into an Open End Scheme (by simple majority) or wind up the Investment Company (by special resolution). Further, during the current year, SECP vide its Notification S.R.O 1399(I)/2012 dated November 28, 2012 extended the timeline for convening the meeting of shareholders till January 31, 2013.

In compliance with above referred regulation, the Company convened a meeting of shareholders on January 31, 2013. However, neither the conversion of the Company into an Open End Scheme nor its winding up was approved by the shareholders by the majority specified in the said regulation. This fact was communicated to the stock exchanges and the SECP.

Subsequently, the Company received a notice from SECP on February 21, 2013 citing non-compliance of the aforementioned Regulation and advised the Company to take immediate corrective action by calling another EOGM of shareholders. The Company has now filed a Constitutional Petition, pleading that the operation of Regulation 65 of Non-Banking Finance Companies and Notified Entities Regulations, 2008, may be suspended and restrained from implementation, before the Honorable Sindh High Court through its legal counsel which is currently pending.

The future operations of the Company are dependent on the outcome of the above referred Constitutional Petition (the Management and the legal counsel of the Company are hopeful that the said petition will be decided in favor of the Company). However, the management believes that the winding up of the Company will not have any material impact on the carrying amounts of assets and liabilities for the reason that such values are not materially different from the expected realizable / settlement amounts of the assets and liabilities of the Company. Accordingly, these financial statements have been prepared on a going concern basis.

For and on behalf of the Board

Karachi: August 20, 2013

Imran Motiwala
Chief Executive Officer

FUND MANAGER'S REPORT

PERFORMANCE REVIEW FOR THE YEAR ENDED JUNE 30, 2013

Golden Arrow Selected Stocks Fund limited (GASSFL) posted an absolute return of 84.36% versus the benchmark KSE-100 return of 52.20%, thus significantly outperforming the index for the year ending 30 June 2013. The Fund's rating agency JCR-VIS as of December 31, 2012 (Ranking date April 05, 2013), rated GASSFL "5 Star" (the highest rating) which denotes a very good performance as the Fund also outperformed all its peer group funds for the year. Incidentally, this year's fund rating complimented the GASSFL three year average rating to "5 Star" as well. During the year the Fund earned realized and unrealized gains of PKR 320.084mn and 468.871mn respectively, which accounts for Rs5.28 per share and a return of 84.36.% over the preceding year.

During the year the Fund, continued to focus on selectively picking stocks with strong growth prospects and were relatively undervalued. For the year TRG Pakistan Limited contributed the most in terms of both the realized and unrealized capital gains. TRG contributed Rs. 43.60 mn followed by Murree Brewery Limited and Artistic Denim Mills Limited amounting to Rs. 30.94 mn and Rs. 27.85 mn respectively out of the total Rs. 320.084mn realized capital gains for the year. In terms of the unrealized capital gains TRG contributed Rs.106.41mn, followed by Ellcot Spinning Mills Limited and Murree Brewery Limited amounting Rs. 34.05mn and Rs. 30.42mn respectively out of the total Rs.468.871mn un-realized capital gains.

GASSFL remains in line with its core investment philosophy of investing in deep value with strong capital appreciation prospects and a regular flow of dividend.

The Fund aims to hold maximum exposure in equities, with a view of strong market performance owing to broader based undervaluation of the stock market in general.

Top five sector exposure as of June 30, 2013 and their yearly performance:

Sector Name	% of NAV	Return as of Financial Year 2013
Chemicals	14.75%	6%
Personal Goods	11.28%	92%
Support Services	10.44%	189%
Commercial Banks	6.55%	26%
Food Producers	6.32%	77%

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

While inflationary pressures on a yearly basis have eased in the preceding year, however, it seems containing inflation in the fiscal year 2014 would be a towering task. In the initial days of the new elected government it has been forced to take tough decisions in the wake of ballooning twin deficits. Increase in electricity and gas tariffs in order to extinguish subsidies which the country can no longer afford, which incidentally are the same preconditions for obtaining a much needed fresh standby arrangement from the IMF. Global commodities continue to remain volatile with recent wave of spring in the Arab world has again put an upward pressure on prices especially crude which continues to remain firm. In the absence of foreign inflows coupled with mounting debt repayments to the IMF and other donor agencies, the Pak Rupee remains under pressure increasing the cost of imports (and fuelling inflation).

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

Increasing electricity and gas tariffs being one of the toughest political decisions would require some courage for the newly elected government and may result in short-term difficulties however it shall eventually bear fruits in the longer term.

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

While the economic scenario is expected to remain volatile, securities listed on the Karachi Stock Exchange have continued to show resilience as broad 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 totally pass on the inflationary pressures. The Karachi Stock Exchange trades at an attractive P/E of 8.47x, EPS growth of 15% ROE of 22.26% and a dividend yield of 6.27%. 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.

**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 contained in Regulation No. 35 of listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good Governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the CCG in the following manner:

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

Category	Name
Independent Directors	Mr. Muhammad Siddiq Khokhar
Executive Directors	Mr. Imran Motiwala Mr. Muhammad Yaqoob
Non Executive Directors	Mr. Ahmed Abdul Sattar Mr. Aurangzeb Ali Naqvi Mr. Abdul Karim Memon

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year four casual vacancies occurred on the Board of Directors, out of which one of them was filled within the statutory period of 90 days, while two were subsequently replaced due to the election of Directors held on May 09, 2013 for the term of three years. However, one casual vacancy will be fulfilled within the 90 days of occurrence.
5. The Company being an Investment Company has adopted the "Code of Conduct and Business Practices" of its Management Company and has ensured that appropriate steps have been taken to disseminate it throughout the 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 company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO, 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 during the year end June 30, 2013. 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. During the year, one of the directors has attended the Director's training program.
10. No new appointment of CFO and Company Secretary has been made during the year. However during the year the Board has approved the appointment of Head of Internal Audit & Compliance.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. The Directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the 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 Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).
18. 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.
19. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities was determined and intimated to directors, employees and stock exchange(s).
20. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
21. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Imran Motiwala
Chief Executive Officer

Karachi: August 20, 2013

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Golden Arrow Selected Stocks Fund Limited** (the Company) to comply with the Listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

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

As part of our audit of 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 Company's corporate governance procedures and risks.

Further, the Listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended **30 June 2013**.

Karachi: August 20, 2013

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of assets and liabilities of **Golden Arrow Selected Stocks Fund Limited** as at **30 June 2013** and the related income statement, distribution statement, cash flow statement, statement of changes in equity and statements of movement in equity and reserves per share together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the management company to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the statement of assets and liabilities and the income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.2 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, distribution statement, cash flow statement, statement of changes in equity and statements of movement in equity and reserve per share together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the income, its distribution, its cash flows, changes in equity and movement in equity and reserves per share and transactions for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to note 1.4 to the accompanying financial statements which states that the resolution regarding the conversion of the Company into an open end scheme or its winding up was not approved in the meeting of the shareholders held on 31 January 2013 as per the majority specified in the applicable regulations. Subsequently, a notice for non-compliance of clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 was received by the Company from the SECP. In response, the Company filed a constitutional petition against the said notice which is currently pending before the Honorable Sindh High Court. Hence, as disclosed in the said note, the future operations of the Company are dependent on the outcome of the above referred constitutional petition. However, the accompanying financial statements have been prepared on a going concern basis for the reasons given in the above referred note.

Our opinion is not qualified in respect of the above matter.

Karachi: August 20, 2013

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Shabbir Yunus

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2013

	2013	2012
	Note ----- (Rupees in '000) -----	
ASSETS		
Bank balances	4 34,468	14,569
Receivable against sale of investments	927	3,839
Investments	5 1,617,620	1,136,933
Dividends and other receivables	6 1,162	1,848
Tax refundable	124	124
Security deposit and prepayments	7 2,750	2,750
Total Assets	1,657,051	1,160,063
LIABILITIES		
Payable against purchase of investments	6,208	-
Remuneration payable to the Management Company	8 2,722	1,824
Accrued expenses and other liabilities	9 4,520	2,106
Provision for Workers' Welfare Fund	17 27,693	11,308
Unclaimed dividend	13,906	9,879
Total Liabilities	55,049	25,117
NET ASSETS	1,602,002	1,134,946
SHARE HOLDERS' EQUITY		
Authorised capital		
250,000,000 (June 30, 2012: 250,000,000)		
Ordinary shares of Rs.5 each	1,250,000	1,250,000
Issued, subscribed and paid-up capital		
Share capital	10 760,492	760,492
General reserve	500	500
Unrealised appreciation on re-measurement of investments classified as 'available-for-sale' - net	5.4 821	2,020
Undistributed income	840,189	371,934
	1,602,002	1,134,946
	----- (Rupees)-----	
NET ASSETS VALUE PER SHARE	11 10.53	7.46
CONTINGENCIES AND COMMITMENTS	12	

