



Annual Report 2009

AKD
Income Fund

AKD
Opportunity Fund

AKD
Index Tracker Fund



Managed by: AKD Investment Management Ltd.

AKD INCOME FUND

Partner with AKD Profit from the Experience



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CORPORATE INFORMATION

Farrukh Shaukat Ansari
Chairman



Imran Motiwala
Chief Executive Officer



Faisal Bengali
Director



Taufique Habib
Director



MANAGEMENT COMPANY

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

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Chairman

Mr. Farrukh Shaukat Ansari

Chief Executive Officer

Mr. Imran Motiwala

Directors

Mr. Faisal Bengali
Mr. Taufique Habib
Mr. Ashraf Adamjee
Mr. Zahoor Motiwala
Mr. Asif Ikram

COMPANY SECRETARY & CFO OF THE MANAGEMENT COMPANY

Mr. Muhammad Amin Hussain

AUDIT COMMITTEE

Chairman

Mr. Ashraf Adamjee

Members

Mr. Asif Ikram
Mr. Zahoor Motiwala

INTERNAL AUDITORS

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

TRUSTEE

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

BANKERS

Allied Bank Limited
Arif Habib Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Citibank N.A. Pakistan
Habib Bank Limited

Ashraf Adamjee
Director



Zahoor Motiwala
Director



Asif Ikram
Director



AUDITORS

Habib Metropolitan Bank Limited
KASB Bank Limited
MCB Bank Limited
Mybank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Khyber
The Bank of Punjab
United Bank Limited

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C,
I.I. Chundrigar Road,
P.O. Box 4716, Karachi-74000

LEGAL ADVISER

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

REGISTRAR

Gangjees Registrar Services (Pvt.) Ltd.
516, Clifton Centre, Khayaban-e-Roomi,
Kehkashan, Block-5, Clifton, Karachi.
Tel: 35375714 - 35836920.

DISTRIBUTORS

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

RATING

AKD Income Fund (Fund)
JCR-VIS: BBB(F) [Triple B (F)]
AKD Investment Management Ltd. (AMC)
JCR-VIS: AM3 (AM - Three)

VISION



To achieve distinction for consistent, quality returns and highest standards of service in fixed income as an asset class and become an indispensable Investment Manager for the masses.

MISSION STATEMENT



AKD Income Fund shall aim to preserve its investor's capital, while providing the highest quality industry leading returns. Our goal is to provide investors with a financial product that offers them a consistent stream of returns, with ample liquidity, catering to their immediate financial needs, and encouraging long term savings. AKD Investment Management's team's objective is to offer our clients professionalism and services, defining the standard for excellence, benchmarked on a global level.



**SUCCESS
TRANSLATES
TO PROFITS**

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY



Imran Motiwala
Chief Executive Officer

The Board of Directors of AKD Investment Management Ltd (AKDIML), the management company of AKD Income Fund (AKDIF) presents its report along with the audited accounts of the fund for the fiscal year ended 30th June 2009.

Investment Strategy

AKD Income Fund is a dedicated fund that focuses primarily on fixed income securities and instruments. The objective of AKDIF is to offer investors an ideal vehicle to invest in a diversified portfolio of fixed income securities / instruments that provide consistent optimum returns with concern for preservation of capital.

Fund Performance

The Fund posted an annualized return of -9.95% for FY09 (Opening Ex NAV of PkR 50.4221 and ending NAV of PkR 44.6562). The net loss for the year stood at PkR 73.23mn. In FY09, JCR-VIS Credit Rating Company Limited had assigned Fund Stability Rating of 'BBB(f)' (Triple B (f)) to AKDIF, which denotes adequate degree of stability in Net Asset Value. Risk factors are considered variable if changes occur in the economy. The ability of the Fund to carry its portfolio in line with its investment objective was significantly impaired due to the chaotic economic and political situation in the country that caused numerous corporate defaults and high volatility in asset prices. However, the management of AKDIF stood strong in the face of this crisis to protect its investors. AKDIF started its fiscal year with fund size of PkR 3,876mn, and after absorbing several shocks caused by redemptions, markdowns and fluctuation in prices of debt instruments, it closed the year with a fund size of PkR 589mn. During the period, the Fund also booked impairment charges against the following TFCs/Sukuks:

TFC/Sukuks	Face Value before Impairment (PkR)	Face Value After Impairment (PkR)	Impairment amount (PkR in Mn)
Dewan Cement Limited	5,000.00	0.00	100.00
New Allied Electronics Industries (Pvt.) Ltd	312.50	21.87	28.10
Kohat Cement Limited	4,830.00	3,381.00	4.03

Market Performance

The risks on the economic front rose significantly during FY09. Inflation numbers peaked in October 08, rising above 25% YoY, however, since then they have started declining with the latest CPI (for June 09) standing at 13.13% YoY. Inflation was mainly fuelled by a surge in international food and oil prices that have now fortunately come down from their historic highs. The combination of a spike in international oil prices, deteriorating security situation, political disruptions and adverse impact of the war on terror proved too much for the economy and eventually its key indicators collapsed. The burgeoning current account deficit led to depletion of foreign currency reserves that exacerbated currency depreciation and thus further accelerated the accumulation of deficits.

Severe liquidity crunch in the financial system resulted in overnight rates climbing above 50%. These were not one-off instances and the market had to borrow money on rates ranging from 25-50% for quite some time. The rupee slid to a low of 84 against the dollar in inter-bank trading during the period. Eventually, the SBP intervened and took reactive measures that included a reduction in CRR requirement to five percent, relaxation in demand and time liabilities on deposits of one year and above, and discounting was allowed against Government bonds classified as Held to Maturity. The worsening financial condition forced the government to enter the IMF program that had the pre-condition to increase the Discount Rate in order to curb the rapid increase in inflation. SBP, which was already in a mood for a tight monetary stance, increased the discount rate to 15% (major conditions of the IMF program besides the increase in Discount Rate included a reduction in fiscal deficit to 4.2% of GDP in FY09 and 3.3% in FY10, removal of all subsidies, elimination of government borrowing from SBP, and introduction of a flexible exchange rate policy).

However, actions taken by the State Bank of Pakistan (SBP) were only restricted to bailing out commercial banks and there were no considerations for NBFCs including Mutual Funds. Mutual Funds Association of Pakistan (MUFAP) made repeated requests to the SBP to work-out a plan to provide liquidity to mutual funds; however, they all went in vain.

We would like to reiterate the fact that governments and central banks of major economies took steps to combat the global financial turmoil and liquidity crunch by injecting liquidity in the system and providing federal guarantees. In the U.S., a \$540bn federal guarantee for the assets of money market mutual funds and two massive funding facilities aimed at recreating a market in some of the instruments held by these mutual funds were launched. In India, mutual funds were allowed to borrow from the Reserve Bank of India (RBI) discount window and the commercial banks were also directed to lend to them against illiquid securities given as collateral.

The unprecedented liquidity shortage for businesses and the NBFC Sector eventually resulted in asset prices to deteriorate and investors (including those of mutual funds) had to suffer huge losses. AKD Investment Management Limited took proactive actions and marked-down the TFCs held in AKDIF during the month of October 2008. Our mark-down initiative was further legitimized by the Securities and Exchange Commission of Pakistan (SECP) by revisiting MUFAP's pricing mechanism, hence in circular No. 26/2008 dated November 5, 2008 it instructed all Asset Management Companies to similarly mark-down their TFCs-Sukuk portfolio according to their ratings. Subsequently, the SECP vide Circular No. 1 of 2009 dated January 6th, 2009 introduced a new pricing mechanism to be followed by the mutual fund industry.

We would like to thank the SECP for acknowledging the need that the TFC/Sukuk prices had to be revised downwards since the prevailing prices were not a true representation of market prices. People who were redeeming from mutual funds were getting premium prices and those who remained invested would have eventually suffered losses.

Economy and Future Outlook

Going forward we expect a Discount Rate cut of around 300bps for FY10 and an improving liquidity situation for the financial sector. Pakistan, being a part of the IMF program, has been forced to bring fiscal discipline to some extent in the outgoing year FY09. Achieving the economic targets going forward, especially those that have been set by IMF will be a challenging task for the economy. Due to base effect of the previous year the inflation numbers are expected to be lower in the first half of FY10, possibly in single digits. However, Pakistan being a major importer of crude oil (74% of the total consumption is met by imported crude oil) is highly susceptible to the volatility of the international crude oil prices. Oil contributed around 32% to the total import bill for the year ended FY09. Escalations in the international crude oil price will inflate the oil import bill and thus increase the current account deficit. This would result in a new round of inflation in the domestic markets. Since interest rates are highly correlated to inflation therefore any increase in inflation will hamper the State Bank from cutting interest rates.

