

Funds Managed by:
AKD Investment Management Ltd.

2011



annual report



**Partner
with AKD
Profit from the
Experience**



**AKD Investment
Management Ltd.**

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CORPORATE INFORMATION

Farrukh Shaukat Ansari
Chairman



Ali Qadir Gilani
Director



Imran Motiwala
Chief Executive Officer



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

Director

Mr. Taufique Habib

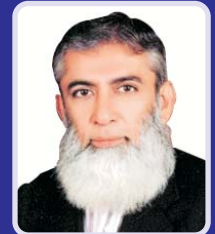
Mr. Ali Qadir Gilani

Mr. M. Ramzan Sheikh

Mr. Muhammad Amin Hussain

Mr. Nadeem Saulat Siddiqui

**Muhammad
Amin Hussain**
Director



Taufique Habib
Director



COMPANY SECRETARY & CFO OF THE MANAGEMENT COMPANY

Mr. Muhammad Amin Hussain

AUDIT COMMITTEE

Mr. Taufique Habib (Chairman)

Mr. Ali Qadir Gilani (Member)

Mr. M. Ramzan Sheikh (Member)

Mr. Muhammad Usman (Secretary)

**Nadeem
Saulat Siddiqui**
Director



M. Ramzan Sheikh
Director



INTERNAL AUDITORS

Rafaqat Mansha Mohsin

Dossani Massom & Co.

Chartered Accountants

Suite 113, 3rd Floor,

Hafeez Centre, KCHS,

Block 7 & 8, Shahrah-e-Faisal,

Karachi-75350

RATING

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

YOUR SAVINGS & INVESTMENTS

Problem

Inflation destroys the real value of your saving and investments

2000 Savings (Rs):		10,000
Year	CPI (Inflation) Rate	Purchasing Power of Rs. 10,000
2001	4.40%	9,560
2002	3.50%	9,225
2003	3.10%	8,939
2004	4.60%	8,528
2005	9.30%	7,735
2006	7.90%	7,124
2007	7.80%	6,568
2008	12.00%	5,780
2009	22.40%	4,485
2010	11.70%	3,961
2011	14.10%	3,402

Solution

Let AKD Investment Management Ltd.'s (AKD-IML) expertise and services help you manage what you have and make it grow by a disciplined and systematic plan for managing your savings and investments

Vision



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

Mission Statement



AKD Funds shall continuously strive to:

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

Asset Class Performance

ASSET CLASS PERFORMANCE IN FY11

	Jun-10	Jun-11	Return%
Gold (PKR)	106,486.00	129,008.72	21%
KSE-100 Index	9,721.90	12,496.03	29%
Gold (US)	1,244.00	1,500.35	21%
KSE-30 Index	9,556.60	11,586.49	21%
MSCI Emerging Mkt Index	917.99	1,146.22	25%
NIT Unit Price (PKR)	28.17	32.14	14%
PKR/Euro Excl. Rate	113.45	124.69	10%
Crude Oil (WTI) (US\$)	75.60	95.42	26%
MSCI World Index	1,041.30	1,331.18	28%
PKR/USD Excl. Rate	85.28	85.97	1%
MSCI Frontier MKT Index	488.52	544.77	12%
1 Yr Bank Deposits (%)	5.79	5.92	2%
1Yr T-Bills (%)	12.34	13.89	13%

AKD FUNDS' FY11 PERFORMANCE

	Jun-10	Jun-11	Return%
AKD Index Tracker Fund NAV	6.88	8.63	25.44%
AKD Opportunity Fund NAV	25.90	31.00	19.69%
AKD Income Fund NAV	45.2784	50.5272	11.59%

MACRO ECONOMIC INDICATORS

	FY09	FY10	FY11
Real GDP Growth (%)	1.2	4.1	2.4
Average Inflation (CPI)	20.8	11.7	13.7
SBP Discont Rate (%)	14.0	12.5	14.0
Money Supply (M2) growth (%)	9.6	12.5	15.89
6-month KIBOR (%)	14.17	12.4	13.2
Budget Deficit (% of GDP)	5.3	6.1	6.6
Current A/C Deficit (% of GDP)	5.8	2.0	-0.2
Foreign Exchange Reserve (US\$bn)	12,425	16,750	18,244
PKR/US\$ Exchange Rate (%)	-28.1	-4.2	0.7
12-month Bank Deposit (%)	12.5	11.0	11.75
KSE-100 Change (%)	-41.7	35.7	28.5

KSE-100 VALUATIONS

	2008	2009	2010	2011
EPS (x)	5.72	5.94	7.06	9.6
EPS Growth (%)	-15.9%	3.7%	19.0%	19.0%
PER (x)	10.8	10.4	8.8	7.2
BV (PKR)	31.5	35.1	37.0	42.8
P/BV (x)	2.0	1.8	1.7	1.6
RoE (%)	18.2%	16.9%	19.1%	22.3%
RoA (%)	9.8%	8.8%	9.5%	3.9%

KSE-100 FUNDAMENTALS

	2008	2009	2010	2011
NPAT Chg. %	-3.0%	2.6%	19.4%	10%
Sales Growth	24.8%	14.6%	15.3%	14%
Gross Margin %	18.2%	17.4%	15.9%	21%
Operating Margin %	12.9%	11.4%	9.9%	12%
Net Margin %	7.9%	7.0%	7.3%	10%

Key Management Profile

Imran Motiwala - Chief Executive Officer

Mr. Imran Motiwala has 17 years of diversified experience in the field of securities broking and asset management services in Pakistan. He has worked with several leading companies from his beginnings with Ali Hussain Rajabali Limited to servicing institutional clients at a reputed global Investment Bank, JP Morgan, based in Karachi. He then crossed over to the buy side by joining ABAMCO Limited in 2002 as a fund manager, where his first assignment included the launching and managing of an open-end income fund. Mr. Motiwala joined Crosby Asset Management (Pakistan) Limited in 2003, as head of fund management, where his responsibilities included the building of the entire business from establishing operational guidelines and policies with focus on all facets of the business. Mr. Motiwala also led the team in launching their first open-end equity fund, the Crosby Dragon Fund. Mr. Imran Motiwala has been with AKD Investment Management Limited since 2006. He has been serving as the board at AKDIML since September 2007 and in addition the CEO at Golden Arrow Selected Stocks Fund Ltd. Mr. Motiwala graduated from the Southeastern University (Karachi campus) in 1994.