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

Imran Motiwala
Chief Executive Officer

Aurangzeb Ali Naqvi
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 ----- (Rupees in '000) -----	2012 -----
Income			
Capital gain on sale of investments - net	13	320,084	169,734
Dividend income		69,617	54,725
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.1	468,871	93,989
Income on term finance certificates		12	3,352
Profit on bank deposits		2,363	1,330
Total income		860,947	323,130
Operating expenses			
Remuneration to Management Company	8	26,342	18,157
Sales Tax on remuneration of Management Company	14	4,256	2,905
Federal Excise Duty on remuneration of Management Company	15	260	-
Annual fee to Securities and Exchange Commission of Pakistan		1,251	862
Remuneration to Custodian - Central Depository Company of Pakistan Limited (CDC)		885	447
Auditors' remuneration	16	307	304
Legal and professional charges		1,793	415
Annual listing fee		383	290
Central Depository System charges		205	268
Fees and subscription		420	522
Securities transaction cost		4,297	1,994
Bank charges		10	6
Director's fee		176	71
Printing and related cost		690	598
Postage expense		105	149
Provision for Workers' Welfare Fund	17	16,385	5,922
Advertising		311	55
Total operating expenses		58,076	32,965
Net income before taxation		802,871	290,165
Taxation	18	-	-
Net income after taxation		802,871	290,165
Other comprehensive income			
Unrealised diminution arising during the year on re-measurement of investments classified as 'available-for-sale' - net	5.4	(1,199)	(4,213)
Total comprehensive income for the year		801,672	285,952
----- (Rupees) -----			
Earnings per share	19	5.28	1.91

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

Imran Motiwala
Chief Executive Officer

Aurangzeb Ali Naqvi
Director

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	----- (Rupees in '000) -----	
Undistributed income brought forward	371,934	195,843
Net income after taxation for the year	802,871	290,165
Final dividend for the year ended June 30, 2012 @ 24% (Rs.1.20 per share) [June 30, 2011 @ 15% (Re.0.75 per share)]	(182,518)	(114,074)
Interim dividend for the year ended June 30, 2013 @ 20% (Re.1.00 per share) [June 30, 2012: Nil]	(152,098)	-
Undistributed income carried forward	840,189	371,934

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

Imran Motiwala
 Chief Executive Officer

Aurangzeb Ali Naqvi
 Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxation	802,871	290,165
Adjustments for non-cash and other items		
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(468,871)	(93,989)
Remuneration to Management Company	26,342	18,157
Dividend income	(69,617)	(54,725)
Remuneration to custodian	1,090	715
	291,815	160,323
(Increase) / decrease in assets		
Receivable against sale of investments	2,912	56,366
Investments - net	(13,015)	(111,040)
Dividends and other receivables	1,019	2,244
	(9,084)	(52,430)
Increase / (decrease) in liabilities		
Payable against purchase of investments	6,208	(32,427)
Provision for Workers' Welfare Fund	16,385	5,922
Accrued expenses and other liabilities	2,407	509
	25,000	(25,996)
Net cash generated from operations	307,737	81,897
Remuneration paid to the Management Company	(25,444)	(18,494)
Remuneration paid to custodian	(1,083)	(705)
Dividend received	69,284	54,341
Net cash generated from operating activities	350,488	117,039
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(330,589)	(112,517)
Net increase in cash and cash equivalents	19,899	4,522
Cash and cash equivalents at the beginning of the year	14,569	10,047
Cash and cash equivalents at the end of the year	34,468	14,569

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

Imran Motiwala
Chief Executive Officer

Aurangzeb Ali Naqvi
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013**

	Share capital	General reserve	Unrealised (diminution) / appreciation on re-measurement of investments classified as available-for- sale - net	Undistributed income	Total
	----- (Rupees in '000) -----				
Balance as at June 30, 2011	760,492	500	6,233	195,843	963,068
Net income for the year	-	-	-	290,165	290,165
Other comprehensive income for the year	-	-	(4,213)	-	(4,213)
Total comprehensive income for the year ended June 30, 2011	-	-	(4,213)	290,165	285,952
Final dividend for the year ended June 30, 2011 @ 15% (Re 0.75 per share)	-	-	-	(114,074)	(114,074)
Balance as at June 30, 2012	760,492	500	2,020	371,934	1,134,946
Net income for the year	-	-	-	802,871	802,871
Other comprehensive income for the year	-	-	(1,199)	-	(1,199)
Total comprehensive income for the year ended June 30, 2012	-	-	(1,199)	802,871	801,672
Final dividend for the year ended June 30, 2012 @ 24% (Rs.1.20 per share)	-	-	-	(182,518)	(182,518)
Interim dividend for the year ended June 30, 2013 @ 20% (Rs.1.00 per share)	-	-	-	(152,098)	(152,098)
Balance as at June 30, 2013	<u>760,492</u>	<u>500</u>	<u>821</u>	<u>840,189</u>	<u>1,602,002</u>

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

Imran Motiwala
Chief Executive Officer

Aurangzeb Ali Naqvi
Director

**STATEMENT OF MOVEMENT IN EQUITY AND RESERVES - PER SHARE
FOR THE YEAR ENDED JUNE 30, 2013**

	2013 ----- (Rupees) -----	2012 ----- (Rupees) -----
Net assets value per share at the beginning of the year	7.46	6.33
Capital gain on sale of investments - net	2.10	1.12
Dividend income	0.46	0.36
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	3.08	0.62
Income on term finance certificates	-	0.01
Profit on bank deposits	0.02	0.01
Net income for the period	5.66	2.12
Operating expenses	(0.38)	(0.21)
Unrealised diminution on re-measurement of investments classified as 'available-for-sale'	(0.01)	(0.03)
Interim dividend for the year ended June 30, 2013 @ 20% (Re.1.00 per share) [June 30, 2012: Nil]	(1.00)	-
Final dividend for the year ended June 30, 2012 @ 24% (Rs.1.20 per share) [June 30, 2011 @ 15% (Re.0.75 per share)]	(1.20)	(0.75)
Net assets value per share as at June 30	10.53	7.46

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

Imran Motiwala
Chief Executive Officer

Aurangzeb Ali Naqvi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. STATUS AND NATURE OF BUSINESS

- 1.1** Golden Arrow Selected Stocks Fund Limited (the Company) was incorporated on May 09, 1983 in Pakistan as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984). The Company got registered as an investment company on April 29, 2005 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC rules). The registered office of the Company is situated at 216-217, 2nd Floor, Continental Trade Centre, Block 8, Clifton, Karachi. The Company is listed on the Karachi and Lahore Stock Exchanges. The Company is a closed-end mutual fund and its principal activity is to make investment in marketable securities.
- 1.2** The Company is managed by AKD Investment Management Limited and Central Depository Company of Pakistan Limited is the custodian of the Company.
- 1.3** JCR-VIS Credit Rating Company Limited has assigned a management quality rating of 'AM3-' to the Management Company and Company performance ranking of "MFR 5-Star" to the Company.
- 1.4** As per clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, as amended by Securities and Exchange Commission of Pakistan (SECP) vide its Notification S.R.O. 1492(I)/2012 dated December 26, 2012 an asset management company managing an Investment Company shall, from the expiry of five years from November 21, 2007, hold within one month of such period a meeting of shareholders to seek their approval to convert the Investment Company into an Open End Scheme (by simple majority) or wind up the Investment Company (by special resolution). Further, during the current year, SECP vide its Notification S.R.O 1399(I) 2012 dated November 28, 2012 extended the timeline for convening the meeting of shareholders till January 31, 2013.

In compliance with above referred regulation, the Company convened a meeting of shareholders on January 31, 2013. However, neither the conversion of the Company into an Open End Scheme nor its winding up was approved by the shareholders by the majority specified in the said regulation. This fact was communicated to the stock exchanges and the SECP.

Subsequently, the Company received a notice from SECP on February 21, 2013 citing non-compliance of the aforementioned Regulation and advised the Company to take immediate corrective action by calling another Extra Ordinary General Meeting of shareholders. The Company being aggrieved by the said notice preferred a Constitutional Petition before the Honorable Sindh High Court on the ground that Regulation 65 is ultra vires. The Honorable Sindh High Court, after a preliminary hearing, has granted an ad-interim relief to the Company by restraining the SECP from taking any coercive action against the Company during the pendency of the petition.

The future operations of the Company are dependent on the outcome of the above referred Constitutional Petition. The management and the Company's legal Counsel are of the view that the scheme of Regulation 65 in the way, it has been framed, is not in accordance with the principles of Company Law as well as the Constitution of Pakistan. Furthermore, they are confident that the Honorable Sindh High Court will strike down

Regulation 65 or direct SECP to devise a more practical implementation scheme. However, the management believes that, in the worst case scenario, the winding up of the Company will not have any material impact on the carrying amounts of assets and liabilities for the reason that such values are not materially different from the expected realisable / settlement amounts of the assets and liabilities of the Company. Accordingly, these financial statements have been prepared on a going concern basis.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the financial statements of the Fund.

2.3 New and amended standards and interpretations that are not yet effective and have not been early adopted

Following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation or amendment:

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 – Financial Instruments: Disclosures – (Amendments)	
– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 19 – Employee Benefits –(Revised)	January 01, 2013
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have a material effect on the Company's financial statements in the period of initial application, however, certain amendments will result in increased disclosure requirements.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2.1, 3.2.4, 3.2.5 and 5).