The government announced the fiscal budget FY10 with a total outlay of Rs.2.48tr. that was clinically drafted to balance populist concerns, comply with IMF targets, and to stimulate long-term structural growth. GDP growth for FY10 is targeted at 3.3% (2% FY09). The government also announced Rs 646 bn for the Public Sector Development Program (PSDP), which is 54% higher compared to the preceding year, to ensure pro-poor and sustainable economic growth. The government has attempted to comply with IMF targets through the reduction in subsidies worth Rs.252bn and broadening of the tax base. Furthermore, the healthy PSDP allocation was made with a focus to improve water and power infrastructure. FBR tax collection target has been set at PKR 1,378bn. Fiscal deficit for FY10 is targeted at 4.9% of GDP (PKR 722.5bn). This is to be financed through external loans (37%) and domestic sources (63%). With promised external grants amounting to PKR 178bn (USD 2.2bn), the budget poses a real deficit of 3.4% (however, if in case the commitments by various donor agencies are not fulfilled in a timely manner, the Government as a back-up plan has requested the IMF for a further loan of US\$ 4bn). A decline in current expenditures from 15.8% of GDP to 15.3% of GDP is targeted in the FY10 budget on the back of a reduction in subsidies. The government in consultation with the IMF and the World Bank has taken a decision to completely eliminate subsidy on electricity in three phases by April FY10. A slow revival of the economy could hamper growth projected for tax collection, leading to substantial cut in PSDP again in FY10, particularly if external funding directed towards it is not received in time.

Compliance with the Code of Corporate Governance

The Board of Directors states that:

- a) The Financial Statements prepared by the Management Company of the Fund, present fairly its state of affairs, the result of its operations, cash flows and movement in equity & reserves.
- b) Proper books of account of the Fund have been maintained.
- c) Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There is no doubt upon the Fund's ability as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) The Statement showing the attendance of Directors in BOD meetings is as under:

Name of Director	Total No. of Meetings Held	Meetings Attended
Mr. Farrukh Shaukat Ansari	9	8
Mr. Imran Motiwala	9	9
Mr. Faisal Bengali	9	9
Mr. Zahoor Motiwala	9	6
Mr. Ashraf Adamjee	9	8
Mr. Asif Ikram *	9	7
Mr. Farooq Ahmed Awan **	9	2
Mr. Javaid Anwar *	9	-
Mr. Taufique Habib ***	9	-

* Mr. Asif Ikram elected in place of Mr. Javed Anwar on October 11, 2008.

** Resigned on January 1, 2009

*** Appointed on April 24, 2009

During the year a casual vacancy occurred in the Board due to resignation of Mr. Farooq Ahmed Awan which was filled by appointing Mr. Taufique Habib by the Board.

No trade in the units of the Fund have been carried out by the Directors, CEO, CFO, Company Secretary, their spouses and minor children of the Management Company during the year ended June 30, 2009.

Fund and Asset Management Company Rating

JCR-VIS Credit Rating Company Limited had assigned Fund Stability Rating of 'BBB(f)' (Triple B (f)) to AKD Income Fund, which denotes adequate degree of stability in Net Asset Value. Risk factors are considered variable if changes occur in the economy. JCR-VIS reaffirmed the management rating of "AM-3" for AKDIML.

Pattern of holding (units)

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

Appointment of Auditors

The Board of Directors of the Management Company have re-appointed Messrs A.F. Ferguson & Co. Chartered Accountants, as the Fund's auditors for the period 2009-10 as recommended by the Audit Committee.

Acknowledgements

The Directors would like to take this opportunity to thank Securities and Exchange Commission of Pakistan, State Bank of Pakistan, our trustee M/s Central Depository Company of Pakistan and the unit holders for their cooperation. The board also appreciates the devoted work performed by the staff and officers of the company and the unit holders for their confidence in the company, and their continued support and blessings.

For and on behalf of the Board

Karachi: August 20, 2009

Imran Motiwala
Chief Executive Officer



FUND MANAGER'S REPORT

FUND MANAGER'S REPORT

The Fund posted an annualized return of -9.95% for FY09 (Opening Ex NAV of PkR 50.4221 and ending NAV of PkR 44.6562) against the benchmark 6-month average KIBOR of 14.16%. The net loss for the year stood at PkR 73.23mn. In FY09, JCR-VIS Credit Rating Company Limited had assigned Fund Stability Rating of 'BBB(f)' (Triple B (f)) to the Fund, which denotes adequate degree of stability in Net Asset Value. Risk factors are considered variable if changes occur in the economy. The ability of the Fund to carry its portfolio in line with its investment objective was significantly impaired due to the chaotic economic and political situation in the country that caused numerous corporate defaults and high volatility in asset prices. AKDIF started its fiscal year with fund size of PkR 3,876mn, and after absorbing the immense pressure of redemption requests and fluctuating prices of debt instruments, closed the year with a fund size of PkR 589mn.

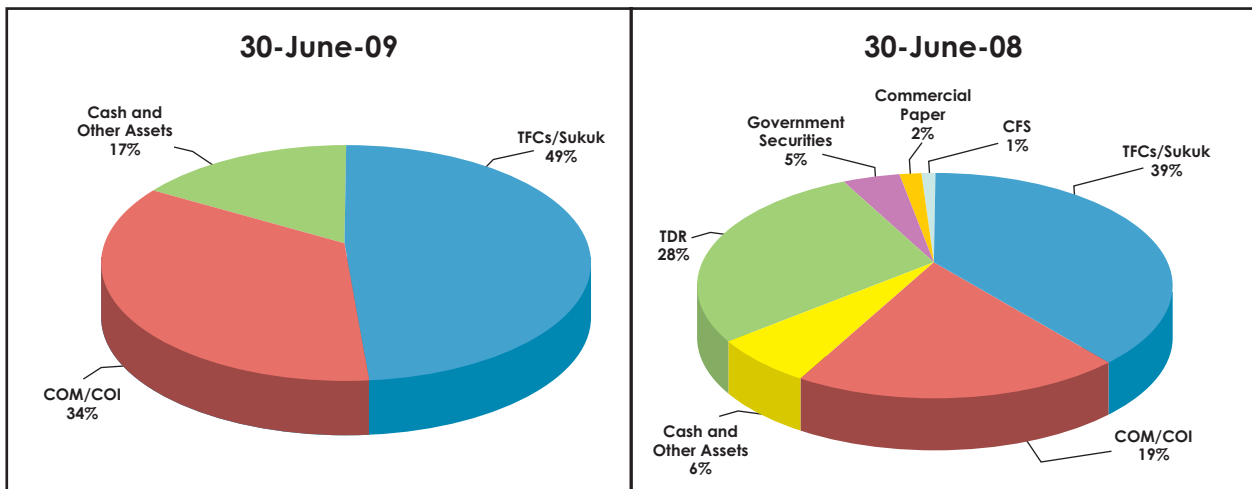
Investment Strategy

AKD Income Fund is a dedicated fund that focuses primarily on fixed income securities and instruments. The objective of AKDIF is to offer investors an ideal vehicle to invest in a diversified portfolio of fixed income securities / instruments that provide consistent optimum returns with concern for preservation of capital.

Investing Activities

Following are the key changes in the portfolio of the AKD Income Fund.

- Investment in TFC/Sukuk increased to 48.69% of portfolio on June 30, 2009 from 39.02% of portfolio June 30, 2008.
- Investment in COM / COI increased to 34.41% of portfolio on June 30, 2009 from 18.83% of portfolio on June 30, 2008.
- Cash position stood at 11.52% on June 30, 2009 compared to 5.37% June 30, 2008.
- On June 30, 2009 AKDIF had no exposure in TDR, Government Securities, Commercial Paper and CFS as compared to 28.25%, 4.47%, 1.84% and 1.01% on June 30, 2008 respectively.



Fund strategy and Outlook

As predicted earlier, a loosening of the monetary stance was witnessed in the latter part of FY09 which is evident from the 100 basis points cut in the Discount Rate in the last monetary policy announcement. We further expect a Discount Rate cut of 300 basis points in FY10. The induction of Pakistan in the IMF program has brought some fiscal discipline to the economy. However, the broader risk to our hypothesis comes from reversal of commodity prices. If we were to assume prices of crude oil moving above \$70/barrel and sustaining at those levels - the country's balance sheet would undoubtedly face precarious challenges. With imports constituting a huge chunk of local consumption, the dual effect of exchange rate depreciation and imported consumption can halt the decreasing trend of inflation, which is widely expected to subside. With direction of Discount Rate linked to inflation, any risk to the inflation outlook will eventually be seen in Discount Rate setting.

Distribution during the Year

In 1st Quarter FY08-09 the Board approved an interim bonus of PkR 0.75/- per unit.

DETAILS OF PATTERN OF HOLDING (UNITS)

AS AT JUNE 30, 2009

	Units Held
Associated Companies	
Aqeel Karim Dhedhi Securities (Pvt.) Limited	505,887
AKD Investment Management Limited	448,203
Directors and CEO	
Chief Executive Officer	NIL
NBFCs	296,981
Banks / DFIs	4,401,152
Retirement Funds	6,591,740
Others	417,720
Individuals	525,740
Total	13,187,423

UNITS HOLDING 5% OR MORE

Name of Investor	No. of Units	Percentage
National Bank Of Pakistan Employees Pension Fund	4,566,714	34.63
The Bank of Khyber	2,046,881	15.52
Bank Alfalah Limited	971,870	7.37
National Bank Of Pakistan	961,749	7.29

TRUSTEE REPORT TO THE UNIT HOLDERS

AKD INCOME FUND

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

AKD Income Fund (the Fund), an open-end scheme was established under a trust deed dated October 02, 2006, executed between AKD Investment Management Limited, as the management company and Central Depository Company of Pakistan Limited, as the trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2009 in accordance with the provisions of the following:

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

Regulation 57(4) of the NBFC Regulations 2008 requires all redemptions to be processed within six working days from receipt of the redemption requests. We have noted instances during the year where the redemption of units of the Fund was not processed within such six day period. We raised this issue with the Management Company and also reported it to the Securities and Exchange Commission of Pakistan.