Muhammad Amin Hussain - Company Secretary and Chief Financial Officer

Mr. Muhammad Amin Hussain joined AKD Investment Management Limited as the Company Secretary and Chief Financial Officer in 2005. He has vast experience of over twenty-seven years of working with reputable local as well as multinational organizations and his areas of expertise include finance, secretarial, taxation, project financing and system development. Before joining AKD Investment Management Limited he worked as General Manager Corporate Affairs and Company Secretary in Gul Ahmed Energy Limited for over five years. Prior to that, he was involved with Al-Noor Group of Companies for over nine years in the capacity of senior Finance Executive and was also engaged with Caltex Oil (Pak) Ltd. for over five years. Mr. Hussain is an Associate Member of the Institute of Cost and Management Accountants of Pakistan as well as the Institute of Corporate Secretaries.

Nadeem Saulat Siddiqui - GM Marketing and Sales

Mr. Nadeem Saulat Siddiqui has 18 years of experience on senior positions of sales, marketing and resource development. He has spent over 16 years in Shaukat Khanum Memorial Cancer Hospital & Research Center in capacity of Head of Marketing & Resource Development. He is serving AKD Investment Management Limited as G.M. Marketing & Sales since October 2009. Mr. Siddiqui got his MBA degree from College of Business Administration, Lahore in the year 2000. His areas of expertise include sales, marketing, resource development and relationships building.

Muhammad Yaqoob - Chief Investment Officer

Mr. Muhammad Yaqoob is currently working as the Chief Investment Officer at AKD Investment Management Limited. He joined AKD Investment in the year 2005 and has worked in various capacities including Research, Product Development, Business Development and Fund Management. He participated in the launching of AKD Index Tracker Fund, AKD Opportunity Fund and AKD Income Fund. He also participated in the conversion of AKD Index Tracker Fund from a closed-end scheme to an open-end scheme. He is currently heading the team managing Collective Investment Schemes with an aggregate of Rs. 2 billion under management. He is Masters in Business Administration majors in Finance and CFA level 2.

Carrow Michael - Head of Operations

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

Report of the Directors of the Management Company

The Board of Directors of AKD Investment Management Limited (AKDIML), the Management Company of **AKD Income Fund (AKDIF)**, **AKD Opportunity Fund (AKDOF)** and **AKD Index Tracker Fund (AKDITF)** is pleased to present its report alongwith the audited accounts of AKD Income Fund (AKDIF), AKD Opportunity Fund (AKDOF) and AKD Index Tracker Fund (AKDITF) for the financial year ended June 30, 2011.

ECONOMIC REVIEW & OUTLOOK

In FY11, the domestic macroeconomic landscape was affected by floods and related fiscal slippages, which slowed down the pace of economic recovery and stability gained in FY10. However, on the positive side, higher commodity prices drove agricultural incomes, which aided rural demand and helped the domestic economy. External sector performance was also impressive during the year, buoyed by price-led export growth of 28% and remittance growth of 25%. As a result, a Balance of Payments (BoP) surplus FY11 lent support to the currency position.

Inflation was hovering above 15% level in 1H-FY11, but moderated in the latter part of the year, to average out at 13.92%. The lower inflation number allowed SBP to reduce the discount rate by 50 basis points in July-2011, with further reductions on the cards. The reduction in discount rate bodes well for the equity markets, which has been suffering from high yield on debt instruments. However, long-term investors should be cognizant of the fact that these high interest yields on debt instruments are not sustainable and will come down, positively impacting the equities market as well as the broader domestic economy.

On the global economic front, the resolution of US debt ceiling is a positive development for the near-term. However, the crisis in euro zone will continue to keep international investors cautious on emerging markets and equity as an asset class. We believe, Pakistan with its strong domestic demand story will continue to be on the radar screen for international investors, and improvements on the global and domestic macro environment should bode well for the domestic equity markets. We believe that FY12 would be a good year for the domestic equity market.

EQUITY MARKET REVIEW & OUTLOOK

The benchmark KSE-100 Index closed FY2011 at 12,496 points, gaining 28.53% YoY. Foreign portfolio investments for the year were US\$280mn. Although overall market gains are impressive, only four sectors (Food Producers, Metals & Mining, Beverages and Chemicals) outperformed the KSE-100 Index in FY11, indicating that the index rally was very narrow in nature. The key index heavy weights sectors such as Oil & Gas and Banks underperformed the KSE-100 Index by 11% and 22% respectively. Similarly, performance of cyclical sector such as Construction & Material (Cement) and Automobiles & Parts remained below par. Currently, the KSE-100 trades at forward price to earnings ratio of 7x, which is a discount of 42% to the region vs. a historical average discount of 35%. Furthermore, considering that the market rally in FY11 has been driven by only a few stocks. We believe the underperformers of FY11 could become the outperformers in FY12. Going forward, the triggers for market performance is likely to be successful outcomes from upcoming Pakistan-IMF talks, further reduction in discount rates and potential monetary easing ahead of the region. Any relief on capital gain tax could provide further impetus to the market. We remain invested in fundamentally strong sector and stocks and have constructed the portfolio to benefit from the above expected events.

MONEY MARKET REVIEW & OUTLOOK

Pakistan's central bank has been trying to control inflation and thus has been maintaining a high interest rate environment. However, given the weak growth in the developed economies and expected interest rate cuts by the European central bank and other leading emerging central banks, the market also expects our discount rate to be cut in the vicinity of 100 to 200 bps in the next 12 months. The cut will be favorable for fixed income as well as equity funds. Hence, we have positioned our funds in such a manner to reap benefits from the expected reduction in interest rates. We also plan to bring more funds in the fixed income category to cater to the growing needs of the market.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board of Directors states that:

- a) The financial statements prepared by the Management of the Funds, present fairly its state of affairs the result of its operations, cash flows and movement in unit holders fund.
- b) Proper books of account of the Funds have been maintained.
- c) In preparation of financial statements, appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment.
- d) In preparation of financial statements International Accounting Standards, as applicable in Pakistan, have been followed and any departure, if any, has been adequately disclosed.
- e) The existing system of internal control is sound in design and has effectively implemented. The existing system of internal control and other procedures is being continuously reviewed by Internal Auditor. The process of review will continue and any weakness in controls will have immediate attention of the Management.
- f) There is no doubt upon the Funds' ability as a going concern.
- g) The Corporate Governance regulations, as detailed in the listing regulations, have been fully complied.
- h) No statutory payment on account of taxes, duties, levies and charges is outstanding towards the company other than as disclosed in the financial statements.
- i) The Statement showing the attendance of Directors in BOD meetings is as under:

Name of Director	Total No. of Meetings Held	Meetings Attended	Leave Granted
Mr. Farrukh Shaukat Ansari	5	4	1
Mr. Nadeem Naqvi	5	5	-
Mr. Imran Motiwala*	5	5	-
Mr. Taufique Habib	5	5	-
Mr. Zahoor Motiwala	2	-	2
Mr. Asif Ikram	5	1	4
Mr. Ali Qadir Gilani	5	3	2
Mr. Muhammad Ramzan Sheikh**	1	-	1
Mr. Nadeem Saulat Siddiqui***	-	-	-
Mr. Muhammad Amin Hussain ****	1	1	-

* Mr. Imran Motiwala was appointed as CEO on April 26, 2011 in place of Mr. Nadeem Naqvi

** Mr. Muhammad Ramzan Sheikh was appointed on April 4, 2011 in place of Mr. Zahoor Motiwala

*** Mr. Nadeem Saulat Siddiqui was appointed on May 24 ,2011 in place of Mr. Asif Ikram

**** Mr. Muhammad Amin Hussain was appointed on April 26, 2011 in place of Mr. Nadeem Naqvi

During the year three casual vacancies occurred in the Board due to resignation of Mr. Zahoor Motiwala, Mr. Asif Ikram and Mr. Nadeem Naqvi which were filled by appointing Mr. Muhammad Ramzan Sheikh Mr. Nadeem Saulat and Mr. Muhammad Amin Hussain respectively by the Board.