2.5 Accounting convention

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

2.6 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term investments having original maturities of less than three months.

3.2 Financial assets

3.2.1 Classification

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

a) Financial assets at fair value through profit or loss

This category has two sub-categories, namely; financial instruments held-for-trading, and those designated at fair value through profit or loss upon initial recognition.

- Investments which are acquired principally for the purposes of generating profit from short-term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short-term profit taking are classified as held-for-trading.
- Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented risk management / investment strategy.

These investments are initially recognised at fair value, being the cost of the consideration given.

b) Loans and receivables

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

c) Available-for-sale

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

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

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

3.2.4 Subsequent measurement

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

a) Basis of valuation of term finance certificates

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

b) Basis of valuation of equity securities

Investments in equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

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

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

3.2.5 Impairment

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

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by SECP.

3.2.6 Derecognition

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

3.2.7 Offsetting of financial instruments

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

3.3 Financial liabilities

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

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

3.4 Derivatives

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

3.5 Proposed dividend and transfer between reserves

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

3.6 Provisions

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

3.7 Taxation**Current**

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

Deferred

The Company provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Company also records deferred tax asset on unutilised tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. However, the Company has not recognised any amount of deferred tax in these financial statements as the Company intends to continue availing the tax exemption in future years by distributing at least 90 percent of its accounting income for the current year as reduced by capital gains, whether realised or unrealised to its shareholders.

3.8 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income on equity securities is recognised in the income statement when the right to receive the dividend is established.
- Unrealised gains / losses arising on re-measurement of securities classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Income on term finance certificates is recognised on an accrual basis.
- Profit on bank deposits is recognised on an accrual basis.

		June 30, 2013	June 30, 2012
	Note	----- (Rupees in '000) -----	
4. BANK BALANCES			
PLS savings accounts	4.1	27,647	4,780
Current accounts		6,821	9,789
		<u>34,468</u>	<u>14,569</u>

4.1 Profit rates on PLS saving accounts range between 6% to 10.5% (2012: 5% to 10.5%) per annum.

5. INVESTMENTS
Financial assets at fair value through profit or loss

- | | | | |
|---|-----|-----------|-----------|
| - Quoted equity securities - held-for-trading | 5.1 | 1,606,185 | 1,124,299 |
|---|-----|-----------|-----------|

Available-for-sale

- | | | | |
|----------------------------|-----|------------------|------------------|
| - Quoted equity securities | 5.2 | 11,435 | 12,634 |
| | | <u>1,617,620</u> | <u>1,136,933</u> |

5.1 Quoted equity securities - financial assets at 'fair value through profit or loss'

Name of the Investee company	Number of shares-----					Balance as at June 30, 2013			Percentage in relation to		
	As at July 01, 2012	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2013	Carrying cost	Market value	Appreciation / (Diminution)	Market value as percentage of Investments	Market value as percentage of net assets	Investee paid up capital
-----Rupees in '000'-----											
Shares of listed companies - fully paid ordinary shares of Rs. 10 each unless stated otherwise											
Oil and gas											
Attock Refinery Limited	50,000	-	-	50,000	-	-	-	-	-	-	-
National Refinery Limited	-	51,400	-	-	51,400	11,802	12,366	564	0.76	0.77	0.06
Pakistan State Oil Company Limited	85,000	237,700	35,040	121,200	236,540	53,153	75,783	22,630	4.68	4.73	0.10
						64,955	88,149	23,194			
Chemicals											
Arif Habib Corporation Limited	-	210,000	-	-	210,000	4,876	4,654	(222)	0.29	0.29	0.05
Clariant Pakistan Limited	124,180	151,300	-	110,000	165,480	36,766	52,763	15,997	3.26	3.29	0.49
Dawood Hercules Chemicals Limited	-	68,500	-	68,500	-	-	-	-	-	-	-
Dynea Pakistan Limited (Face value of Rs.5 each)	895,233	-	-	-	895,233	18,102	34,735	16,633	2.15	2.17	4.74
Engro Polymer & Chemicals Limited	-	2,302,500	-	2,120,500	182,000	2,057	2,213	156	0.14	0.14	0.03
Engro Corporation Limited	206,200	1,119,300	-	225,000	1,100,500	129,068	134,118	5,050	8.29	8.37	0.22
Ghani Gases Limited	6,900	-	-	-	6,900	64	172	108	0.01	0.01	0.01
Lotte Chemical Pakistan Limited	-	1,000,000	-	-	1,000,000	7,618	7,620	2	0.47	0.48	0.07
Sitara Chemical Industries Limited	247,071	-	-	247,071	-	-	-	-	-	-	-
						198,551	236,275	37,724			
Forestry (paper and board)											
Century Paper and Board Mill Limited	357,590	177	118	357,000	885	15	24	9	-	-	-
Century Paper and Board Mill Limited - LoR	-	-	177	177	-	-	-	-	-	-	-
						15	24	9			
Industrial metals and mining											
Crescent Steel and Allied Products Limited	258,035	792,000	-	-	1,050,035	28,028	47,241	19,213	2.92	2.95	1.86
International Steel Limited	382,965	661,000	-	-	1,043,965	14,283	18,468	4,185	1.14	1.15	0.24
International Industries Limited	500,000	81,500	-	132,000	449,500	13,399	20,277	6,878	1.25	1.27	0.37
Huffaz Seamless Pipe Industries Limited	20,245	408,500	-	-	428,745	9,390	9,437	47	0.58	0.59	0.77
						65,100	95,423	30,323			

Name of the Investee company	Number of shares				Balance as at June 30, 2013			Percentage in relation to			
	As at July 01, 2012	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2013	Carrying cost	Market value	Appreciation / (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
-----Rupees in '000'-----											
Construction and materials											
Cherat Cement Company Limited	582,484	250,047	-	832,531	-	-	-	-	-	-	-
Dewan Cement Limited	-	1,245,500	-	-	1,245,500	7,949	8,544	595	0.53	0.53	0.32
D.G Khan Cement Company Limited	630,000	282,500	-	912,500	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	3,250,000	-	3,250,000	-	-	-	-	-	-	-
Lafarge Pakistan Cement Limited	-	1,147,000	-	1,147,000	-	-	-	-	-	-	-
Pioneer Cement Limited	-	96,500	-	96,500	-	-	-	-	-	-	-
Shabbir Tiles & Ceramics Limited (Face value of Rs.5 each)	257,793	-	-	-	257,793	1,843	2,526	683	0.16	0.16	0.18
						9,792	11,070	1,278			
General Industrials											
Cherat Packaging Limited	38,437	23,062	-	-	61,499	1,568	2,368	800	0.15	0.15	0.22
Cherat Packaging Limited - LoR	-	23,062	-	23,062	-	-	-	-	-	-	-
Merit Packaging Ltd.	349,615	105,000	-	420	454,195	10,180	9,325	(855)	0.58	0.58	9.58
Macpac Films Limited	-	296,629	-	83,000	213,629	4,268	4,873	605	0.30	0.30	0.55
Thal Limited (Face value of Rs.5 each)	598,007	-	48,050	123,500	522,557	44,180	65,853	21,673	4.07	4.11	0.64
						60,196	82,419	22,223			
Electronic and electric goods											
Johnson & Phillips (Pakistan) Limited	79,287	-	-	79,287	-	-	-	-	-	-	-
Pakistan Cables Limited	14,357	-	-	14,357	-	-	-	-	-	-	-
						-	-	-			
Engineering											
Al-Ghazi Tractors Limited (Face value of Rs.5 each)	48,100	25,000	-	73,100	-	-	-	-	-	-	-
K.S.B. Pumps Company Limited	250,000	-	-	-	250,000	13,655	20,975	7,320	1.30	1.31	1.89
						13,655	20,975	7,320			
Industrial transportation											
Pakistan International Bulk Terminal Limited *	65,000	-	-	-	65,000	650	650	-	0.04	0.04	-
Pakistan National Shipping Corporation	298,808	25,000	-	125,000	198,808	3,669	9,145	5,476	0.57	0.57	0.15
						4,319	9,795	5,476			
Support services											
TRG Pakistan Limited	23,950,060	-	-	12,050,500	11,899,560	60,813	167,229	106,416	10.34	10.44	4.26
						60,813	167,229	106,416			
Technology hardware and equipment											
TPL Trakker Limited	-	8,299,000	-	-	8,299,000	66,045	68,301	2,256	4.22	4.26	3.82
						66,045	68,301	2,256			