Karachi, October 14, 2009

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

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented by the Board of Directors of AKD Investment Management Limited (Company), the Management Company of the AKD Income Fund (Fund) to comply with the Code of Corporate Governance as contained in Regulation No. 35 of the listing regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- 1) The Company encourages representation of independent non-executive directors. At present the Board has two independent non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being member of stock exchange, has been declared as a defaulter by such stock exchange.
- 4) During the year a casual vacancy occurred in the Board which was filled up by the Board within 30 days thereof.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices' in respect of the operation of the fund, which has been approved by the Board of directors and signed by all the directors, management and employees of the company.
- 6) The Board has developed a vision and mission statement and certain significant policies of the Fund. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
- 8) The Management Company had already appointed Chief Financial Officer / Company Secretary including their remuneration and terms and conditions of employment as determined by CEO.
- 9) The roles and responsibilities of the Chairman and Chief Executive have been approved by the Board of Directors.
- 10) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. Written notices of the Board Meetings along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 11) The Directors have been provided with the copies of the NBFC (Establishment and Regulation) Rule, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, Companies Ordinance 1984, Listing Regulation, Code of Corporate Governance, Prudential Regulations, Management Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the company and the fund and are aware of their duties and responsibilities.

- 12) The Directors' Report for the year ended June 30, 2009 has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
- 13) The financial statements of the Fund were duly signed by the CEO and CFO before approval of the Board.
- 14) The Directors, CEO and Executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
- 15) The Company has complied with all the corporate and financial reporting framework requirements of the Code.
- 16) The Board has formed an audit committee. It comprises of three members, majority of whom are non-executive directors including the Chairman of the committee. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has outsourced the internal audit function to M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are well conversant with the policies and procedures of the Fund.
- 18) The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
- 21) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Karachi: August 20, 2009

Imran Motiwala
Chief Executive Officer

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **AKD Investment Management Limited**, Management Company of **AKD Income Fund** to comply with the Listing Regulation No. 35 (Chapter Xi) of the Karachi Stock Exchange where the Fund is listed.

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

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

Sub-Regulation (xiii) of Listing Regulation No. 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2009.

Karachi: August 20, 2009

A.F. Ferguson & Co.
Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **AKD Income Fund**, which comprise the statement of assets and liabilities as at June 30, 2009, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

Opinion

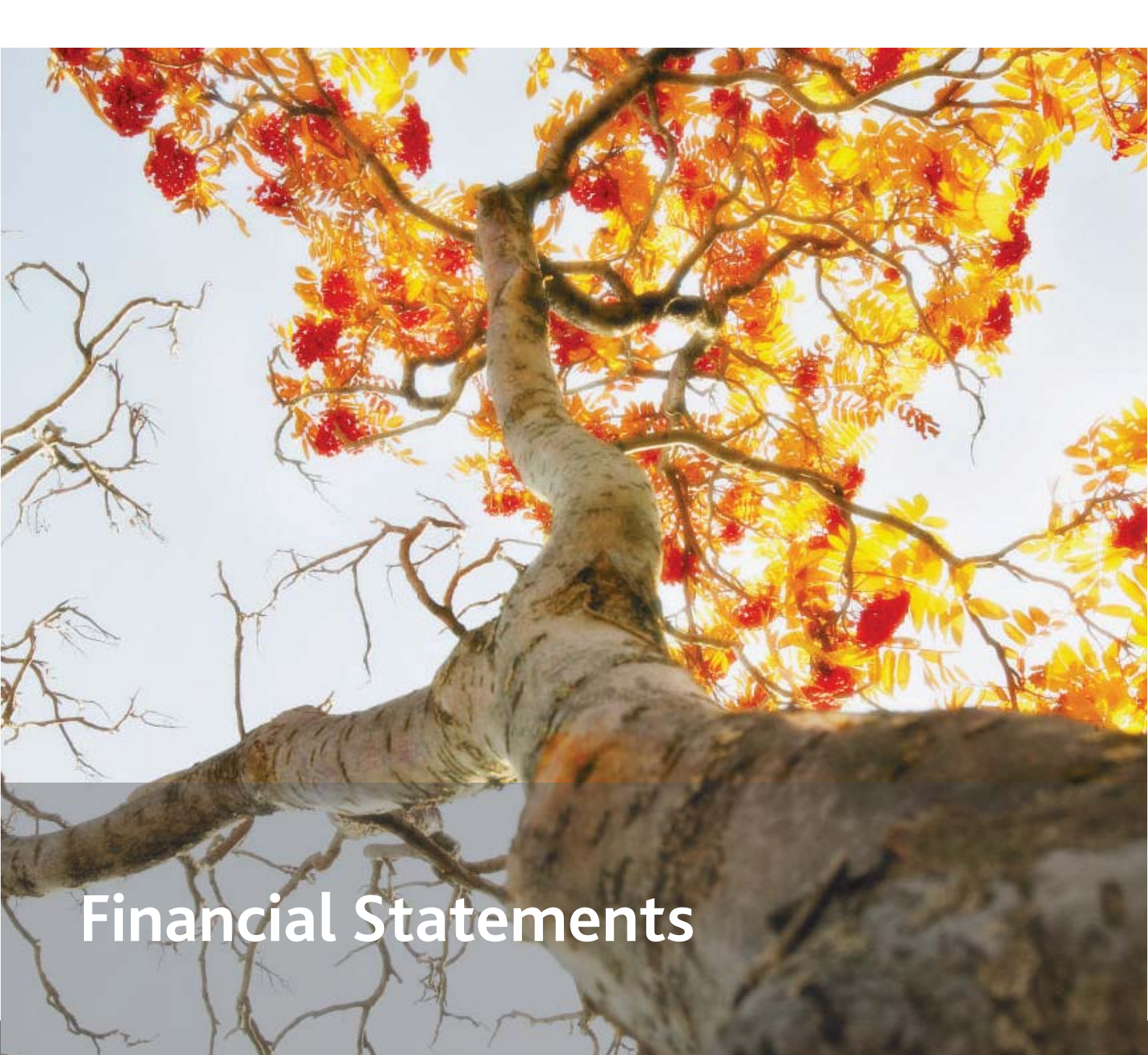
In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2009 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

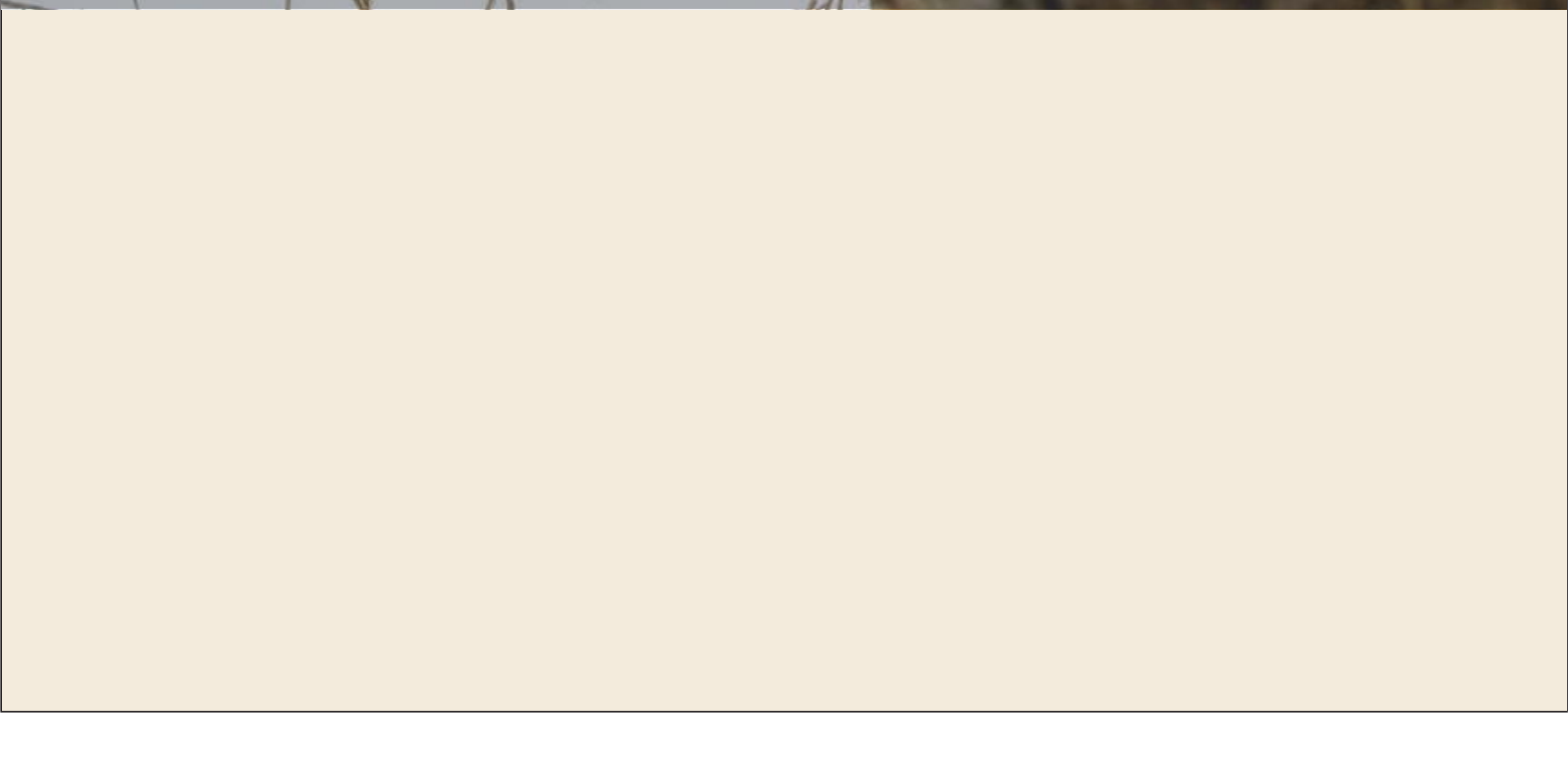
In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Karachi: August 20, 2009