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

AKD OPPORTUNITY FUND

S.No.	Trades By	Designation	Investment (No. of Units)	Redemption (No. of Units)
1	Mr. Imran Motiwala	CEO	9,810	-

RATING OF THE MANAGEMENT COMPANY

In September 2010 Credit Rating Company Ltd. (JCR-VIS) has reaffirmed the Management Quality (MQ) Rating of AKD Investment Management Limited at 'AM3' (AM-Three).

RATING OF THE FUNDS

AKD Income Fund

JCR-VIS Credit Rating Company Limited has assigned the Fund Stability Rating of AKD Income Fund at 'BBB (f)' (Triple B (f)) on December 15, 2010.

AKD Opportunity Fund

JCR-VIS Credit Rating Company Limited has assigned the Fund Performance Ranking of AKD Opportunity Fund at 'MFR 2-Star' as one year ranking on March 29, 2011.

PATTERN OF HOLDING (UNITS)

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

APPOINTMENT OF AUDITORS

The present auditors, M/s A. F. Ferguson & Co., Chartered Accountants are retiring and have completed their five years as auditors of AKD Income Fund. As per the requirements of the Code of Corporate Governance the auditors have to be changed this year. The Board of Directors of the Management Company has appointed M/s M. Yousuf Adil Saleem & Co., Chartered Accountants for AKD Income Fund as the Fund's auditors on the recommendation of Audit Committee for the period 2011-12.

The Board re-appointed M/s KPMG Taseer Hadi & Co., Chartered Accountants for AKD Opportunity Fund and AKD Index Tracker Fund as the Funds' auditors for the period 2011-12 as recommended by the Audit Committee.

ACKNOWLEDGEMENTS

The directors would like to take this opportunity to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, our trustee M/s Central Depository Company of Pakistan Limited 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: October 24, 2011

Imran Motiwala
Chief Executive Officer

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AKD Income Fund



MANAGEMENT COMPANY

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

INTERNAL AUDITORS

Rafaqat Mansha Mohsin
Dossani Massom & Co.
Chartered Accountants
Suite 113, 3rd Floor,
Hafeez Centre, KCHS,
Block 7 & 8, Shahrāh-e-Faisal,
Karachi-75350

TRUSTEE

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

BANKERS

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

AUDITORS

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)]

FUND MANAGER'S REPORT

AKD Income Fund posted an annualized return of 11.59% for FY11 (Opening Ex-NAV of PkR 45.2784 and ending NAV of PkR50.5272) which ranks it 5th performing fund amongst the universe of open-end income fund for FY11. The management of the AKD Income Fund continued to invest in high yielding investment avenues with concerns for capital preservation.. The Fund size of the AKD Income Fund shrank by 13.83% to stand at Rs. 413.69 mn from Rs. 480.10 mn in FY11, due to redemptions.

Investment Strategy

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

Investing Activities

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

Key changes in the portfolio include reduction in relatively illiquid placements with NBFCs which made up 7.34% of the Fund's net Assets as at June 30, 2011 versus 29.25% on June 30 2010. Investments in TFCs / SUKUKs reduced to 44.33% from 55.00% last year. Much of the liquidity generated through the reduction of these exposures was deployed in risk free government securities. Exposure towards treasury bills (upto one year) increased to 35.68% versus 4.76% last year. The Investment Committee also took exposure in the new introduced Margin Trading System a leverage product for the equity market with enhanced built-in risk mitigating features. The exposure towards MTS stood at 3.25%. However, the Investment Committee would further increase the exposure towards MTS in the AKD Income Fund going forward. Cash and cash equivalents (government securities not exceeding 90 days) stood at 29.91% as of June 30, 2011 versus 6.59% last year.

Non-Compliant Investments

As per the "Income Scheme" following are the non-compliant investments as of 30 June 2011:

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held if any	Value of investment after provision	Percentage of Net Assets	Percentage of Gross Assets	Remarks
----- Rupees in '000' -----							
Security Leasing Corporation Limited	Preference shares	11,352	-	11,352	2.74%	2.68%	Preference shares do not fall within the purview of prescribed securities of income fund scheme
Kohat Cement Company Limited	Sukuk	12,251	(3,336)	8,915	2.15%	2.10%	These securities are non-compliant as their rating is lower than investment grade.
Maple Leaf Cement Factory Limited	Sukuk	264	-	264	0.06%	0.06%	
Maple Leaf Cement Factory Limited	Sukuk	8,762	(2,499)	6,263	1.51%	1.48%	
New Allied Electronics Industries (Pvt) Ltd.	Sukuk	30,000	(30,000)	-	-	-	
Pace Pakistan Limited	Term Finance Certificate	386	-	386	0.09%	0.09%	
Saudi Pak Leasing Company Limited	Certificate of Investment	26,000	-	26,000	6.28%	6.14%	
Invest Capital Investment Bank Limited	Certificate of Investment	4,382	-	4,382	1.06%	1.03%	
Dewan Cement Limited	Term Finance Certificate	100,000	(100,000)	-	-	-	
First Dawood Investment Bank Limited	Term Finance Certificate	31,500	(11,671)	19,829	4.79%	4.68%	

Money and Debt Market

The year started with devastating floods that affected all provinces of the country and almost twenty million people were directly or indirectly affected. Major crops were damaged that include cotton and sugarcane. The State Bank in its first monetary policy for the year increased the discount rate by 50 basis points and kept increasing by same momentum in all the three monetary policy statements announced in the first half of the current fiscal that led to a discount rate of 12.5%. The major reasons were high inflation and increase in government borrowing from the State Bank. However the state bank took a breather in the second half and was reluctant to further tightening.