Name of the Investee company	Number of shares-----				Balance as at June 30, 2013			Percentage in relation to			
	As at July 01, 2012	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2013	Carrying cost	Market value	Appreciation / (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
-----Rupees in '000'-----											
Automobile and parts											
General Tyre & Rubber Company of Pakistan Limited	152,892	-	-	-	152,892	3,134	6,452	3,318	0.40	0.40	0.26
Atlas Battery Limited	2,970	10,100	594	-	13,664	2,922	4,626	1,704	0.29	0.29	0.09
Atlas Honda Limited	116,121	-	29,030	-	145,151	13,363	26,292	12,929	1.63	1.64	0.14
Honda Atlas Cars (Pakistan) Limited	-	10,000	-	-	10,000	182	437	255	0.03	0.03	0.01
Exide Pakistan Limited	34,510	5,000	-	-	39,510	7,095	17,772	10,677	1.10	1.11	0.56
						26,696	55,579	28,883			
Beverages											
Shezan International Limited	100,000	-	-	100,000	-	-	-	-	-	-	-
Murree Brewery Company Limited	391,001	153,900	30,000	391,000	183,901	20,151	50,573	30,422	3.13	3.16	0.88
						20,151	50,573	30,422			
Food producers											
Colony Sugar Mills Limited	-	401,000	-	-	401,000	2,392	2,502	110	0.15	0.16	0.40
Habib - ADM Limited (Face value of Rs 5 each)	74,889	-	-	-	74,889	1,539	1,863	324	0.12	0.12	0.19
JDW Sugar Mills Limited	5,073	6,500	-	-	11,573	1,344	1,250	(94)	0.08	0.08	0.02
Noon Pakistan Limited	31,689	-	-	-	31,689	1,172	1,675	503	0.10	0.10	0.61
Punjab Oil Mills Limited	100,000	-	-	1,000	99,000	5,248	6,287	1,039	0.39	0.39	1.84
Quice Food Limited	2,289,139	2,140,626	-	4,429,765	-	-	-	-	-	-	-
Quice Food Limited-Right	900,626	1,159,500	-	2,060,126	-	-	-	-	-	-	-
Engro Foods Limited	-	950,000	-	950,000	-	-	-	-	-	-	-
Noon Sugar Mills Limited	590,591	411,500	-	-	1,002,091	21,810	24,862	3,052	1.54	1.55	6.07
Mitchell's Fruit Farms Limited	6,428	-	-	6,428	-	-	-	-	-	-	-
Sanghar Sugar Mills Limited	352,865	144,850	-	497,715	-	-	-	-	-	-	-
Shahtaj Sugar Mills Limited	24,537	-	-	-	24,537	1,876	2,012	136	0.12	0.13	0.20
Shakarganj Mills Limited	1,982,502	634,500	-	-	2,617,002	34,748	57,208	22,460	3.54	3.57	3.76
Kohinoor Sugar Mills Limited	-	209,500	-	-	209,500	1,128	3,098	1,970	0.19	0.19	1.92
National Foods Limited	-	11,900	-	11,900	-	-	-	-	-	-	-
Tandlianwala Sugar Mills Limited	85,863	-	-	80,507	5,356	410	482	72	0.03	0.03	-
Unilever Pakistan Limited	-	1,620	-	1,620	-	-	-	-	-	-	-
						71,667	101,239	29,572			
Household goods											
Tariq Glass Industries Limited	1,166,271	-	-	1,166,271	-	-	-	-	-	-	-
						-	-	-			

Name of the Investee company	Number of shares-----				Balance as at June 30, 2013			Percentage in relation to			
	As at July 01, 2012	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2013	Carrying cost	Market value	Appreciation / (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
-----Rupees in '000'-----											
Personal goods (textile)											
Artistic Denim Mills Limited	2,057,472	6,500	-	2,063,972	-	-	-	-	-	-	-
Crescent Fibres Limited	-	42,000	-	-	42,000	1,090	1,315	225	0.08	0.08	0.34
Dawood Lawrencepur Limited	43,159	-	-	-	43,159	2,677	2,590	(87)	0.16	0.16	0.07
Fazal Cloth Mills Limited	1,211	9,000	128	-	10,339	1,131	954	(177)	0.06	0.06	0.04
Gul Ahmed Textile Mills Limited	369,647	258,929	-	-	628,576	12,243	14,922	2,679	0.92	0.93	0.41
Gul Ahmed Textile Mills Limited-Right	-	258,929	-	258,929	-	-	-	-	-	-	-
Rupali Polyester Limited	12,701	-	-	-	12,701	326	296	(30)	0.02	0.02	0.04
Din Textile Mills Limited	1,067,209	124,500	-	646,500	545,209	9,998	33,258	23,260	2.06	2.08	2.67
Ellicot Spinning Mills Limited	1,074,554	-	-	199,000	875,554	22,764	56,815	34,051	3.51	3.55	8.00
Faisal Spinning Mills Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
Fazal Textile Mills Limited	-	600	-	-	600	133	197	64	0.01	0.01	0.01
Indus Dyeing Manufacturing Company Limited	29,780	-	-	29,780	-	-	-	-	-	-	-
Ishaq Textile Mills Limited	-	6,500	-	-	6,500	42	106	64	0.01	0.01	0.07
Island Textile Mills Limited	38,300	-	-	-	38,300	7,931	22,827	14,896	1.41	1.42	7.66
Masood Textile Mills Limited	469,170	-	-	-	469,170	9,590	11,969	2,379	0.74	0.75	0.78
Prosperity Weaving Mills Limited	84,591	-	-	-	84,591	793	2,659	1,866	0.16	0.17	0.46
Saif Textile Mills Limited	-	350,000	-	168,500	181,500	2,468	4,427	1,959	0.27	0.28	0.69
Sapphire Fibres Limited	47	-	-	-	47	6	8	2	-	-	-
Service Industries Limited	49,588	11,600	-	-	61,188	11,656	15,969	4,313	0.99	1.00	0.51
Suraj Cotton Mills Limited	502,082	-	-	502,082	-	-	-	-	-	-	-
ZIL Limited	214,835	3,300	-	100,000	118,135	12,248	12,490	242	0.77	0.78	2.22
						95,096	180,802	85,706			
Fixed line telecommunication											
PAK Datacom Limited	645,031	9,000	-	-	654,031	41,264	48,078	6,814	2.97	3.00	6.67
Pakistan Telecommunication Company Limited	-	687,500	-	30,000	657,500	11,506	14,590	3,084	0.90	0.91	0.02
Telecard Limited	-	1,442,000	-	-	1,442,000	8,652	7,470	(1,182)	0.46	0.47	0.48
Wateen Telecom Limited	-	2,000,000	-	1,000,000	1,000,000	4,500	4,310	(190)	0.27	0.27	0.16
WorldCall Telecom Limited	250,000	4,663,000	-	2,913,000	2,000,000	5,638	6,000	362	0.37	0.37	0.23
						71,560	80,448	8,888			
Electricity											
Karachi Electric Supply Company Limited	4,439,112	2,000,000	-	6,439,112	-	-	-	-	-	-	-
Kohinoor Energy Limited	1,453,750	2,300,000	-	2,291,000	1,462,750	30,547	54,853	24,306	3.39	3.42	0.86
Sitara Energy Limited	263,151	-	-	-	263,151	4,342	8,342	4,000	0.52	0.52	1.38
						34,889	63,195	28,306			
Multifutilities (gas and water)											
Sui Northern Gas Pipelines Limited	-	1,468,500	13,050	1,338,000	143,550	3,086	2,880	(206)	0.18	0.18	0.02
Sui Southern Gas Company Limited	4,288,740	1,830,000	-	1,756,500	4,362,240	88,970	85,151	(3,819)	5.26	5.32	0.50
						92,056	88,031	(4,025)			

Name of the Investee company	Number of shares					Balance as at June 30, 2013			Percentage in relation to		
	As at July 01, 2012	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2013	Carrying cost	Market value	Appreciation / (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
-----Rupees in '000'-----											
Commercial banks											
Askari Bank Limited	-	847,000	-	627,779	219,221	3,793	3,337	(456)	0.21	0.21	0.03
Summit Bank Limited	6,492,703	1,269,456	-	-	7,762,159	25,030	18,008	(7,022)	1.11	1.12	0.72
Summit Bank Limited - Preference Shares - LoR	-	-	1,552,431	1,552,431	-	-	-	-	-	-	-
Bank Al-Habib Limited	525,000	-	-	325,000	200,000	5,694	5,438	(256)	0.34	0.34	0.02
United Bank Limited	90,541	-	-	90,541	-	-	-	-	-	-	-
Bank Al-Falah Limited	1,750,000	1,086,500	-	1,750,000	1,086,500	18,219	19,796	1,577	1.22	1.24	0.08
BankIslami Pakistan Limited	-	850,000	-	-	850,000	5,610	5,534	(76)	0.34	0.35	0.16
Habib Bank Limited	193,400	249,200	30,390	189,500	283,490	30,179	33,803	3,624	2.09	2.11	0.02
Habib Metropolitan Bank Limited	594,382	-	-	81,000	513,382	8,861	8,912	51	0.55	0.56	0.05
MCB Bank Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
NIB Bank Limited	4,372,955	-	-	-	4,372,955	8,702	10,145	1,443	0.63	0.63	0.04
National Bank of Pakistan	-	275,000	-	275,000	-	-	-	-	-	-	-
Soneri Bank Limited	4,512,802	-	283,943	4,796,745	-	-	-	-	-	-	-
						106,088	104,973	(1,115)			
Non life Insurance											
Adamjee Insurance Company Limited	-	75,000	-	75,000	-	-	-	-	-	-	-
Askari General Insurance Company Limited	-	526,000	-	-	526,000	9,425	9,994	569	0.62	0.62	1.63
Century Insurance Company Limited	451,312	-	-	-	451,312	4,671	6,359	1,688	0.39	0.40	0.99
Habib Insurance Company Limited	-	249,000	-	-	249,000	3,200	3,175	(25)	0.20	0.20	2.51
Premier Insurance Limited (Face value of Rs 5 each)	2,955,389	255,500	-	-	3,210,889	22,891	25,559	2,668	1.58	1.60	5.30
TPL Direct Insurance Company Limited	-	239,500	-	-	239,500	2,156	2,247	91	0.14	0.14	0.52
						42,343	47,334	4,991			
Real estate investment and services											
Pace Pakistan Limited	1,532,536	-	-	1,532,536	-	-	-	-	-	-	-
Financial services											
First Capital Securities Corporation Limited	317,605	-	-	-	317,605	861	1,267	406	0.08	0.08	0.10
						861	1,267	406			
Health care equipment and services											
Shifa International Hospitals	310,500	45,000	-	-	355,500	11,727	15,464	3,737	0.96	0.97	0.70
						11,727	15,464	3,737			
Pharma and bio tech											
Searle Pakistan Limited	270,000	-	-	270,000	-	-	-	-	-	-	-
Wyeth Pakistan Limited	5,079	18,250	-	-	23,329	20,737	37,618	16,881	2.33	2.35	1.64
						20,737	37,618	16,881			