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



Financial Statements



STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2009

	Note	2009	2008
(Rupees In '000)			
ASSETS			
Bank balances	4	52,559	114,070
Receivable against Continuous Funding System (CFS) transactions		-	39,323
Investments	5	318,423	1,732,948
Loans and receivables	6	202,650	1,896,276
Dividend and other receivables	7	15,898	112,711
Deposits and prepayments	8	2,600	4,367
Preliminary expenses and floatation costs	9	1,375	1,875
Total assets		593,505	3,901,570
LIABILITIES			
Payable to AKD Investment Management Limited - Management Company	10	2,719	6,318
Payable to Central Depository Company of Pakistan Limited - Trustee	11	113	431
Payable to Securities and Exchange Commission of Pakistan	12	1,382	4,601
Payable on redemption of units		-	13,131
Accrued expenses and other liabilities	13	391	672
Total liabilities		4,605	25,153
Net assets		588,900	3,876,417
Unit Holders' Fund (as per statement attached)		588,900	3,876,417
CONTINGENCIES AND COMMITMENTS			
	15		
(Number of Units)			
Number of units in issue		13,187,423	75,384,360
(Rupees)			
Net asset value per unit	3.15	44.66	51.42
Face value per unit		50.00	50.00

The annexed notes 1 to 25 form an integral part of these financial statements.

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

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
(Rupees In '000)			
INCOME			
Capital loss on sale of investments		(75,653)	(1,203)
Profit on bank deposits		8,863	96,627
Income from Term Deposit Receipts		17,825	141,232
Income from spread transactions		-	67,142
Income from Continuous Funding System transactions		66	20,298
Income from Term Finance Certificates and Sukuk bonds		96,198	93,002
Income from Government Securities		1,325	12,108
Income from Commercial Papers		983	14,238
Income from Certificates of Musharika and Certificates of Investment		47,668	53,618
Dividend Income		4,703	6,270
Other Income		369	29
		102,347	503,361
Unrealised diminution on re-measurement of investments classified as 'Financial Assets at fair value through profit or loss'	5.5	(11,103)	(20,622)
Total Income		91,244	482,739
EXPENSES			
Remuneration of AKD Investment Management Limited - Management Company		19,170	50,608
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,383	5,603
Annual fee - Securities and Exchange Commission of Pakistan		1,382	4,601
Brokerage and Capital value tax		142	2,948
Impairment loss on investment		132,135	-
Auditors' remuneration	13.1	275	253
Settlement and bank charges		114	416
Amortisation of preliminary expenses and floatation costs		500	500
Borrowing costs	16	1,100	429
Fees and Subscription		832	582
Legal and Professional Charges		200	222
Printing and related costs		299	164
Total Expenses		158,532	66,326
Net (Loss) / Income from operating activities		(67,288)	416,413
Element of accrued income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed -net		(5,946)	85,176
Net (Loss) / Income		(73,234)	501,589
(Loss) / earnings per unit	3.16		

The annexed notes 1 to 25 form an integral part of these financial statements.

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

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
	(Rupees In '000)	
Undistributed income brought forward	105,685	83,826
Final distribution for the year ended June 30, 2008 @ Re.1 per unit (date of distribution July 07, 2008) [2007: Final distribution of bonus units for the period from October 2, 2006 to June 30, 2007: @ Rs.1.59 per unit, date of distribution July 11, 2007]		
- Cash distribution	(13,747)	-
- Issue of bonus units	(61,638)	(75,443)
Interim distribution * @ Re.0.75 per unit (date of distribution: October 17, 2008) [2008: Interim distribution @ Rs.3.5 per unit, date of distribution: April 7, 2008]		
- Cash distribution	(6,592)	(103,345)
- Issue of bonus units	(26,336)	(299,982)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders' fund	21,828	(960)
Net (Loss) / income for the year	(73,234)	501,589
Accumulated (Loss) / Undistributed income carried forward	<u>(54,034)</u>	<u>105,685</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

- * The Fund on the basis of the income for the quarter ended September 30, 2008 (accounting period) had made an interim distribution, in the form of bonus units and cash.

For AKD Investment Management Limited
(Management Company)

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009	2008
(Rupees In '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Net (Loss) / Income for the year		(73,234)	501,589
Adjustments for non-cash and other items			
Unrealised diminution on re-measurement of Investments classified as 'financial assets at fair value through profit or loss' - net		11,103	20,622
Impairment loss on Investments		132,135	-
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed-net		5,946	(85,176)
Amortisation of preliminary expenses and floatation costs		500	500
Remuneration of AKD Investment Management Limited - Management Company		19,170	50,608
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,383	5,603
		98,003	493,746
(Increase) / decrease in assets			
Receivable against Continuous Funding System Transactions		39,323	14,018
Investments		1,253,335	(1,057,570)
Loans and Receivables		1,693,626	(1,626,276)
Dividend and other receivables		96,813	(89,915)
Deposits and prepayments		1,767	(3,267)
Receivable against sale of investements		-	365,106
		3,084,864	(2,397,904)
Increase / (decrease) in liabilities			
Payable against purchase of Investments		-	(45,331)
Payable to AKD Investment Management Limited - Management Company		(635)	(193)
Payable to Central Depository Company of Pakistan Limited - Trustee		1	(20)
Payable to Securities and Exchange Commission of Pakistan		(3,219)	4,153
Accrued expenses and other liabilities		(281)	283
		(4,134)	(41,108)
Remuneration paid to AKD Investment Management Limited - Management Company		(22,134)	(48,690)
Remuneration paid to Central Depository Company of Pakistan Limited- Trustee		(2,702)	(5,426)
Net cash generated from/(used in) operating activities		3,153,897	(1,999,382)
CASH FLOW FROM FINANCING ACTIVITIES			
Net (payments)/receipts from (redemption)/issuance of units		(3,195,069)	1,123,489
Dividend paid		(20,339)	(103,345)
Net cash (outflow)/inflow from financing activities		(3,215,408)	1,020,144
Net (decrease) in cash and cash equivalents during the year		(61,511)	(979,238)
Cash and cash equivalents at the beginning of the year		114,070	1,093,308
Cash and cash equivalents as at the end of the year	4	52,559	114,070

The annexed notes 1 to 25 form an integral part of these financial statements.

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

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

Note	2009	2008
	(Rupees In '000)	
Net assets at the beginning of the year	3,876,417	2,450,766
Issue of 28,462,133 units (2008: 323,631,689 units)	1,427,960	16,848,258
Redemption of 92,397,565 units (2008: 303,029,341 units)	(4,609,898)	(15,737,190)
	(3,181,938)	1,111,068
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to Income Statement	5,946	(85,176)
- amount representing (income) / loss that form part of unit holders' fund - transferred to Distribution Statement	(21,828)	960
	(15,882)	(84,216)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(17,444)	1,515
Capital (loss) / gain realised against sale of investments classified as 'available for sale'	(508)	-
	(17,952)	1,515
Issue of 1,222,433 bonus units for the year ended June 30, 2008 (2007: Issue of 1,503,528 bonus units for the period from October 2, 2006 to June 30, 2007)	61,638	75,443
Issue of 516,062 interim bonus units (2008: Issue of 5,939,686 interim bonus units)	26,336	299,982
Other net income for the year	13,522	523,414
Capital loss on sale of investments	(75,653)	(1,203)
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net	(11,103)	(20,622)
Net Element of Income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders fund	21,828	(960)
Final distribution for the year ended June 30, 2008 @ Re.1 per unit (date of distribution July 07, 2008) [2007: Final distribution of bonus units for the period from October 2, 2006 to June 30, 2007: @ Rs.1.59 per unit, date of distribution July 11, 2007]		
- Cash distribution	(13,747)	-
- Issue of bonus units	(61,638)	(75,443)
Interim distribution for the quarter ended September 30, 2008 @ Re.0.75 per unit (date of distribution: October 17, 2008) [2008: Interim distribution @ Rs.3.5 per unit, date of distribution: April 7, 2008]		
- Cash distribution	(6,592)	(103,345)
- Issue of bonus units	(26,336)	(299,982)
	(159,719)	21,859
Net assets at the end of the year	588,900	3,876,417

The annexed notes 1 to 25 form an integral part of these financial statements.