In the latter half of the year the government reduced its borrowing from the state bank being positive however this decline was not as a result of an increase in revenues or a decline in non-productive expenditures rather a shifting from the SBP to scheduled banks. Regrettably this has kept the fiscal situation aggravated as private sector borrowing remains on the decline. Tax collections for the fiscal period remained slow throughout the year and despite cuts from the original budgeted amount; the tax collection remained below the initial target of Rs. 1,667 bn and stood at Rs. 1,550bn at the end of FY11. This amount was also aided by austerity tax measures (i.e. flood surcharge) taken by the government in the month of March; supported by administrative steps to improve tax compliance.

The foreign exchange reserves of the country touched an all time peak of \$18.243bn by the end of FY11 which was supported by record exports of \$25.5bn and inward home remittances that stood at \$11.2bn. The exports were primarily on the higher side due to the increase in international commodity prices especially cotton prices which boded very well for the textile sector. These numbers could have been relatively better; however, due to infrastructural weaknesses especially the non-availability of electricity and gas, hurt capacity utilizations as exporters remained cautious when booking export orders. Remittances have been playing a more significant role in our economy over the years and they did not disappoint this year either, with the last four months witnessing an inflow over a billion dollars each month with June being the highest touching \$1.1bn.

Needless to say, despite all time low interest rates and various stimulus packages launched around the world, the global economy remained fragile. Major global economies especially the US were still struggling to avert a debt crisis which could trigger another major recession. There are hard times in Europe as well as major economies still fall short of independently sorting out their debt issues and are looking for the European Union which is facing problems of their own for a solution. With the size of the US economy and the dollarization of the global economy the implications of a US debt default can have far reaching consequences that most would ideally avoid even contemplating. Additionally the turmoil in the Middle East and North Africa (MENA) region and the damage to the Japanese economy in the wake of an historic earthquake and tsunami has aggravated the situation further.

With the current situation of the global economy, prices of commodities are expected to remain volatile; however, global crude oil prices may not sustain current levels as economic growth expectations subside. Considering approximately a third of Pakistan's total imports is represented by oil and oil products a decrease in prices of crude oil is expected to be a major positive. Another key positive expected this coming year is higher agricultural production following the devastating floods of 2010, which have improved tube wells and rejuvenated land.

The Government in the recent past has shown its seriousness towards improving the health of the economy. Steps such as those taken in the month of March 2011 to increase tax revenue generation for the fiscal year 11, containment of the government borrowing from the SBP during FY 11 and reduction of subsidies are measures that the government has taken in this regard.

On the political front, as expected as the general elections approach the situation shall remain more volatile than usual. The MQM that has finally positioned itself on the opposition benches remains entangled in Karachi violence and failing to stabilize its own constituent. Besides it seems the largest opposition party the PML-N is also making its moves with a mandate of mid-term elections prior to the forth coming Senate Elections in March 2012. Under the current political situation it is likely that the ruling PPP will easily achieve a favorable majority in the Senate boding unwell politically for the PML-N at least for the next five years.

Fund Strategy

Given the above risk, the Investment Committee will closely monitor the macroeconomic and political environment in order to make any significant portfolio changes if and when deemed necessary. We would continue to invest excess liquidity in government treasury bills, good credit quality corporate debt and new introduced margin trading system in order to enhance the yield along with the concern for the preservation of capital.

Distribution For The Year

The Board has approved a bonus of Rs. 3.70 per unit, 8.17% on the opening EX-NAV and 7.40% of the par value of Rs. 50 for FY11 (Unit holders who have opted for cash payout received cash payment accordingly).

DETAILS OF PATTERN OF HOLDING (UNITS)

As At June 30, 2011

	Units Held
Associated Companies	Nil
Directors and CEO	Nil
NBFCs	3,010
Banks/ DFIs	2,059,700
Retirement Funds	5,677,767
Others	211,629
Individuals	235,380
Total	8,187,486

TRUSTEE REPORT TO THE UNIT HOLDERS

AKD INCOME FUND

(Renamed as AKD Aggressive Income Fund)

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

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, 2011 in accordance with the provisions of the following:

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

Karachi: October 27, 2011

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 Chapter XI 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 Management Company has applied the principles contained in the Code of Corporate Governance as follows:

- 1) The Management Company encourages representation of independent non-executive directors. At present the Board has four 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 Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIL or, being member of stock exchange, has been declared as a defaulter by such stock exchange.
- 4) During the year three casual vacancies occurred in the Board of Directors, two of which were filled up by the Board within 30 days and remaining one after 30 days.
- 5) The Management Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
- 6) The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
- 8) No new appointment of CFO, Company Secretary has been made during the year.
- 9) 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.
- 10) The Directors have been provided with the copies of the NBFC (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, Companies Ordinance 1984, Listing Regulations, Code of Corporate Governance, Prudential Regulations, Company's Memorandum and Articles of Association and all other relevant rules and regulations and hence are conversant with the relevant laws applicable to the company and the funds and are aware of their duties and responsibilities.
- 11) The Directors' Report for the year ended June 30, 2011 has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

- 12) The financial statements of the Fund were duly signed by the CEO and CFO before approval of the Board.
- 13) 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.
- 14) The Management Company has complied with all the corporate and financial reporting framework requirements of the Code.
- 15) The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the committee.
- 16) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Management Company has outsourced the internal audit function of the Company to M/s Rafaqat Mansha Mohsin Dossani Masoom & Co. Chartered Accountants, Karachi, who are considered suitably qualified and experienced for the purpose and are well conversant with the policies and procedures of the Fund. Earlier, the Management Company had outsourced the internal audit function to M/S Ford Rhodes Sidat Hyder & Co. Chartered Accountants who were also suitably qualified and experienced for the purpose and were 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 for non arm's length transactions. Majority of the related party transactions of the Fund are governed under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the transactions which are not governed under the said regulations are carried at arm's length prices.
- 21) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Imran Motiwala
Chief Executive Officer

Karachi: October 24, 2011

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** (the Management Company) for and on behalf of **AKD Income Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited 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 a) of the Listing Regulation No. 35 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 requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any 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, 2011.