Name of the Investee company	Number of shares-----					Balance as at June 30, 2013			Percentage in relation to		
	As at July 01, 2012	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2013	Carrying cost	Market value	Appreciation / (Diminution)	Market value as percentage of investments	Market value as percentage of net assets	Investee paid up capital
-----Rupees in '000'-----											
Media											
Hum Network Limited	404,414	150,000	-	554,414	-	-	-	-	-	-	-
						-	-	-			
Impaired equity securities											
Financial services											
Security Leasing Corporation Limited (9.1% Preference Shares)	1,489	-	-	-	1,489	2	2	-	-	-	0.01
						2	2	-			
Total listed equity securities as at June 30, 2013						1,137,314	1,606,185	468,871			
Total listed equity securities as at June 30, 2012						1,030,310	1,124,299	93,989			

* Applied for listing.

5.2 Quoted equity securities - 'available-for-sale'

Name of the investee company	Note	Number of shares				Balance as at June 30, 2013			Market value as percentage of investments	Market value as percentage of net assets	Percentage in relation investee paid-up capital	
		Opening balance	Purchases during the year	Bonus / rights issue	Sales during the year	Closing balance	Carrying Cost	Market value				Appreciation/ (diminution)
(Rupees in '000)												
Financial services												
Security Leasing Corporation Limited (9.1% Preference shares)	5.2.1	1,000,000	-	-	-	1,000,000	10,166	-	-	0.00	0.00	2.10
Less: Impairment						(6,871)	3,295	3,295	-			
General Industrials												
Siemens Engineering (Pakistan) Limited	12,500	-	-	-	-	12,500	9,339	8,140	(1,199)	0.50	0.06	0.15
Total listed equity securities as at June 30, 2013							12,634	11,435	(1,199)			
Total listed equity securities as at June 30, 2012							16,847	12,634	(4,213)			

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

5.3 Government security - financial assets at 'fair value through profit or loss'

Particulars	Tenor	Face value				Balance as at June 30, 2013			Percentage in relation to	
		Opening balance	Purchases during the year	Disposed off during the year	Closing balance	Cost	Market value	Appreciation / (diminution)	Market value as percentage of investment	Market value as percentage of net assets
(Rupees in '000)										
Pakistan Investment Bonds - July 19, 2012	5 Years	-	25,000	25,000	-	-	-	-	-	-

2013 2012
Note ----- (Rupees in '000) -----

5.4 Unrealised diminution in fair value of investments classified as 'available for sale' - net

Market value of investments	5.2	11,435	12,634
Less: Cost of investments		(10,614)	(10,614)
		<u>821</u>	<u>2,020</u>
Less: Net unrealised appreciation in fair value of investments at the beginning of year		(2,020)	(6,233)
		<u>(1,199)</u>	<u>(4,213)</u>

6. DIVIDEND AND OTHER RECEIVABLES

Dividend receivable	1,053	720
Profit receivable on bank deposits	109	56
Profit receivable on term finance certificates	-	1,072
	<u>1,162</u>	<u>1,848</u>

7. SECURITY DEPOSIT

National Clearing Company of Pakistan Limited	<u>2,750</u>	<u>2,750</u>
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8. REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY

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

		2013	2012
	Note	----- (Rupees in '000) -----	
9. ACCRUED EXPENSES AND OTHER LIABILITIES			
Annual fee payable to SECP	9.1	1,251	862
Brokerage payable		314	280
Custodian fee / charges		88	81
Auditors' remuneration		169	275
Unclaimed amount due to shareholders on reduction of share capital		45	45
Withholding tax payable		7	3
Sales tax on remuneration of Management Company	14	477	292
Federal Excise Duty on remuneration of Management Company	15	260	-
Others		1,909	268
		4,520	2,106

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

10. SHARE CAPITAL
Issued, subscribed and paid-up capital

2013	2012	Fully paid Ordinary shares of Rs.5 each	2013	2012
----- Number of shares -----			----- (Rupees in '000) -----	
110,591,593	110,591,593	Issued for cash	552,958	552,958
41,506,751	41,506,751	Issued as bonus shares	207,534	207,534
152,098,344	152,098,344		760,492	760,492

10.1 AKD Investment Management Limited and AKD Securities Limited held 34,915,395 (June 30, 2012: 27,515,395) and 2,776 (June 30, 2012: 2,889) shares respectively of the company as at June 30, 2013. Other related parties as disclosed in note 20 held 9,373,832 shares (June 30, 2012: 2,754,037 shares) as at June 30, 2013.

10.2 Pattern of shareholding of the Company as at June 30, 2013 is as follows:

Category	Share holding		
	Share holders	Number of Shares	Percentage
Individuals	4,644	82,761,353	54.41
Associated companies and directors	11	44,292,003	29.12
Insurance companies	2	67,141	0.04
Banks and DFIs	7	2,904,967	1.91
NBFCs	6	85,039	0.06
Public limited companies	2	245,648	0.16
Others	59	21,742,193	14.30
Total	4,731	152,098,344	100

10.3 Pattern of shareholding of the Company as at June 30, 2012 was as follows:

Category	Share holding		
	Share holders	Number of Shares	Percentage
Individuals	4,792	79,504,871	52.27
Associated companies and directors	13	30,272,321	19.90
Insurance companies	3	76,159	0.05
Banks and DFIs	5	16,148,266	10.62
NBFCs	7	3,085,039	2.03
Public limited companies	4	4,778,180	3.14
Others	67	18,233,508	11.99
Total	4,891	152,098,344	100

	2013	2012
	----- (Rupees in '000) -----	
11. NET ASSETS VALUE PER SHARE		
Total net assets	<u>1,602,002</u>	<u>1,134,946</u>
Total shares in issue	<u>152,098,344</u>	<u>152,098,344</u>
Net assets value per share - Rupees	<u>10.53</u>	<u>7.46</u>
12. CONTINGENCIES AND COMMITMENTS		
There were no contingencies and commitments outstanding as at June 30, 2013 and June 30, 2012.		
13. CAPITAL GAIN ON SALE OF INVESTMENTS - NET		
Securities classified as - 'financial assets at fair value through profit or loss' - net	<u>320,084</u>	<u>169,734</u>
14. SALES TAX ON REMUNERATION OF MANAGEMENT COMPANY		
During the current year, an amount of Rs. 4.256 (June 30, 2012 Rs. 2.905) million was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.		
15. FEDERAL EXCISE DUTY ON REMUNERATION OF MANAGEMENT COMPANY		
During the current year, effective June 13, 2013, an amount of Rs.0.260 (June 30, 2012 Rs.Nil) million was charged on account of federal excise duty on remuneration of management fee levied through Finance Act, 2013.		
16. AUDITORS' REMUNERATION		
Annual statutory audit fee	175	175
Fee for half yearly review	75	75
Fee for review of statement of compliance with the code of corporate governance	25	25
Out of pocket expenses	32	29
	<u>307</u>	<u>304</u>

17. PROVISION FOR WORKERS' WELFARE FUND

Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it is alleged that all Collective Investment Schemes (CISs) / mutual funds 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 (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down. However, during March 2013, the SHC larger bench issued a judgment in response to various petitions in similar cases whereby the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008 respectively (Money Bills) have been declared constitutional and overruled a single-member Lahore High Court (LHC) bench judgment issued in August 2011.

MUFAP's legal counsel is of the view that the stay granted to mutual funds in respect of recovery of WWF remains intact and the constitutional petition filed by the Mutual Funds to challenge the Workers Welfare Fund contribution has not been affected by the Judgment passed by the larger bench of SHC.