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

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

The principal activity of the Fund is to make investments in fixed income securities. Other avenues of investments include spread transactions in listed securities and transactions under Continuous Funding System. Title of the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Amendments to published accounting standards effective in 2009

During the year ended June 30, 2009, IFRS 7 'Financial Instruments: Disclosures' became effective. IFRS 7 has superceded IAS 30 and the disclosure requirements of IAS 32. Adoption of this standard has only resulted in additional disclosures which have been set out in notes 14 & 22 to these financial statements.

There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after July 1, 2008 but were considered not to be relevant or did not have any significant effect on the Fund's operations.

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

IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after January 1, 2009), was issued in September 2007. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective restatement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at beginning of the comparative period in addition to the current requirement to present the balance sheet as at the end of the current and the comparative period. The adoption of this standard will only impact the presentation of the financial statements.

IFRS 7 (Amendment), 'Financial Instruments: Disclosure'. There are a number of minor amendments to IFRS 7 in respect of enhanced disclosures about liquidity risk and fair value measurements. These amendments are unlikely to have an impact on the Fund's financial statements and have therefore not been analysed in detail.

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

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

2.4 Accounting convention

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

2.5 Functional and presentation currency

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

2.6 Critical accounting estimates and judgments

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

- i) Classification and valuation of investments (note 3.1, 3.4, 5 and 6)
- ii) Impairment of financial assets (note 3.5)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial assets

Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

These are non-derivatives 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 Regular way contracts

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

3.3 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.

3.4 Subsequent measurement

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

a) Basis of valuation of Term Finance Certificates and Sukuk Bonds / Certificates

The SECP vide its Circular no. 1/2009 dated January 06, 2009 has changed the methodology for valuation of debt securities. Under the said directive, investment in debt securities are valued on the basis of rates determined by Mutual Fund Association of Pakistan (MUFAP). In the determination of the rates MUFAP takes into account trading pattern of these securities and categorise them as traded, thinly traded and non traded securities. The circular specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities. Accordingly, investments in debt securities have been valued at the rates determined and announced by Mutual Funds Association of Pakistan (MUFAP) based on the methodology prescribed in the said circular. Prior to the issuance of the said circular investment in debt securities were valued as follows:

- (i) With effect from November 5, 2008 to January 9, 2009, at the lower of discounted redeemable face value of debt securities and the market value as determined using rates notified by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP circular no. 26/2008 dated November 5, 2008.
- (ii) Prior to November 5, 2008, at the rates notified by MUFAP in accordance with the requirements of Regulation 2(1)(xvi) of the Non-Banking Finance Companies and Notified Entities Regulation, 2007.

b) Basis of valuation of Government Securities

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

c) Basis of valuation of Equity Securities

The investment of the Fund in equity securities is 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 equity until these are derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

Loans and receivables are carried at amortised cost.

3.5 Impairment

The carrying value of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular No. 1 of 2009 issued by the Securities and Exchange Commission of Pakistan.

The management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with the provisioning policy approved by the Board of Directors.

3.6 Derecognition

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

3.7 Offsetting of financial assets and liabilities

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

3.8 Financial liabilities

All financial liabilities are recognised at the time when the Fund 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.

3.9 Derivatives

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

3.10 Securities under resale agreements - Continuous Funding System

Securities purchased under an agreement to resell (reverse repo) are included as receivable against Continuous Funding System (CFS) transactions at the fair value of the consideration given. All CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the Income Statement and is recognised over the term of the transactions. Transaction costs are included in the initial measurement of all CFS transactions except for costs that may be incurred on disposal.

3.11 Spread transactions (Ready-Future Transactions)

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

3.12 Issue and redemption of units

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

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

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

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.14 Provisions

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

3.15 Net asset value per unit

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

3.16 Earnings per unit

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

3.17 Proposed distributions and transfer between reserves

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

3.18 Taxation

The income of the Fund is exempt from the 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 ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. Accordingly, no tax liability has been recorded for the current year.

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

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

3.19 Preliminary expenses and floatation costs

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

3.20 Revenue recognition

- Profit on investments is recognised on an accrual basis. (In case of financial assets classified as Non-performing, income is recognised on receipt basis).
- Profit on bank deposits is recognised on an accrual basis.
- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on CFS transactions is recognised on an accrual basis.
- Unrealised capital gains / (losses) arising on marking to market of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income is recognised when the right to receive dividend is established.

3.21 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of banks, balances in current accounts, saving accounts and other short-term investments having original maturities of three months or less.

	Note	2009		2008	
		(Rupees In '000)			
4 BANK BALANCES					
In current accounts		40		452	
In savings accounts		52,519		113,618	
		<u>52,559</u>		<u>114,070</u>	
5 INVESTMENTS					
Financial assets at fair value through profit or loss - held for trading					
- Quoted equity securities	5.1	31,662		47,028	
- Fixed income and other debt securities	5.2	159,583		1,223,176	
Available for sale					
- Fixed income and other debt securities	5.4	127,178		462,744	
		<u>318,423</u>		<u>1,732,948</u>	

**5.1 'Financial assets at fair value through profit or loss' - held for trading (Quoted equity securities)
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs.10 each unless stated otherwise**

Name of the Investee Company	----- Number of Shares -----				Balance as at June 30, 2009			Market value as a percentage of net assets	Market value as a percentage of investments
	As at July 1, 2008	Purchases during the year	Bonus / Rights issue	Sale/ Redemption during the year	As at June 30,2009	Carrying Cost	Market value		
----- Rupees in '000' -----									
Leasing companies									
Security Leasing Corporation (Preference shares)	5,167,875	-	-	1,722,625	3,445,250	31,352	31,662	310	5.38%
						31,352	31,662	310	5.38%
Total listed equity securities - June 30, 2009						31,352	31,662	310	
Total listed equity securities - June 30, 2008						48,792	47,028	(1,764)	

**5.2 'Financial assets at fair value through profit or loss' - held for trading
(Fixed income and other debt securities)**

Term finance certificates
Government Securities

Note	2009	2008
	(Rupees In '000)	
5.2.1	159,583	1,049,709
	-	173,467
	<u>159,583</u>	<u>1,223,176</u>

5.2.1 Term finance Certificates

Name of the Investee Company	----- Number of Certificates -----				Profit / markup rate	Carrying Cost	Market value as at June 30, 2009	Appreciation / (diminution)	Market Value as Percentage of net assets	Market Value percentage of total investments
	As at July 1, 2008	Purchases during the year	Sale/ Redeemed during the year	As at June 30, 2009						
----- Rupees in '000' -----										
Term Finance Certificates of Rs 5,000 each unless otherwise stated										
Term Finance Certificates-Listed										
Pakistan Mobile Communications Limited	50,000	-	50,000	-	6 months KIBOR+1.65%	-	-	-	-	-
Dewan Cement Limited (note 5.2.2)	20,000	-	-	20,000	6 months KIBOR+2.00%	100,000	-	-	-	-
Worldcall Telecom Limited (07-10-2008)	20,000	-	-	20,000	6 months KIBOR+1.60%	99,980	95,156	(4,824)	16.16%	29.88%
United Bank Limited - I (10-08-2004)	13,540	-	13,540	-	8.45 % (Fixed)	-	-	-	-	-
Faysal Bank Limited (12-11-2007)	1,104	-	1,104	-	6 months KIBOR+1.40%	-	-	-	-	-
Engro Chemical Pakistan Limited (30-11-2007)	1,825	-	1,800	25	6 months KIBOR+1.55%	126	122	(4)	0.02%	0.04%
United Bank Limited (14-02-2008)	12,000	-	12,000	-	6 months KIBOR+0.85%	-	-	-	-	-
Pak Arab Fertilizers Limited (28-02-2008)	6,724	-	6,724	-	6 months KIBOR+1.50%	-	-	-	-	-
NIB Bank Limited (05-03-2008)	8,000	-	8,000	-	6 months KIBOR+1.15%	-	-	-	-	-
Pace Pakistan Limited (15-02-2008)	115	-	-	115	6 months KIBOR+1.50%	582	477	(105)	0.08%	0.15%
						200,688	95,755	(4,933)		
Term Finance Certificates-Unlisted										
Engro Chemicals Pakistan Limited (PRP II) (18-03-2008)	20,000	-	16,731	3,269	6 months KIBOR+1.25%	16,448	14,329	(2,119)	2.43%	4.50%
Engro Chemicals Pakistan Limited (PRP I) (18-03-2008)	8,900	-	8,900	-	6 months KIBOR+1.70%	-	-	-	-	-
Al-Abbas Sugar Mills Limited (21-11-2007)	5,000	-	-	5,000	6 months KIBOR+1.75%	22,630	20,599	(2,031)	3.50%	6.47%
JDW Sugar Mills Limited (23-06-2008)	14,000	-	7,754	6,246	3 months KIBOR+1.25%	31,230	28,900	(2,330)	4.91%	9.08%
						70,308	63,828	(6,480)		
Sukuk Bonds - Unlisted										
House Building Finance Corporation (08-05-2008)	30,000	-	30,000	-	6 months KIBOR+1.00%	-	-	-	-	-
B.R.R Guardian Modaraba	-	5,000	5,000	-	6 months KIBOR+1.30%	-	-	-	-	-
Total - June 30, 2009						270,996	159,583	(11,413)		
Total - June 30, 2008						1,051,287	1,049,709	(1,578)		

5.2.2 The Fund had advanced an amount of Rs 100 million in respect of Pre-Ipo placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was January 9, 2008). During the current period DCL failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit for the said period. As a matter of prudence, the Fund has reversed profit amounting to Rs 5.575 million pertaining to prior year and Rs.16.642 million pertaining to current year and has also provided for the amount of the investment by 100 percent in accordance with the provisioning policy approved by the Board of Directors.