Karachi: October 27, 2011

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, 2011, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Company's responsibility for the financial statements

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

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 international standards on auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 financial position of the Fund as at June 30, 2011, 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 all material respects in accordance with the requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Karachi: October 27, 2011

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

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011

	Note	2011 ----- (Rupees in '000) -----	2010
ASSETS			
Bank balances	4	24,478	31,617
Investments	5	342,348	298,308
Receivable against Margin Trading System		13,450	-
Loans and receivables	6	30,382	140,450
Profit and other receivables	7	9,718	9,898
Deposits and prepayments	8	3,027	2,725
Preliminary expenses and floatation costs	9	375	875
Total Assets		423,778	483,873
LIABILITIES			
Payable to AKD Investment Management Limited - Management Company	10	533	1,474
Payable to Central Depository Company of Pakistan Limited - Trustee	11	63	80
Payable to Securities and Exchange Commission of Pakistan	12	334	408
Payable on redemption of units		7,174	603
Accrued expenses and other liabilities	13	1,983	1,202
Total Liabilities		10,087	3,767
NET ASSETS		413,691	480,106
UNIT HOLDERS' FUND (as per statement attached)		413,691	480,106
CONTINGENCIES AND COMMITMENTS			
	14		
		----- (Number of units) -----	
Number of units in issue		8,187,486	9,862,806
		----- (Rupees)-----	
Net asset value per unit	3.13	50.5272	48.6784
Face value per unit		50.00	50.00

The annexed notes 1 to 28 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, 2011

	Note	2011	2010
----- (Rupees in '000) -----			
INCOME			
Capital gain / (loss) on sale of investments - net		151	(1,026)
Profit on bank deposits		5,036	4,748
Income from Letters of Placements		3,971	5,016
Income from Margin Trading System		1,753	-
Income from Term Finance Certificates and Sukuk Bonds		32,112	46,593
Income from Government Securities		9,229	1,236
Income from Certificates of Musharika and Certificates of Investment		6,547	19,053
		58,799	75,620
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.4	2,580	(15,307)
Total Income		61,379	60,313
EXPENSES			
Remuneration of AKD Investment Management Limited - Management Company		6,687	8,160
Remuneration of Central Depository Company of Pakistan Limited - Trustee		829	1,088
Annual fee - Securities and Exchange Commission of Pakistan		334	408
Securities transaction cost		24	89
Impairment loss on investments classified as 'available for sale' - net	5.3.7	10,092	5,279
Auditors' remuneration	15	315	307
Settlement and bank charges		68	48
Amortisation of preliminary expenses and floatation costs		500	500
Fees and subscription		446	200
Legal and professional charges		175	204
Provision for Workers Welfare Fund	17	723	734
Printing and related costs		227	243
Total Expenses		20,420	17,260
Net Income from operating activities		40,959	43,053
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		(5,521)	(7,111)
Net income for the year before taxation		35,438	35,942
Taxation	16	-	-
Net income for the year after taxation		35,438	35,942
OTHER COMPREHENSIVE INCOME			
Unrealised appreciation on re-measurement of investments classified as 'available for sale'		8,301	823
Reclassification adjustment for net gain realised on disposal of available-for-sale investments		-	4,041
Total comprehensive income for the year		43,739	40,806
Earnings per unit	3.11		

The annexed notes 1 to 28 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, 2011

	2011	2010
	----- (Rupees in '000) -----	
Accumulated losses brought forward		
- Realised income / (loss)	22,254	(42,009)
- Unrealised loss	(23,714)	(12,025)
	(1,460)	(54,034)
Final distribution for the year ended June 30, 2010 : Rs. 3.40 per unit		
- Cash distribution	(8,465)	-
- Issue of bonus units	(25,069)	-
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 unit holders' fund	7,146	16,632
Net income for the year	35,438	35,942
Undistributed income / accumulated losses carried forward	7,590	(1,460)
Undistributed income / accumulated losses comprising of		
- Realised income	28,226	22,254
- Unrealised loss	(20,636)	(23,714)
	7,590	(1,460)

The annexed notes 1 to 28 form an integral part of these financial statements.

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

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year before taxation		35,438	35,942
Adjustments for non-cash and other items			
Unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		(2,580)	15,307
Impairment loss on investments classified as 'available for sale' - net		10,092	5,279
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		5,521	7,111
Amortisation of preliminary expenses and floatation costs		500	500
Remuneration of AKD Investment Management Limited - Management Company		6,687	8,160
Remuneration of Central Depository Company of Pakistan Limited - Trustee		829	1,088
		56,487	73,387
(Increase) / decrease in assets			
Receivable against Margin Trading System		(13,450)	-
Investments - net		56,026	4,393
Loans and receivables		110,068	62,200
Profit and other receivables		180	6,000
Deposits and prepayments		(302)	(125)
		152,522	72,468
Increase / (decrease) in liabilities			
Payable to AKD Investment Management Limited - Management Company		(847)	(1,001)
Payable to Central Depository Company of Pakistan Limited - Trustee		5	-
Payable to Securities and Exchange Commission of Pakistan		(74)	(974)
Payable on redemption of units		6,571	603
Accrued expenses and other liabilities		781	811
		6,436	(561)
Remuneration paid to AKD Investment Management Limited - Management Company		(6,781)	(8,404)
Remuneration paid to Central Depository Company of Pakistan Limited - Trustee		(851)	(1,121)
		207,813	135,769
Net cash generated from operating activities			
CASH FLOW FROM FINANCING ACTIVITIES			
Net payments on redemption of units		(107,210)	(156,711)
Dividend paid		(8,465)	-
		(115,675)	(156,711)
Net cash outflow on financing activities			
Net increase / (decrease) in cash and cash equivalents during the year			
Cash and cash equivalents at the beginning of the year		31,617	52,559
Cash and cash equivalents as at the end of the year	4.1	123,755	31,617

The annexed notes 1 to 28 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, 2011

	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
Net assets at the beginning of the year	480,106	588,900
Issue of 4,606,638 units (2010: 4,536,808 units)	214,451	210,025
Redemption of 6,835,611 units (2010: 7,861,425 units)	(321,661)	(366,736)
	(107,210)	(156,711)
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	5,521	7,111
- amount representing (income) / loss that form part of unit holders' fund - transferred to Distribution Statement	(7,146)	(16,632)
	(1,625)	(9,521)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'	8,301	823
Capital gain / (loss) realised against sale of investments classified as 'available for sale'	-	4,041
	8,301	4,864
Issue of 553,653 bonus units (2010: Rs. Nil)	25,069	-
Other net income for the year	32,707	52,275
Capital gain / (loss) on sale of investments	151	(1,026)
Unrealised appreciation / (diminution) on re-measurement of investments at fair value through profit or loss - net	2,580	(15,307)
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	7,146	16,632
Final distribution for the year ended June 30, 2010: Rs. 3.40 per unit		
- Issue of bonus units	(25,069)	-
- Cash distribution	(8,465)	-
	9,050	52,574
Net assets at the end of the year	413,691	480,106

The annexed notes 1 to 28 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, 2011

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 Margin Trading System. Title of the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

There are certain new standards, amendments and interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

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

The following revised standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

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

2.5 Accounting convention

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents comprise of bank balances and short term investments having original maturities of less than three months.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets 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.

3.2.2 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.