In view of the aforementioned developments during the year, the Management Company, as a matter of abundant caution, has decided to retain and continue with the provision for WWF amounting to Rs.27.693 million (including Rs.16.385 million for the current year) in these financial statements. Had this provision not been made the net asset value would have increased by Re.0.182 (3.64%) per share (June 30, 2012: Re.0.074 (1.48%) per share) and the net income for the year would have increased by Re.0.108 (2.16%) per share (June 30, 2012: Re.0.039 (0.78%) per share).

18. TAXATION

The income of the Company is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for that year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the shareholders. Accordingly, the Company has not recorded provision for taxation as the management intends to distribute at least 90 percent of the Company's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its shareholders.

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

19. EARNINGS PER SHARE

Net income after taxation

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

	802,871	290,165
--	----------------	---------

----- **Number of Shares** -----

Weighted average number of Ordinary shares

	152,098,344	152,098,344
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----- (Rupees) -----

Earnings per share

	5.28	1.91
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19.1 There were no convertible dilutive potential ordinary shares in issue as at June 30, 2013 and 2012.

20. CASH AND CASH EQUIVALENTS

Bank balances

----- (Rupees in '000) -----

	34,468	14,569
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21. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

21.1 Transactions during the year	2013 ----- (Rupees in '000) -----	2012
AKD Investment Management Limited - Management Company		
Remuneration to Management Company	26,342	18,157
Cash dividend paid @ 24% i.e. Rs.1.20 per share (June 30, 2012: 15% i.e. Re.0.75 per share)	33,018	20,637
Interim dividend paid @ 20% i.e. Rs.1.00 per share (June 30, 2012: Rs.Nil)	34,915	-
Aqeel Karim Dhedhi Securities (Private) Limited - Staff Provident Fund		
Cash dividend paid @ 24% i.e. Rs.1.20 per share (June 30, 2012: 15% i.e. Re.0.75 per share)	2,511	1,570
Interim dividend paid @ 20% i.e. Rs.1.00 per share (June 30, 2012: Rs.Nil)	2,093	-
AKD Securities Limited		
Brokerage	404	268
Cash dividend paid @ 24% i.e. Rs.1.20 per share (June 30, 2012: 15% i.e. Re.0.75 per share)	14,763	9,227
Interim dividend paid @ 20% i.e. Rs.1.00 per share (June 30, 2012: Rs.Nil)	3	-
AKD Investment Management Limited - Staff Provident Fund		
Cash dividend paid @ 24% i.e. Rs.1.20 per share (June 30, 2012: 15% i.e. Re.0.75 per share)	721	450
Interim dividend paid @ 20% i.e. Rs.1.00 per share (June 30, 2012: Rs.Nil)	601	-
Directors of the Company		
Cash dividend paid @ 24% i.e. Rs.1.20 per share (June 30, 2012: 15% i.e. Re.0.75 per share)	72	50
Interim dividend paid @ 20% i.e. Rs.1.00 per share (June 30, 2012: Rs.Nil)	67	-
Purchase of shares of Company	1,650	-
Key Management Personnel		
Purchase of shares of Company	50	-
Central Depository Company of Pakistan Limited (Custodian)		
Fee charged during the year (including transaction charges)	1,090	715

	2013	2012
	----- (Rupees in '000) -----	
AKD Aggressive Income Fund		
Sale of TFCs	-	14,862
AKD Opportunity Fund		
Sale of shares	-	19,797
Purchase of shares	13,486	90,932
AKD Securities Limited		
Sale of shares	16,650	-
Aqeel Karim Dhedhi Securities (Private) Limited		
Purchase of shares	-	6,353
Mr. Aqeel Karim Dhedhi		
Purchase of shares	-	8,949
Miss. Ayesha Aqeel		
Purchase of shares	-	1,625
PAK Datacom Limited		
Dividend received during the period	3,870	1,032
21.2 Balances outstanding at year end		
AKD Investment Management Limited - Management Company		
Remuneration payable	2,722	1,824
Shares in issue (No. of shares: June 30, 2013: 34,915,395; June 30, 2012: 27,515,395)	174,577	137,577
Aqeel Karim Dhedhi Securities (Private) Limited - Staff Provident Fund		
Shares in issue (No. of shares: June 30, 2013: 2,092,812; June 30, 2012: 2,092,812)	10,464	10,464
AKD Securities Limited		
Shares in issue (No. of shares: June 30, 2013: 2,889 June 30, 2012: 2,889)	14	14
Brokerage payable	111	6
AKD Investment Management Limited - Staff Provident Fund		
Shares in issue (No. of shares: June 30, 2013: 601,046; June 30, 2012: 601,046)	3,005	3,005
Directors of the Company		
Shares of the Company held (No. of shares: June 30, 2013: 6,679,861; June 30, 2012: 60,179)	33,399	301
Key management personnel		
Shares of the Company held (No. of shares: June 30, 2013: 10,000; June 30, 2012: Rs.Nil)	50	-

	2013	2012
	----- (Rupees in '000) -----	
Central Depository Company of Pakistan Limited - Custodian		
Fee payable	88	81
AKD Aggressive Income Fund		
Receivable against sale of investment	-	3,712
PAK Datacom Limited		
Shares held by the Company (No. of shares: June 30, 2013: 654,031; June 30, 2012: 645,031)	48,078	40,566

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company holds following financial instruments at the year end.

22.1 Financial instruments by category

----- As at June 30, 2013 -----					
		Assets at fair value through profit or loss	Available- for-sale	Held to maturity	Total
Assets	Loans and receivables	----- (Rupees in '000) -----			
Bank balances	34,468	-	-	-	34,468
Receivable against sale of investments	927	-	-	-	927
Investments	-	1,606,185	11,435	-	1,617,620
Dividend and other receivables	1,162	-	-	-	1,162
Security deposits	2,750	-	-	-	2,750
	39,307	1,606,185	11,435	-	1,656,927
----- As at June 30, 2013 -----					
		Liabilities at fair value through profit or loss	At Amortised cost		Total
Liabilities	----- (Rupees in '000) -----				
Payable against purchase of investments		-	6,208		6,208
Remuneration payable to the Management Company		-	2,722		2,722
Accrued expenses and other liabilities		-	4,520		4,520
Unclaimed dividend		-	13,906		13,906
		-	27,356		27,356

----- As at June 30, 2012 -----					
	Loans and receivables	Assets at fair value through profit or loss	Available- for-sale	Held to maturity	Total
----- (Rupees in '000) -----					
Assets					
Bank balances	14,569	-	-	-	14,569
Receivable against sale of investment	3,839	-	-	-	3,839
Investments	-	1,124,299	12,634	-	1,136,933
Dividend and other receivables	1,972	-	-	-	1,972
Security deposits	2,750	-	-	-	2,750
	<u>23,130</u>	<u>1,124,299</u>	<u>12,634</u>	<u>-</u>	<u>1,160,063</u>

----- As at June 30, 2012 -----			
	Liabilities at fair value through profit or loss	At Amortised cost	Total
----- (Rupees in '000) -----			
Liabilities			
Payable against purchase of investments	-	-	-
Remuneration payable to the Management Company	-	1,824	1,824
Accrued expenses and other liabilities	-	1,244	1,244
Unclaimed dividend	-	9,879	9,879
	<u>-</u>	<u>12,947</u>	<u>12,947</u>

22.2 Risk management objective

The Company's objective in managing risks is the creation and protection of shareholders' value. Risk is inherent in the Company's activities, but it is managed through monitoring and controlling activities which are primarily setup to be performed based on limits established by the management company and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept. The management company, AKD Investment Management Limited, supervises the overall risk management approach within the Company. The Company is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds.

22.3 Market risk

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

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

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

22.3.1 Currency risk

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

22.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on management of bank balances and certain investments.

As at June 30, 2013, the balances that may be exposed to interest rate risk are as follows:

	June 30, 2013	June 30, 2012
	----- (Rupees in '000) -----	
Variable rate instruments		
Bank balance	27,647	4,780
Fixed rate instruments		
Preference shares	3,295	3,295

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income and other comprehensive income.

	Increase / (decrease) in basis points	Effect on interest income
	----- (Rupees in '000) -----	
2013	100 (100)	309 309
2012	100 (100)	81 (81)

22.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to equity price risk because of investments held by the Company and classified on the Statement of Assets and Liabilities as available for sale and at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio within the eligible stocks prescribed in the Memorandum and Articles of Association. The Company's constitutive document / NBFC Regulations also limit individual equity securities to not more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 30% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2013, net income for the year would decrease / increase by Rs. 80.309 (June 30, 2012: Rs 56.215) million and net assets of the Company would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss. Other components of equity and net assets of the Company would increase / decrease by Re. 0.407 (June 30, 2012: Re. 0.467) million as a result of gains / losses on equity securities classified as available-for-sale.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Company's investment portfolio and the correlation thereof to the KSE 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the effect on the Company's net assets of future movements in the level of KSE 100 index.

22.4 Credit risk

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

The analysis below summarises the credit risk of the Company's financial assets:

	June 30, 2013	June 30, 2012
	----- (Rupees in '000) -----	
Bank balances	34,468	14,569
Receivable against sale of investment	927	3,839
Investments	3,295	3,295
Dividend and other receivable	1,162	1,972
Security deposits	2,750	2,750
Total	42,602	26,425

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect group of counter parties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk.