5.3 Government Securities

Issue date	Tenor	----- Face Value -----				Cost	Fair value as at 30 June 2009	Appre-ciation / (diminution)	Fair Value as a percentage of net assets	Fair Value as a percentage of Investments
		Balance as at 1 July 2008	Purchases during the year	Sale during the year	Balance as at 30 June 2009					
----- Rupees in '000' -----										
Pakistan Investment Bonds										
October 31, 2006	20 Year	25,000	-	25,000	-	-	-	-	-	-
October 31, 2006	15 Year	95,000	-	95,000	-	-	-	-	-	-
August 22, 2007	10 Year	100,000	-	100,000	-	-	-	-	-	-
			-	220,000	-	-	-			

5.4 Available for sale (Fixed income and other debt securities)

Term Finance Certificates and Sukuk Bonds

Note	2009	2008
	(Rupees In '000)	
5.4.1	127,178	462,744

5.4.1 Term Finance Certificates and Sukuk Bonds

Name of the Investee Company	-----Number of Certificates / Bonds-----				Profit / markup rate	Cost	Market value as at June 30, 2009	Appreciation / (diminution)	Market Value as a Percentage of net assets	Market Value as a percentage of total investments
	As at July 1, 2008	Purchases during the year	Sale/ redeemed during the year	As at June 30, 2009						
----- Rupees in '000' -----										
Certificates / Bonds of Rs 5,000 each unless otherwise stated										
Term Finance Certificates - Unlisted										
KASB Securities Limited (27/6/2007)	10,000	-	5,000	5,000	6 months KIBOR+1.90%	24,980	21,858	(3,122)	3.71%	6.86%
Trakker (Pvt.) Limited (Face value 100,000) (15/09/2007)	200	-	-	200	6 months KIBOR + 3.50%	12,500	12,370	(130)	2.10%	3.88%
First Dawood Investment Bank Limited (11/09/2007)	6,300	-	-	6,300	6 months KIBOR + 1.60%	31,500	23,625	(7,875)	4.01%	7.42%
Pakistan Mobile Communications Limited (1/10/2007)	25,000	-	22,308	2,692	6 months KIBOR + 1.30%	13,460	11,734	(1,726)	1.99%	3.69%
Avari Hotels Limited (1/11/2007)	7,093	-	-	7,093	6 months KIBOR + 3.25%	35,467	33,028	(2,439)	5.61%	10.37%
Al-Abbas Sugar Mills Limited (21/11/2007)	7,000	-	6,000	1,000	6 months KIBOR + 1.75%	4,498	4,120	(378)	0.70%	1.29%
Trakker (Pvt.) Limited - Private placement of Rs.14,000,000 (15/1/2008)	1	-	1	-	6 months KIBOR + 3.00%	-	-	-	-	-
						122,405	106,735	(15,670)		
Sukuk Bonds - Unlisted										
New Allied Electronics Industries (Pvt.) Limited certificate of Rs 312.5 each (25/7/2007) (note 5.4.2)	96,000	-	-	96,000	3 months KIBOR + 2.60%	30,000	2,100	(27,900)	0.36%	0.66%
Kohat Cement Company Limited (20/06/2007) (note 5.4.3)	13,000	-	10,237	2,763	6 months KIBOR + 1.80%	13,345	9,342	(4,003)	1.59%	2.93%
Maple Leaf Cement Factory Limited (7/1/2008)	12,000	-	10,000	2,000	6 months KIBOR + 1.70%	10,000	9,001	(999)	1.53%	2.83%
						53,345	20,443	(32,902)		
						175,750	127,178	(48,572)		
Less: Impairment Loss recognised in the Income Statement						(32,135)	-	32,135		
Total-June 30, 2009						143,615	127,178	(16,437)		
Total-June 30, 2008						461,229	462,744	1,515		

- 5.4.2** On October 25, 2008, January 25, 2009 and April 25, 2009 i.e. the scheduled redemption dates, principal redemption of Rs.19.53 per certificate on each installments (aggregating to Rs 5,624,640) were not received by the Fund. The Fund has also not received profits due on January 25, 2009 and April 25, 2009. As a matter of prudence no further markup is being accrued after October 25, 2008. Further, the Fund has reduced the carrying amount of the investment by 93.67 percent (Rs 28.101 million) in accordance with the provisioning policy approved by the Board of Directors.
- 5.4.3** During the current year, Kohat Cement Company Limited delayed the mark-up payment due on December 20, 2008 by approximately two months and also deferred the payment of principal to December 20, 2009. Further, the mark-up due on June 20, 2009 was also recovered in three installments, one prior to year end and two subsequent to year-end. The terms of repayments have also been restructured / re-negotiated. Due to the irregular nature of payment of the company and as a matter of prudence, the management has discounted the carrying amount of investment by 30.23% (Rs 4.034 million).
- 5.4.4** The Term Finance Certificate and Sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.
- 5.4.5 Net unrealised (diminution)/appreciation in value of investments classified as available for sale - net**

	Note	2009	2008
(Rupees In '000)			
Market value of investments		127,178	462,744
Less: Cost of investments		(143,615)	(461,229)
		(16,437)	1,515
Less: Net unrealized appreciation in fair value of investments classified as available for sale at the beginning of the year.		(1,515)	-
Less: Realized on disposal during the year		508	-
		(1,007)	-
		(17,444)	1,515
5.4.6 Movement in impairment loss			
Opening		-	-
Add: charge for the year		142,173	-
Less: reversal due to disposal		(10,038)	-
Closing		132,135	-
5.5 Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net			
Market value of securities		191,245	1,270,204
Less: carrying value of securities		(302,348)	(1,290,826)
		(111,103)	(20,622)
Less: Impairment loss recognised in Income statement		100,000	-
		(11,103)	(20,622)
6 LOANS AND RECEIVABLES			
Certificates of Musharika	6.1	50,000	555,000
Certificates of Investment	6.2	152,650	175,000
Commercial Papers		-	71,276
Term Deposit Receipts		-	1,095,000
		202,650	1,896,276

Name of Modaraba / Investee Company	Expected profit / mark-up rate	Maturity	Carrying amount as at June 30, 2009
6.1 Certificates of Musharika			(Rupees In '000)
First National Bank Modaraba	14.78%	16-Feb-11	50,000
			<u>50,000</u>
6.2 Certificates of Investment			
Orix Investment Bank Pakistan Limited	16.20%	6-Sep-09	30,000
Al-Zamin Leasing Corporation Limited	16.00%	24-Aug-09	22,650
Saudi Pak Leasing Company Limited	15.30%	20-Feb-10	100,000
			<u>152,650</u>

	Note	2009	2008
(Rupees In '000)			
7 DIVIDEND AND OTHER RECEIVABLES			
Profit receivable on bank deposits and certificates of Musharika		1,490	14,514
Income accrued on CFS transactions		-	773
Income accrued on Term Finance Certificates and Sukuk Bonds		8,196	35,370
Income accrued on Term Deposit Receipts and Certificate of Investment		6,212	43,870
Income accrued on Pakistan Investment Bonds		-	5,441
Income accrued on security margin deposits		-	8
Income accrued on commercial papers		-	2,740
Receivable against conversion of units		-	9,995
		<u>15,898</u>	<u>112,711</u>
8 DEPOSITS AND PREPAYMENTS			
Security Deposits with:			
- National Clearing Company of Pakistan Limited		2,500	3,500
- Central Depository Company of Pakistan Limited		100	100
Prepayments:			
- Annual fee for CFS Mark II		-	767
		<u>2,600</u>	<u>4,367</u>
9 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Opening balance	9.1	1,875	2,375
Less: amortisation during the year		(500)	(500)
Balance as at 30th June		<u>1,375</u>	<u>1,875</u>

9.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from March 23, 2007.

		2009	2008
(Rupees In '000)			
10 PAYABLE TO AKD INVESTMENT MANAGEMENT LIMITED – MANAGEMENT COMPANY			
Management fee	10.1	843	3,807
Preliminary expenses and floatation costs		1,875	2,375
Sales load		1	23
Rating Fees		-	113
		<u>2,719</u>	<u>6,318</u>

10.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 0.75 percent to 1.50 percent per annum, of the average annual net assets of the Fund, for the current year.

11 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

Trustee fee
CDS charges

Note	2009	2008
	(Rupees In '000)	
11.1	112	431
	1	-
	<u>113</u>	<u>431</u>

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2009 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.10% p.a. of NAV exceeding Rs 1,000 million

The remuneration is paid to the trustee monthly in arrears.

12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund with effect from November 21, 2008. Previously, annual fee of an amount equal to one tenth of one percent was payable under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2007.