3.2.3 Initial recognition and measurement

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

3.2.4 Subsequent measurement

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

a) Basis of valuation of term finance certificates and sukuk bonds / certificates

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

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 shown as other comprehensive income in the income statement until these are derecognised. At this time, the cumulative gain or loss previously shown as other comprehensive income is reclassified as capital gain / (loss) in the income statement.

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

3.2.5 Impairment

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is 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.

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

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 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.

3.4 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.

3.5 Preliminary expenses and floatation costs

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

3.6 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.

3.7 Securities under Margin Trading System (MTS)

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

3.8 Spread transactions (Ready-Future Transactions)

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

3.9 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The fund intends to distribute its income accordingly and therefore, 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 to the extent that it is no longer probable 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.

3.10 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.

3.11 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.

3.12 Issue and redemption of units

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

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption

price represents the net asset value per unit as of the close of the business day less any back-end load, duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.13 Net asset value per unit

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

3.14 Proposed distributions and transfer between reserves

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

3.15 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 MTS 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.

	2011	2010
	(Rupees in '000)	
4 BANK BALANCES		
In current accounts	14	40
In savings accounts	24,464	31,577
	24,478	31,617
4.1 CASH AND CASH EQUIVALENTS		
Bank balances	24,478	31,617
Market treasury bills	99,277	-
	123,755	31,617

5 INVESTMENTS	Note	2011	2010
(Rupees in '000)			
Financial assets at fair value through profit or loss - held for trading			
- Quoted equity securities	5.1	11,352	11,352
- Fixed income and other debt securities	5.2	262,452	201,894
Available for sale			
- Fixed income and other debt securities	5.3	68,544	85,062
		342,348	298,308

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

Name of the Investee Company	----- Number of shares-----					Balance as at June 30, 2011			Market value as a percent-age of net assets	Market value as a percent-age of investments
	As at July 1, 2010	Purchases during the year	Bonus / rights issue	Sale / Redemption during the year	As at June 30, 2011	Carrying Cost	Market value	Appreciation / (diminution)		
-----Rupees in '000'-----										
Financial Services										
Security Leasing Corporation (Preference shares)	3,445,250	-	-	-	3,445,250	11,352	11,352	-	2.74%	3.32%
						11,352	11,352	-	2.74%	3.32%
Total listed equity securities - June 30, 2011						11,352	11,352	-		
Total listed equity securities - June 30, 2010						31,662	11,352	(20,310)		

5.1.1 Security Leasing Corporation Limited had deferred the payment of 3rd redemption amounting to Rs 17,226,250 (pertaining to 1,722,625 shares of Rs. 10 each) on the basis of the adverse financial position of the company. As per the terms of the preference shares, the redemption amount will be the lower of par value and breakup value as per the latest available audited financial statements. The break up value (per share of Security Leasing Corporation Limited) as per the financial statements for the year ended June 30, 2009 was Rs. 5.44, which is lower than the face value. Further, the break up value of the shares as per the financial statements of the company for the nine months ended March 31, 2010 was Rs 1.15. Therefore, the redemption of 1,722,625 shares due on November 30, 2009 has been valued at Rs 5.44 per share and the remaining shares has been valued at Rs 1.15 per share.

5.2 'Financial assets at fair value through profit or loss' - held for trading (fixed income and other debt securities)	Note	2011	2010
(Rupees in '000)			
Term finance certificates	5.2.1	114,825	179,064
Government Securities	5.2.3	147,627	22,830
		262,452	201,894

5.2.1 Term finance Certificates

Name of the Investee Company	----- Number of certificates -----				Profit / mark-up rate	Carrying cost	Market value as at June 30, 2011	Appreciation / (diminution)	Market Value as Percent-age of net assets	Market Value percentage of total investments
	As at July 1, 2010	Purchases during the year	Sales / redeemed during the year	As at June 30, 2011						
-----Rupees in '000-----										
Certificates of Rs 5,000 each unless otherwise stated										
Term Finance Certificates - Listed										
Dewan Cement Limited (note 5.2.2)	20,000	-	-	20,000	6 months KIBOR+2.00%	-	-	-	-	-
Engro Fertilizer Limited (30-11-2007)	25	-	-	25	6 months KIBOR+1.55%	122	120	(2)	0.03%	0.04%
Worldcall Telecom Limited (07-10-2008)	18,000	-	5,200	12,800	6 months KIBOR+1.60%	42,497	41,781	(716)	10.10%	12.20%
Pace Pakistan Limited (15-02-2008)	115	-	-	115	6 months KIBOR+2.00%	559	386	(173)	0.09%	0.11%
						<u>43,178</u>	<u>42,287</u>	<u>(891)</u>		
Term Finance Certificates - Unlisted										
Al-Abbas Sugar Mills Limited (21-11-2007)	5,000	6,000	-	11,000	6 months KIBOR+1.75%	25,726	26,992	1,266	6.52%	7.88%
JDW Sugar Mills Limited (23-06-2008)	7,446	2,800	-	10,246	3 months KIBOR+1.25%	31,408	32,780	1,372	7.92%	9.58%
Orix Leasing Pakistan Limited (15.01.08)	190	-	-	190	6 months KIBOR+1.20%	11,861	12,766	905	3.09%	3.73%
Pakistan Mobile Communications Limited (01.10.2007)	10,896	-	10,896	-	6 months KIBOR+1.30%	-	-	-	-	-
						<u>68,995</u>	<u>72,538</u>	<u>3,543</u>		
Total - June 30, 2011						<u>112,173</u>	<u>114,825</u>	<u>2,652</u>		
Total - June 30, 2010						<u>173,993</u>	<u>179,064</u>	<u>5,071</u>		

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). Dewan Cement Limited (DCL) failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit for the said period. As a matter of prudence, the Fund has provided for the amount of the investment by 100 percent in accordance with the provisioning policy approved by the Board of Directors of the Management Company.

5.2.3 Government Securities

Issue date	Tenor	Face Value				As at June 30, 2011	Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total Investment
		As at July 1, 2010	Purchased during the year	Disposed during the year	Matured during the year		Cost	Market value	Appreciation / (diminution)		
-----Rupees in '000-----											
Pakistan Investment Bond											
July 22, 2010	10 years	-	25,000	25,000	-	-	-	-	-	-	-
Market Treasury Bills											
April 8, 2010	12 months	25,000	-	25,000	-	-	-	-	-	-	-
May 6, 2010	6 months	-	50,000	-	50,000	-	-	-	-	-	-
June 3, 2010	6 months	-	50,000	-	50,000	-	-	-	-	-	-
October 21, 2010	3 months	-	50,000	50,000	-	-	-	-	-	-	-
October 21, 2010	3 months	-	50,000	-	50,000	-	-	-	-	-	-
November 4, 2010	3 months	-	50,000	-	50,000	-	-	-	-	-	-
December 2, 2010	3 months	-	100,000	-	100,000	-	-	-	-	-	-
January 27, 2011	6 months	-	50,000	-	-	50,000	49,533	49,512	(21)	11.97%	14.46%
February 24, 2011	3 months	-	150,000	150,000	-	-	-	-	-	-	-
April 21, 2011	12 months	-	10,000	9,100	-	900	812	810	(2)	0.20%	0.24%
April 21, 2011	3 months	-	50,000	-	-	50,000	49,771	49,765	(6)	12.03%	14.54%
May 19, 2011	6 months	-	50,000	-	-	50,000	47,583	47,540	(43)	11.49%	13.89%
Total - June 30, 2011				<u>259,100</u>	<u>300,000</u>	<u>150,900</u>	<u>147,699</u>	<u>147,627</u>	<u>(72)</u>		
Total - June 30, 2010						<u>25,000</u>	<u>22,898</u>	<u>22,830</u>	<u>(68)</u>		