	2013	2012
	----- (Rupees in '000) -----	
Rating category		
A1+	33,536	13,630
A1	-	915
A2	-	24
A3	907	-
A-3	25	-
Unrated	8,134	11,856
	42,602	26,425

The maximum exposure to credit risk before any credit enhancement as at June 30, 2013 is the carrying amount of the financial assets.

Impairment

An analysis of the financial assets that are individually impaired as per the requirements of Circular No. 1 dated January 6, 2009 and Circular No. 13 dated May 04, 2009 issued by the Securities and Exchange Commission of Pakistan are as under:

	As at June 30, 2013			As at June 30, 2012		
	Total outstanding amount	Payment over due (in days)		Total outstanding amount	Payment over due (in days)	
		1-365	Above 365		1-365	Above 365
----- (Rupees in '000) -----						
Investments	10,168	-	10,168	10,168	-	10,168

22.5 Liquidity risk

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

The table below summaries the maturity profile of the Company's financial liabilities. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date.

----- As at June 30, 2013 -----			
Over three months and			
Upto three months	upto one year	Over one year	Total
----- (Rupees in '000) -----			
Liabilities			
Payable against purchase of investments	6,208	-	6,208
Remuneration payable to Management Company	2,722	-	2,722
Accrued expenses and other liabilities	4,520	-	4,520
Unclaimed dividend	13,906	-	13,906
	27,356	-	27,356

----- As at June 30, 2012 -----			
Over three months and			
Upto three months	upto one year	Over one year	Total
----- (Rupees in '000) -----			
Liabilities			
Payable against purchase of investments	-	-	-
Remuneration payable to Management Company	1,824	-	1,824
Accrued expenses and other liabilities	2,106	-	2,106
Unclaimed dividend	9,879	-	9,879
	13,809	-	13,809

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

23. CAPITAL RISK MANAGEMENT

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

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and to

maintain a strong capital base to meet unexpected losses or opportunities. In accordance with the NBFC Regulations the Company is required to distribute at least ninety percent of its income from sources other than unrealised capital gains as reduced by such expenses as are chargeable to the Company.

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

24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Effective January 01, 2009, the Company adopted the amendments to IFRS 7 for financial instruments that are measured in the statement of assets and liabilities at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

	----- As at June 30, 2013-----			
	Level 1	Level 2	Level 3	Total
ASSETS	----- (Rupees in '000) -----			
Investment in securities - at fair value through profit or loss	1,606,183	-	2	1,606,185
Investment in securities - available-for-sale	8,140	-	3,295	11,435
	<u>1,614,323</u>	<u>-</u>	<u>3,297</u>	<u>1,617,620</u>

	----- As at June 30, 2012-----			
	Level 1	Level 2	Level 3	Total
ASSETS	----- (Rupees in '000) -----			
Investment in securities - at fair value through profit or loss	1,124,297	-	2	1,124,299
Investment in securities - available-for-sale	<u>9,339</u>	-	<u>3,295</u>	<u>12,634</u>
	<u>1,133,636</u>	<u>-</u>	<u>3,297</u>	<u>1,136,933</u>

There were no movement of securities from level 2 and level 3 during the current year.

25. SUMMARY OF RECLASSIFICATIONS

Comparative information has been reclassified or rearranged in these financial statements for the purposes of better presentation. Major reclassifications made are as follows:

Particulars	Component	Reclassified from	Reclassified to	June 30,	June 30,
				2013	2012
----- (Rupees in '000) -----					
Provision for Workers' Welfare Fund	Statement of Assets and Liabilities	Accrued Expenses and Other Liabilities	Statement of Assets and Liabilities	27,693	11,308

26. NON-ADJUSTING EVENT AFTER REPORTING PERIOD

The Board of Directors of the Company in their meeting held on August 20, 2013 have proposed a final cash dividend at Rs. 1.10 per share for the year ended June 30, 2013 (June 30, 2012: cash dividend @ Rs.1.20).

27. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Golden Arrow Selected Stocks Fund Limited (GASSFL) are as follow:

	Designation	Qualification	Experience in years
Mr. Imran Motiwala	Chief Executive Officer - (GASSFL & AKDIML), Fund Manager - (GASSFL & AKDOF)	BBA	19
Mr. Muhammad Yaqoob	Chief Investment Officer, Company Secretary and Fund Manager - AKDAIF, AKDITF & AKDCF	MBA	9
Mr. Nadeem Saulat Siddiqui	Head of Public Relations Director - AKDIML	MBA	20
Mr. Carrow Michael	Head of Operations & HR	MBA	7
Mr. Farjad Bhanji	Manager Compliance	MFA	1.5
Mr. Farrukh Ahmed	Investment Analyst	B.A. (Hons)	6

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

28. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The Board meetings were held on August 15, 2012, October 23, 2012, January 9, 2013, February 21, 2013 and April 20, 2013. Information in respect of attendance by the Directors in the meetings is given below:

	Name of Director	Number of meetings		
		Held	Attended	Leave granted
1	Mr. Ahmed Abdul Sattar **	5	5	0
2	Mr. Imran Motiwala **	5	5	0
3	Mr. Aurangzeb Ali Naqvi **	5	5	0
4	Ms. Parveen Akhtar Malik *	2	2	0
5	Mr. Ramzan Sheikh *	2	1	1
6	Mr. Muhammad Amin Hussain*	5	4	1
7	Ms. Ayesha Aqeel Dhedhi **	5	5	0
8	Mr. Abdul Karim Memon **	3	3	0
9	Mr. Muhammad Yaqoob **	1	1	0
10	Mr. Muhammad Siddiq Khokhar **	0	0	0

* These directors have resigned during the year.

** The election of directors took place on May 09, 2013 and their approval is pending from SECP.

29. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID
For the year ended June 30, 2013
Name of Broker

A.I. Securities (Pvt.) Limited	14.45%
Creative Capital Securities (Pvt.) Limited	12.66%
AKD Securities Limited	11.16%
Trade In Securities (Pvt) Limited	10.32%
Fortune Securities Limited	10.18%
Investment Managers Securities (Pvt.) Limited	10.05%
Habib Metropolitan Financial Services Limited	6.69%
Pearl Securities Limited	5.55%
J.S. Global Capital Limited	2.86%
MSManiar Financials (Pvt.) Limited	2.76%

For the year ended June 30, 2012
Name of Broker

AKD Securities Limited	15.86%
A.I. Securities (Pvt.) Limited	13.75%
Investment Managers Securities (Pvt) Limited	12.69%
Fortune Securities Limited	12.30%
Creative Capital Securities (Pvt) Limited	8.45%
Habib Metropolitan Financial Services Limited	7.40%
Taurus Securities Limited	5.33%
Optimus Capital Management (Pvt) Limited	4.68%
First Capital Equities Limited	3.08%
Pearl Securities (Pvt) Limited	2.67%

30. SEGMENT INFORMATION

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

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

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

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

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

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

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

The Company has a highly diversified portfolio of investments and the Company does not hold any significant investment in any one investee company.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 20, 2013 by the Board of Directors of the Company.

32. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

Imran Motiwala
Chief Executive Officer

Aurangzeb Ali Naqvi
Director

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2013

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
620	1	100	21,554	0.01
1,192	101	500	297,750	0.20
483	501	1,000	359,099	0.24
1,241	1,001	5,000	3,111,738	2.05
390	5,001	10,000	2,928,792	1.93
202	10,001	15,000	2,461,580	1.62
98	15,001	20,000	1,752,727	1.15
104	20,001	25,000	2,403,854	1.58
46	25,001	30,000	1,288,955	0.85
43	30,001	35,000	1,399,151	0.92
31	35,001	40,000	1,158,961	0.76
20	40,001	45,000	858,554	0.56
28	45,001	50,000	1,369,463	0.90
20	50,001	55,000	1,059,989	0.70
22	55,001	60,000	1,270,478	0.84
17	60,001	65,000	1,057,612	0.70
12	65,001	70,000	817,741	0.54
12	70,001	75,000	874,414	0.57
9	75,001	80,000	706,604	0.46
3	80,001	85,000	245,158	0.16
13	85,001	90,000	1,135,586	0.75
3	90,001	95,000	277,994	0.18
15	95,001	100,000	1,492,168	0.98
5	100,001	105,000	505,518	0.33
4	105,001	110,000	433,245	0.28
4	110,001	115,000	448,521	0.29
3	115,001	120,000	349,354	0.23
8	120,001	125,000	993,260	0.65
2	125,001	130,000	253,179	0.17
4	130,001	135,000	535,296	0.35
2	135,001	140,000	275,330	0.18
2	140,001	145,000	285,434	0.19
1	155,001	160,000	156,156	0.10
2	160,001	165,000	324,375	0.21
1	165,001	170,000	168,224	0.11
3	170,001	175,000	519,926	0.34
2	190,001	195,000	389,000	0.26
1	195,001	200,000	197,000	0.13
1	200,001	205,000	202,648	0.13
1	210,001	215,000	213,729	0.14
2	220,001	225,000	445,714	0.29
3	225,001	230,000	687,211	0.45
2	245,001	250,000	492,272	0.32
2	255,001	260,000	515,789	0.34
2	280,001	285,000	560,431	0.37
2	290,001	295,000	585,781	0.39
2	295,001	300,000	600,000	0.39
1	305,001	310,000	307,085	0.20
1	310,001	315,000	314,980	0.21
1	320,001	325,000	325,000	0.21
1	325,001	330,000	327,006	0.21
1	330,001	335,000	335,000	0.22
1	370,001	375,000	374,844	0.25
1	385,001	390,000	390,000	0.26
1	395,001	400,000	400,000	0.26
1	400,001	405,000	404,483	0.27
1	435,001	440,000	439,000	0.29
1	445,001	450,000	446,062	0.29
2	455,001	460,000	912,173	0.60
2	490,001	495,000	989,844	0.65
1	515,001	520,000	517,000	0.34
1	570,001	575,000	575,000	0.38
1	600,001	605,000	601,046	0.40
1	660,001	665,000	663,750	0.44
1	675,001	680,000	676,084	0.44
1	705,001	710,000	706,403	0.46
1	710,001	715,000	711,371	0.47
1	715,001	720,000	716,875	0.47
1	720,001	725,000	724,199	0.48
2	775,001	780,000	1,556,000	1.02
1	975,001	980,000	980,000	0.64
1	1,080,001	1,085,000	1,082,812	0.71
1	1,150,001	1,155,000	1,155,000	0.76
1	1,255,001	1,260,000	1,257,918	0.83
1	1,580,001	1,585,000	1,581,187	1.04
1	1,940,001	1,945,000	1,941,001	1.28
1	2,090,001	2,095,000	2,092,812	1.38
1	2,110,001	2,115,000	2,111,288	1.39
1	2,195,001	2,200,000	2,200,000	1.45
1	2,360,001	2,365,000	2,360,891	1.55
1	2,405,001	2,410,000	2,405,532	1.58
1	2,435,001	2,440,000	2,438,493	1.60
1	3,510,001	3,515,000	3,512,110	2.31
1	4,020,001	4,025,000	4,022,165	2.64
1	4,495,001	4,500,000	4,495,163	2.96
1	5,575,001	5,580,000	5,576,561	3.67
1	6,595,001	6,600,000	6,600,000	4.34
1	7,495,001	7,500,000	7,500,000	4.93
1	11,965,001	11,970,000	11,969,496	7.87
1	34,915,001	34,920,000	34,915,395	22.96

4,731

152,098,344

100.00

CATEGORIES OF SHARE HOLDERS

AS AT JUNE 30, 2013

PARTICULARS	SHARES HOLDERS	SHARES HOLDING	PERCENTAGE
INDIVIDUALS	4,644	82,761,353	54.41
INSURANCE COMPANIES	2	67,141	0.04
JOINT STOCK COMPANIES	55	19,033,110	12.52
FINANCIAL INSTITUTIONS	7	2,904,967	1.91
NBFCs	6	85,039	0.06
ASSOCIATED COMPANIES AND DIRECTORS	11	44,292,003	29.12
PUBLIC LIMITED COMPANIES	2	245,648	0.16
OTHERS	4	2,709,083	1.78
TOTAL	4,731	152,098,344	100.00

DETAILS OF PATTERN OF SHAREHOLDING

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2013

Particulars	Shares Held	Percentage
Associated Companies, Undertaking and Related Parties		
AKD Investment Management Limited	34,915,395	22.96
Aqeel Karim Dhedhi Securities (pvt) Ltd. Staff Prov Fund	2,092,812	1.38
AKD Securities Limited	2,889	0.00
AKD Investment Management Limited Staff Provident Fund	601,046	0.40
NIT	10,000	0.01
ICP	11,760	0.01
Directors, Chief Executive & their spouse and minor children	6,679,861	4.39
Mr. Ahmed Abdul Sattar	46,084	0.03
Mr. Imran Motiwala	1,000	0.00
Mr. Abdul Karim Memon	6,600,000	4.34
Mr. Muhammad Yaqoob	30,000	0.02
Mr. Muhammad Siddiq Khokhar	2,777	0.00
Mr. Aurangzeb Ali Naqvi (Nominee Director of Aqeel Karim Dhedhi Securites (pvt.) Ltd.)	-	-
Executives	10,000	0.01
Public Sector Companies and Corporations	245,648	0.16
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	3,035,387	2.00
Individuals	82,751,353	54.41
Others	21,742,193	14.29
TOTAL	152,098,344	100.00

SIX YEARS KEY FINANCIAL DATA AT A GLANCE

	2008	2009	2010	2011	2012	2013
	----- Rupees in '000' -----					
Total Income / (Loss)	70,037	(374,128)	179,751	150,680	323,130	860,947
Operating Profit/ Net Income / (Loss)	35,191	(394,759)	140,605	123,331	290,165	802,871
Cash Dividend (Rupees)	-	-	0.85	0.75	1.20	2.10
Cash Dividend %	-	-	17.00	15.00	24.00	42.00
Stock Dividend (Rupees)	0.63	-	-	-	-	-
Stock Dividend %	12.50	-	-	-	-	-
Paid up Share Capital	675,993	760,492	760,492	760,492	760,492	760,492
Reserves and Unappropriated Profit	540,949	61,191	201,796	195,843	371,934	840,189
Net Assets	1,237,941	831,434	968,463	963,068	1,134,946	1,602,002
Earnings per Share (Rupees)	0.26	(2.60)	0.92	0.81	1.91	5.28
Break up Value per share (Rupees)	9.16	5.47	6.37	6.33	7.46	10.53
Ratio of:						
Operating profit / (loss) to Income / (loss)	0.50	(1.06)	0.78	0.82	0.90	0.93
Return / (Loss) on Net assets Employed	0.03	(0.47)	0.15	0.13	0.26	0.50

PERFORMANCE TABLE

	2013	2012	2011
	----- Rupees in '000'-----		
Total net assets value	1,602,002	1,134,946	963,068
Net assets value per share - Rupees	10.53	7.46	6.33
Net Income for the year carried	802,871	290,165	123,331
Return of fund			
Income distribution	319,406	182,518	114,074
Accumulated capital growth	1,288,879	486,008	195,843
Distribution per share			
Annual - Rupees	1.10	1.20	0.75
Interim - Rupees	1.00	-	-
Average annual return			
	----- Percentage-----		
One Year	84%	34%	15%
Two Year	59%	24%	16%
Three Year	45%	22%	(1%)

- The income distribution have been shown against the year to which they relate although these were declared and distributed subsequently to the year end.
- Past performance is not necessarily indicative of future performance, and that share price and investment return may go down, as well as up.
- The breakdown of the Fund's investment portfolio between industry sectors has been disclosed in note 5 to the financial statements.

STATEMENT OF INCOME AND EXPENDITURE
**OF THE MANAGEMENT COMPANY IN RELATION TO THE INVESTMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2013**

	2013	2012
	Rupees in '000'	
INCOME		
Remuneration from Golden Arrow Selected Stocks Fund Limited	26,341	18,157
Dividend income	67,934	20,637
	94,275	38,794
OPERATING EXPENSES		
Salaries, allowances and other benefits	16,226	11,746
Office rent	2,259	2,235
MUFAP subscription	188	202
Fees and subscription	574	93
Printing and stationery	114	164
Vehicle running and maintenance	882	708
Travelling and conveyance	120	171
Repairs and maintenance	536	312
Legal and professional charges	887	918
Credit rating fee	193	170
SECP license fee	302	270
Utilities	767	798
Communication	370	358
Postage and courier	247	141
Depreciation	1,478	1,180
Insurance	548	399
Auditors' remuneration	230	171
Consultancy Charges	1,165	-
Software maintenance	-	18
Computer expenses	583	541
Entertainment	285	187
Miscellaneous	54	338
Financial Cost	15	18
	28,023	21,138
NET PROFIT FOR THE YEAR	66,252	17,656

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

PROXY FORM

ANNUAL GENERAL MEETING

I/We _____
of _____
being member(s) of Golden Arrow Selected Stocks Fund Limited holding _____
ordinary Shares hereby appoint _____
of _____ or failing him / her _____
of _____ who is / are also member(s) of Golden Arrow Selected Stocks Fund
Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our
behalf at the Thirtieth Annual General Meeting of the Company to be held on Friday, 27
September, 2013 at 10:30 a.m. and / or any adjournment thereof.
As witness my / our hand seal this _____ day of _____ 2013
Signed by _____
in the presence of _____

Shareholder Folio No.
CDC Participant I.D. No.
& Sub Account No.

Signature on
five Rupees
Revenue
Stamp

The signature should
agree with the
specimen registered
with the Company

Important:

1. This proxy form, duly completed and signed, must be received at the Registered Office of the Company, Golden Arrow Selected Stocks Fund Ltd., 216-217, Continental Trade Centre, Block-8, Clifton, Karachi, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/her himself/hereself is a member of the Company, except that a Corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.



**AKD Investment
Management Ltd.**

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