13 ACCRUED EXPENSES AND OTHER LIABILITIES

Brokerage
National Clearing Company Charges
Withholding tax payable
Auditors' remuneration
Others

	2009	2008
	(Rupees In '000)	
	1	62
	-	38
	-	8
	200	193
	190	371
	<u>391</u>	<u>672</u>
13.1 Auditors' remuneration		
Annual audit fee	175	150
Half yearly review fee	50	50
Other certifications and services	25	25
Out of pocket expenses	25	28
	<u>275</u>	<u>253</u>

14 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2009				
	Loans and receivables	Financial Assets at fair value through profit or loss	Assets classified as Available for Sale	Total
-----Rupees in '000-----				
Assets				
Bank balances	52,559	-	-	52,559
Receivable against Continuous Funding System (CFS) transaction	-	-	-	-
Investments	-	191,245	127,178	318,423
Loans and receivables	202,650	-	-	202,650
Dividend and other receivables	15,898	-	-	15,898
Deposits	2,600	-	-	2,600
	<u>273,707</u>	<u>191,245</u>	<u>127,178</u>	<u>592,130</u>

As at June 30, 2009				
	Other financial liabilities	Liabilities at fair value through profit or loss	Total	
-----Rupees in '000-----				
Liabilities				
Payable to AKD Investment Management Limited - Management Company	2,719	-	2,719	
Payable to Central Depository Company of Pakistan Limited - Trustee	113	-	113	
Payable on redemption of units	-	-	-	
Accrued expenses and other liabilities	391	-	391	
	<u>3,223</u>	<u>-</u>	<u>3,223</u>	

As at June 30, 2008				
	Loans and receivables	Financial Assets at fair value through profit or loss	Assets classified as Available for Sale	Total
-----Rupees in '000-----				
Assets				
Bank balances	114,070	-	-	114,070
Receivable against Continuous Funding System (CFS) transactions	39,323	-	-	39,323
Investments	-	1,270,204	462,744	1,732,948
Loans and receivables	1,896,276	-	-	1,896,276
Dividend and other receivables	112,711	-	-	112,711
Deposits	3,600	-	-	3,600
	<u>2,165,980</u>	<u>1,270,204</u>	<u>462,744</u>	<u>3,898,928</u>

As at June 30, 2008		
Other financial liabilities	Liabilities at fair value through profit or loss	Total
-----Rupees in '000-----		
Payable to AKD Investment Management Limited - Management Company	6,318	6,318
Payable to Central Depository Company of Pakistan Limited - Trustee	431	431
Payable on redemption of units	13,131	13,131
Accrued expenses and other liabilities	672	672
	<u>20,552</u>	<u>20,552</u>

15 CONTINGENCIES AND COMMITMENTS

Continuous Funding System (CFS) transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at year end

Spread Transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at year end

15.1 There were no contingencies as at June 30, 2008 and 2009.

16 BORROWING COSTS

Markup on running finance

2009	2008
(Rupees In '000)	
-	30,960
-	-
<u>1,100</u>	<u>429</u>

17 TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

17.1 Transactions during the year

AKD Investment Management Limited - Management Company

	2009	2008
Purchase of units (2009: 957,120 ; 2008: Nil)	47,008	-
Redemption of units (2009: 515,203 ; 2008: Nil)	26,025	-
Issue of bonus units (2009: 6,286 ; 2008: Nil)	321	-
Management fee	19,170	50,608
Sales load	77	2,913

Central Depository Company of Pakistan Limited - Trustee

Trustee fee	2,383	5,603
Purchase of units (2009: 1,437,760 ; 2008: 2,830,990)	71,500	145,026
Redemption of units (2009: 3,280,869 ; 2008: 1,868,722)	161,748	95,026
Issue of bonus units (2009: 68,956 ; 2008: 124,052)	3,498	6,258

AKD Investment Management Limited Staff Provident Fund

Purchase of units (2009: 217,117 ; 2008: 49,591)	10,482	2,575
Redemption of units (2009: 271,803 ; 2008: 20,164)	12,798	1,021
Issue of bonus units (2009: 2,914 ; 2008: 2,802)	148	141

Cherat Cement Company Limited

Issue of bonus units (2009: Nil ; 2008: 28,099)	-	1,410
Redemption of units (2009: Nil ; 2008: 912,812)	-	46,923

Aqeel Karim Dhedhi Securities (Private) Limited

Purchase of units (2009: 617,870 ; 2008: Nil)	27,000	-
Redemption of units (2009: 2,852,012 ; 2008: Nil)	127,759	-
Issue of bonus units (2009: 92,199 ; 2008: 247,830)	4,673	12,492

AKD Opportunity Fund

Purchase of units (2009: 4,779,407 ; 2008: 583,364)	244,000	30,000
Redemption of units (2009: 5,385,535 ; 2008: Nil)	273,068	-
Issue of bonus units (2009: 22,764 ; 2008: Nil)	1,155	-

AKD Index Tracker Fund

Purchase of units (2009: 194,802 ; 2008: Nil)	10,000	-
Redemption of units (2009: 194,802 ; 2008: Nil)	10,087	-

AKD Securities Limited - Brokerage House

Brokerage	-	278
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17.2 Amounts outstanding as at the year end

AKD Investment Management Limited - Management Company

Management fee payable	843	3,807
Preliminary expenses and floatation costs	1,875	2,375
Sales load payable	1	23
Rating fee payable	-	113
Units held (2009: 448,203 ; 2008: Nil)	20,015	-
	<u>22,734</u>	<u>6,318</u>

Central Depository Company of Pakistan Limited - Trustee

Trustee fee payable	112	431
CDS charges Payable	1	-
Units held (2009: Nil ; 2008: 1,774,153)	-	91,230
	<u>113</u>	<u>91,661</u>

Aqeel Karim Dhedhi Securities (Private) Limited

Units held (2009: 505,887 ; 2008: 2,647,830)	22,591	136,157
	<u>22,591</u>	<u>136,157</u>

AKD Opportunity Fund

Receivable against Conversion of Units	-	9,995
Units held (2009: Nil ; 2008: 583,364)	-	29,998
	-	<u>39,993</u>

AKD Investment Management Limited - Staff Provident Fund

Units held (2009: Nil ; 2008: 51,772)	-	2,662
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18 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name of member	Designation	Qualification	Experience in years
1 Mr. Imran Motiwala	Chief Executive Officer & Fund Manager -GASSFL	BBA	15
2 Mr. Faisal Bengali	Executive Director	MBA	15
3 Mr. Muhammad Amin Hussain	Chief Financial Officer and Company Secretary	ACMA & ACIS	25
4 Mr. Muhammad Yaqoob	Fund Manager - AKDIF & AKDITF	MBA	5
5 Mr. Ahmed Hassan	Fund Manager - AKDITF & AKDOF	BBA	2
6 Mr. Danish Owais	Research Analyst	BBA	2
7 Mr. Hammad Anwer	Research Analyst	BSc Economics	1.5
8 Mr. Zeeshan Shalwani	Assistant Fund Manager	MBA	1.5

18.1 Mr Muhammad Yaqoob is the Manager of the Fund. He has obtained a Masters degree in Finance. AKD Index Tracker fund is also being managed by the fund manager.

19 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2009
1 JS Global Capital Ltd	37%
2 AMZ Securities (Private) Limited	13%
3 First Capital Securities Corporation Ltd.	11%
4 BMA Capital Management Limited	10%
5 Invisor Securities (Pvt) Limited	8%
6 KASB Securities Limited	7%
7 Pearl Securities (Pvt) Ltd.	5%
8 Invest Capital Investment Bank Ltd.	4%
9 Global Securities Pakistan Ltd	3%
10 Alfalah Securities (Pvt) Limited	1%
	2008
1 Atlas capital markets (Pvt) Ltd	22%
2 AKD Securities Ltd	20%
3 Taurus Securities Ltd	20%
4 JS Global Capital Ltd	17%
5 Khojas Capital Management (Pvt) Ltd	5%
6 Trade-In-Securities (Pvt) Ltd	4%
7 BMA Capital Management Ltd	3%
8 Orix Investment Bank Pakistan Ltd	3%
9 First Capital Securities Corporation Ltd	2%
10 Global Securities Pakistan Ltd	2%

20 PATTERN OF UNIT HOLDING

Category	As at June 30, 2009		
	No. of Unit holders	Investment amount Rupees in '000	Percentage of investment
Individuals	80	23,477	3.99%
Associated companies and Directors	2	42,606	7.23%
Insurance companies	-	-	-
Bank / DFIs	6	196,539	33.37%
NBFCs	1	13,262	2.25%
Retirement funds	22	294,362	49.99%
Public Limited companies	-	-	-
Others	5	18,654	3.17%
	<u>116</u>	<u>588,900</u>	<u>100.00%</u>

Category	As at June 30, 2008		
	No. of Unit holders	Investment amount Rupees in '000	Percentage of investment
Individuals	264	1,865,448	48.12%
Associated companies and Directors	1	136,155	3.51%
Insurance companies	2	64,062	1.65%
Bank / DFIs	7	414,071	10.68%
NBFCs	-	-	-
Retirement funds	62	555,312	14.33%
Public Limited companies	7	178,257	4.60%
Others	21	663,112	17.11%
	<u>364</u>	<u>3,876,417</u>	<u>100.00%</u>