5.3 Available-for-sale (fixed income and other debt securities)

	Note	2011	2010
(Rupees in '000)			
Term Finance Certificates and Sukuk Bonds	5.3.1	68,544	85,062

5.3.1 Term Finance Certificates and Sukuk Bonds

Name of the Investee Company	---Number of certificates / Bonds---				Profit / mark-up rate	Cost	Market value as at June 30, 2010	Appreciation / (diminution)	Market Value as a percentage of net assets	Market Value as a percentage of total investment
	As at July 1, 2010	Purchases during the year	Sales / redeemed during the year	As at June 30, 2011						
-----Rupees in '000-----										
Certificates / Bonds of Rs 5,000 each unless otherwise stated										
Term Finance Certificates - Unlisted										
TPL Trakker Limited (face value Rs 100,000 each) (15-09-2007)	200	-	-	200	6 months KIBOR + 3.5%	2,500	2,473	(27)	0.60%	0.72%
First Dawood Investment Bank Limited (11-09-2007) - note 5.3.2	6,300	-	-	6,300	6 months KIBOR + 1.6%	31,500	19,829	(11,671)	4.79%	5.79%
Pakistan Mobile Communications Limited (1-10-2007)	2,692	-	2,692	-	6 months KIBOR + 1.3%	-	-	-	-	-
Avari Hotels Limited (1-11-2007)	7,093	-	-	7,093	1 year KIBOR+2.5%	30,116	29,328	(788)	7.09%	8.57%
Al-Abbas Sugar Mills Limited (21-11-2007)	600	-	-	600	6 months KIBOR + 1.75%	1,499	1,472	(27)	0.36%	0.43%
						<u>65,615</u>	<u>53,102</u>	<u>(12,513)</u>		
Sukuk Bonds - Unlisted										
New Allied Electronics Industries (Pvt.) Limited certificate of Rs. 312.5 each (25-7-2007) - note 5.3.3	96,000	-	-	96,000	3 months KIBOR + 2.60%	30,000	-	(30,000)	-	-
Kohat Cement Company Limited (20-06-2007)	2,763	-	-	2,763	3 months KIBOR + 2.50%	13,345	8,915	(4,430)	2.15%	2.60%
Maple Leaf Cement Factory Limited (3-12-2007) - note 5.3.4	2,000	-	-	2,000	3 months KIBOR + 1.0%	9,987	6,263	(3,724)	1.51%	1.83%
Maple Leaf Cement Factory Limited additional (31-3-2010)	-	75	-	75	3 months KIBOR + 1.0%	375	264	(111)	0.06%	0.08%
						<u>53,707</u>	<u>15,442</u>	<u>(38,265)</u>		
						<u>119,322</u>	<u>68,544</u>	<u>(50,778)</u>		
Less: Impairment Loss recognised in the Income Statement (note 5.3.7)						<u>(47,506)</u>	<u>-</u>	<u>47,506</u>		
Total-June 30, 2011						<u><u>71,816</u></u>	<u><u>68,544</u></u>	<u><u>(3,272)</u></u>		
Total-June 30, 2010						<u><u>96,635</u></u>	<u><u>85,062</u></u>	<u><u>(11,573)</u></u>		

5.3.2 During the current year, First Dawood Investment Bank Limited (FDIBL) has settled the amount outstanding (as full and final settlement) against the TFCs by transferring the following TFCs:

Name of entity	Number of TFCs
Gharibwall Cement Limited	1,636
New Allied Electronics Industries (Pvt) Limited	459
Flying Board and Paper Products Limited	1

The Fund does not consider the above transfer as valid and is pursuing sale of FDIBL's TFCs with a third party. In case the Fund is unable to recover the amount of Rs 19.829 million upto March 31, 2012, the Management Company will make good the loss upto an amount of Rs 19.829 million.

5.3.3 New Allied Electronics Industries (Pvt) Limited defaulted on the amount of principal and mark-up due on the scheduled redemption dates [i.e. October 25, 2008 (only principal), January 25, 2009 and onwards to date]. Hence, the Fund has provided for the amount of the Investment by 100% in accordance with the provisioning policy approved by the Board of Directors of the Management Company and Circular 1 of 2009.

5.3.4 During the current period, due to the reclassification of sukuks of Maple Leaf Cement Factory Limited from non-performing category by Mutual Fund Association of Pakistan (MUFAP), the impairment loss amounting to Rs. 1.579 million recognised in the prior year in respect of Maple Leaf Cement Factory Limited has been reversed.

5.3.5 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.

	Note	2011 (Rupees in '000)	2010
5.3.6 Unrealised appreciation / (diminution) in value of investments classified as available-for-sale - net			
Market value of investments	5.3.1	68,544	85,062
Less:			
Cost of investments		119,322	134,049
Impairment loss recognised		(47,506)	(37,414)
		71,816	96,635
		(3,272)	(11,573)
Less: Net unrealised diminution in fair value of investments classified as available-for-sale at the beginning of the year		11,573	16,437
Less: Realised on disposal of investments		-	(4,041)
		11,573	12,396
		8,301	823
5.3.7 Movement in Impairment			
Opening balance		137,414	132,135
Add: charge for the year		11,671	5,977
Less: reversal due to disposal and reclassification		(1,579)	(698)
		10,092	5,279
Closing balance		147,506	137,414
5.4 Unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net			
Market value of securities	5.1 & 5.2	273,804	213,246
Less: carrying value of securities	5.1 & 5.2	(271,224)	(228,553)
		2,580	(15,307)
5.5 NON-COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. AKD Investment Management Limited (Management Company) classified AKD Income Fund (the Fund) as 'Income Scheme' in accordance with the said circular.