21 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 23rd, 24th, 25th, 26th, 27th, 28th, 29th, 30th and 31st Board meetings were held on July 07, 2008, July 30, 2008, October 17, 2008, November 13, 2008, December 20, 2008, January 02, 2009, February 12, 2009, February 27, 2009 and April 24, 2009 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings	Attended	Leave granted	Meetings not attended
Mr. Farukh Shaukat Ansari	9	8	1	30th meeting
Mr. Faisal Bengali	9	9	-	
Mr. Ashraf Adamjee	9	8	1	28th meeting
Mr. Zahoor Motiwala	9	6	3	24th, 29th and 30th meeting
Mr. Farooq Ahmed Awan	5	2	3	24th, 26th and 27th meeting
Mr. Javaid Anwar	2	-	2	23rd and 24th meeting
Mr. Imran Motiwala	9	9	-	
Mr. Asif Akram	7	7	-	
Mr. Taufique Habib	-	-	-	

22 FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities, spread transactions, continuous funding system transactions and investments in other money market instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

22.1 Market risk

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

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

22.2 Currency risk

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

22.3 Interest rate risk

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

- Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing Term Finance Certificates (TFCs) and Sukuk Bonds / Certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2009, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 0.308 million (2008: Rs.2.227 million) in case of TFC and Sukuk Bonds / Certificates classified as financial assets at fair value through profit and loss. In case of TFCs and Sukuk Bonds / Certificates classified as Available for Sale 100 basis points increase / decrease in KIBOR on June 30, 2009, with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 0.299 million (2008: 0.749 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association is expected to change over time. Further, in case variable rate instruments, the sensitivity analysis has been done from the last repricing date. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

- Sensitivity analysis for fixed rate instruments

As at June 30, 2009, the Fund holds Preference shares which are classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association on June 30, 2009, with all other variables held constant, the net income for the year and net assets would be lower by Rs 1.997 million (2008: Rs 3.344 million). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2009, with all other variables held constant, the net income for the year and net assets would be higher by Rs 0.602 million (2008: Rs 32.912 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

22.4 The Fund's MROR Sensitivity related to financial assets and financial liabilities as at June 30, 2009 can be determined from the following:

As at June 30, 2009						
Effective rate of mark up / return	Exposed to interest rate risk			Not exposed to yield / interest risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
%	-----Rupees in '000-----					
On-balance sheet financial instruments						
Financial Assets						
Bank balances	9.5 - 12.75	52,519	-	-	40	52,559
Receivable against Continuous Funding System (CFS) transaction		-	-	-	-	-
Investments	9.1 - 16.60	81,801	204,960	-	31,662	318,423
Loans and receivables	14.78 - 16.20	52,650	100,000	50,000	-	202,650
Dividend and other receivables		-	-	-	15,898	15,898
Deposits and prepayments		-	-	-	2,600	2,600
		186,970	304,960	50,000	50,200	592,130
Financial Liabilities						
Payable to AKD Investment Management Limited - Management Company		-	-	-	2,719	2,719
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	113	113
Payable on redemption of units		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	391	391
		-	-	-	3,223	3,223
On-balance sheet gap		186,970	304,960	50,000	46,977	588,907
Off-balance sheet financial instruments						
CFS transactions (including transactions to be rolled 'over) entered into by the Fund in respect of which the purchase transactions have not been settled as at June 30, 2009		-	-	-	-	-
Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the sale transaction has not been settled as at June 30, 2009		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
		186,970	304,960	50,000	46,977	588,907

As at June 30, 2008

Effective rate of mark up / return	Exposed to interest rate risk			Not exposed to yield / interest risk	Total
	Upto three months	More than three months and upto one year	More than one year		

%

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

On-balance sheet financial instruments

Financial Assets

Bank balances	9.5 - 12.75	113,618	-	-	452	114,070
Receivable against Continuous Funding System (CFS) transactions	11 - 25	39,323	-	-	-	39,323
Investments	8.45 - 15.95	63,566	24,860	1,644,522	-	1,732,948
Loans and receivables	10.2 - 13.25	842,525	803,751	250,000	-	1,896,276
Dividend and other receivables		-	-	-	112,711	112,711
Deposits		-	-	-	3,600	3,600
		1,059,032	828,611	1,894,522	116,763	3,898,928

Financial Liabilities

Payable to AKD Investment Management Limited - Management Company		-	-	-	6,318	6,318
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	431	431
Payable against purchase of investments		-	-	-	-	-
Payable on redemption of units		-	-	-	13,131	13,131
Accrued expenses and other liabilities		-	-	-	672	672
		-	-	-	20,552	20,552

On-balance sheet gap

	1,059,032	828,611	1,894,522	96,211	3,878,376
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Off-balance sheet financial instruments

CFS transactions (including transactions to be rolled 'over) entered into by the Fund in respect of which the purchase transactions have not been settled as at June 30, 2008		-	-	-	30,960	30,960
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Spread transactions (including transactions to be rolled over) entered into by the Fund in respect of which the sale transaction has not been settled as at June 30, 2008

	-	-	-	-	-
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Off-balance sheet gap

	-	-	-	30,960	30,960
	1,059,032	828,611	1,894,522	127,171	3,909,336

22.5 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at June 30, 2009.

22.6 Credit risk

22.6.1 Credit risk management

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in term finance certificates, Sukuk Bonds / Certificates loans and receivables and balances with banks. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the Investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency.

The analysis below summarises the credit quality of the Fund's investment in Term Finance Certificates as at June 30, 2009 and June 30, 2008:

Term Finance Certificates by rating category	June 30, 2009	June 30, 2008
AAA, AAA-, AAA+	0.00%	0.00%
AA, AA-, AA+	16.92%	57.60%
A, A-, A+	70.85%	42.40%
BB, BB+, BB-	8.24%	0.00%
Default	3.99%	0.00%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2009 is the carrying amount of the financial assets.

22.6.2 Concentration of credit risk

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

22.7 Liquidity risk

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

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

The Fund has the ability to borrow in the short term to ensure settlement. During the current year, the Fund availed maximum borrowing of Rs 239.99 million (2008: Rs 349.98 million). However, as at June 30, 2009, the Fund has no borrowing outstanding. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Funds. The facility would bear interest at commercial rates.

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

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

As at June 30, 2009					
Total	Upto three months	More than three months and upto one year	More than one year		
-----Rupees in '000-----					
Liabilities					
Payable to AKD Investment Management Limited - Management Company	2,719	2,719	-	-	
Payable to Central Depository Company of Pakistan Limited - Trustee	113	113	-	-	
Payable to Securities and Exchange Commission of Pakistan	1,382	1,382	-	-	
Payable on redemption of units	-	-	-	-	
Accrued expenses and other liabilities	391	391	-	-	
	4,605	4,605	-	-	
As at June 30, 2008					
Total	Upto three months	More than three months and upto one year	More than one year		
-----Rupees in '000-----					
Liabilities					
Payable to AKD Investment Management Limited - Management Company	6,318	6,318	-	-	
Payable to Central Depository Company of Pakistan Limited - Trustee	431	431	-	-	
Payable to Securities and Exchange Commission of Pakistan	4,601	4,601	-	-	
Payable on redemption of units	13,131	13,131	-	-	
Accrued expenses and other liabilities	672	672	-	-	
	25,153	25,153	-	-	

22.8 Market rate of return (MROR) risk

MROR risk is the risk that the value of financial instrument will fluctuate due to changes in the market interest rates. The Fund manages its investment portfolio in order to reduce the risk of loss in the market value of investments.

22.9 Fair value of financial instruments

Investments on the Statement of Assets and Liabilities are carried at fair value. The Management Company is of the view that the fair market value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short-term in nature.

23 CAPITAL RISK MANAGEMENT

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

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

In accordance with the risk management policies stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments or short-term borrowings where necessary.

24 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 20, 2009 by the Board of Directors of the Management Company.

25 GENERAL

25.1 Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. During the current year, there were no major reclassifications.

25.2 Figures have been rounded off to the nearest thousand rupees.

25.3 The bifurcation of undistributed income into realised and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

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

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

PERFORMANCE TABLE

	2009	2008	2007
Total net assets value (Rs '000)*	588,900	3,862,671	2,450,766
Net assets value per unit - (Rs)*	44.6562	50.4220	50.1770
Selling price as at June 30 (Rs)	45.1028	51.9363	52.2885
Repurchase price as at June 30 (Rs)*	44.6562	50.4220	50.1770
Highest selling price (Rs)	52.3009	54.5448	52.3129
Lowest selling price (Rs)	43.4063	50.8675	50.8000
Highest repurchase price (Rs)	51.7830	54.0047	51.7949
Lowest repurchase price (Rs)	42.9764	50.3638	50.2500
Return of the Fund			
- capital growth (Rs '000)	(3,287,517)	1,425,651	83,826
- income distribution (Rs '000)*	32,928	478,712	75,443
Distribution per unit			
Interim			
- Gross (2009: announced on October 17, 2008, 2008: announced on April 7, 2008) (Rs)	0.75	3.50	-
Final			
- Gross (2008: announced on July 7, 2008, 2007: announced on July 11, 2007) (Rs)	-	1.00	1.59
	----- Percentage -----		
Average Annual Return			
- Last one year	-9.95	9.46	12.90**
- Last two years	-0.27	-	-
	----- No. of days -----		
Weighted Average Portfolio Duration	77	79	22

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

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

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

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



**AKD Investment
Management Ltd.**

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