In accordance with clause (i) of the investment criteria laid down for 'Income scheme', the Fund is required to invest in prescribed securities. In accordance with clause (iii) of the investment criteria laid down for 'Income scheme', the Fund is required to invest at least 25% of its net assets in cash and near cash instruments which include cash in bank accounts (excluding TDRs) and treasury bills not exceeding 90 days maturity. Further, clause (iv) of the said investment criteria requires that the Fund should not invest more than 15% of net assets in non traded securities including reverse repos, bank deposits, certificates of investments (COI), certificate of musharikas (COM) and anything over 6 months maturity which is not a marketable security. Also, clause (v) of the said investment criteria requires that the rating of any security in the portfolio shall not be lower than investment grade. Further, clause (viii) of the said investment criteria requires that the weighted average time to maturity of the net assets shall not exceed 4 years, excluding securities issued by the Federal Government. However, as at June 30, 2011, the Fund is non-compliant with the above-mentioned requirements, the details of which are as follows:

Details of non compliant investments with the investment criteria of assigned category

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held if any	Value of investment after provision	% of Net Assets	% of Gross Assets	Remarks
-----Rupees in '000'-----							
Security Leasing Corporation Limited	Preference shares	11,352	-	11,352	2.74%	2.68%	Preference shares do not fall within the purview of prescribed securities as specified under clause (i)
Kohat Cement Company Limited	Sukuk	12,251	(3,336)	8,915	2.15%	2.10%	These securities are non-compliant with the requirements of clause (v) as their rating is lower than the investment grade.
Maple Leaf Cement Factory Limited	Sukuk	264	-	264	0.06%	0.06%	
Maple Leaf Cement Factory Limited	Sukuk	8,762	(2,499)	6,263	1.51%	1.48%	
New Allied Electronics Industries (Pvt) Ltd	Sukuk	30,000	(30,000)	-	-	-	
Pace Pakistan Limited 15-02-08	Term Finance Certificate	386	-	386	0.09%	0.09%	
Saudi Pak Leasing Company Limited	Certificate of Investment	26,000	-	26,000	6.28%	6.14%	
Invest Capital Investment Bank Limited	Certificate of Investment	4,382	-	4,382	1.06%	1.03%	
Dewan Cement Limited	Term Finance Certificate	100,000	(100,000)	-	-	-	
First Dawood Investment Bank Limited	Term Finance Certificate	31,500	(11,671)	19,829	4.79%	4.68%	

6 LOANS AND RECEIVABLES

Note **2011** **2010**
(Rupees in '000)

Certificates of Musharika		-	50,000
Certificates of Investment	6.1	30,382	18,950
Letter of Placements		-	71,500
		30,382	140,450

Name of Investee Company	Expected profit / mark-up rate	Maturity	Carrying amount as at June 30, 2011
(Rupees in '000)			

6.1 Certificates of Investment

Invest Capital Investment Bank Limited	-	9-Apr-12	4,382
Saudi Pak Leasing Company Limited	10.00%	23-Jul-11	26,000
			30,382

	Note	2011	2010
		(Rupees in '000)	
7	PROFIT AND OTHER RECEIVABLES		
	Profit receivable on bank deposits and Certificates of Musharika	63	1,251
	Income accrued on Term Finance Certificates and Sukuk Bonds	9,521	8,340
	Income accrued on Term Deposit Receipts and Certificates of Investment	57	307
	Income accrued on Margin Trading System	77	-
		9,718	9,898
8	DEPOSITS AND PREPAYMENTS		
	Security Deposits with:		
	- National Clearing Company of Pakistan Limited	2,750	2,625
	- Central Depository Company of Pakistan Limited	100	100
	Prepayments:		
	Prepaid NCC Annual fee (MTS)	177	-
		3,027	2,725
9	PRELIMINARY EXPENSES AND FLOATATION COSTS		
	Opening balance	9.1 875	1,375
	Less: amortisation during the year	(500)	(500)
	Balance as at 30th June	375	875

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.

	Note	2011	2010
		(Rupees in '000)	
10	PAYABLE TO AKD INVESTMENT MANAGEMENT LIMITED – MANAGEMENT COMPANY		
	Management fee	10.1 505	599
	Preliminary expenses and floatation costs	25	875
	Sales load	3	-
		533	1,474

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 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	Note	2011	2010
			(Rupees in '000)	
	Trustee fee	11.1	57	79
	CDS charges		6	1
			<u>63</u>	<u>80</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, 2011 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	Rs 0.6 million or 0.17% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million upto 5,000 million	Rs 1.7 million plus 0.085% 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), the fund is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund.

13	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2011	2010
			(Rupees in '000)	
	National Clearing Company Charges		20	15
	Withholding tax payable		58	7
	Auditors' remuneration		235	218
	Provision for Worker's Welfare Fund	17	1,457	734
	Others		213	228
			<u>1,983</u>	<u>1,202</u>

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

There were no contingencies outstanding as at June 30, 2011 (2010: Nil).

	Note	2011	2010
		(Rupees in '000)	
14.2 Commitments			
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions have not been settled as at June 30, 2011		757	-
15 AUDITORS' REMUNERATION			
Annual statutory audit fee		200	175
Half yearly review fee		60	50
Fee for review of statement of compliance with the Code of Corporate Governance		25	25
Out of pocket expenses		30	57
		315	307

16 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current year as the Management Company has distributed the required minimum percentage of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

17 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended 30 June 2010.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs. 1.457 million (including Rs. 0.723 million for the current year) in these financial statements.

18 FINANCIAL INSTRUMENTS BY CATEGORY

-----As at June 30, 2011-----

	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	24,478	-	-	24,478
Receivable against Margin Trading System	13,450	-	-	13,450
Investments	-	273,804	68,544	342,348
Loans and receivables	30,382	-	-	30,382
Profit and other receivables	9,718	-	-	9,718
Deposits and prepayments	2,673	-	-	2,673
	80,701	273,804	68,544	423,049
	80,701	273,804	68,544	423,049

-----As at June 30, 2011-----

	Other financial liabilities	Liabilities at fair value through profit or loss	Total
-----Rupees in '000-----			
Liabilities			
Payable to AKD Investment Management Limited - Management Company	533	-	533
Payable to Central Depository Company of Pakistan Limited - Trustee	63	-	63
Payable on redemption of units	7,174	-	7,174
Accrued expenses and other liabilities	468	-	468
	8,238	-	8,238
	8,238	-	8,238

-----As at June 30, 2010-----

	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	31,617	-	-	31,617
Investments	-	213,246	85,062	298,308
Loans and receivables	140,450	-	-	140,450
Profit and other receivables	9,898	-	-	9,898
Security deposits	2,725	-	-	2,725
	184,690	213,246	85,062	482,998
	184,690	213,246	85,062	482,998

-----As at June 30, 2010-----		
Other financial liabilities	Liabilities at fair value through profit or loss	Total
-----Rupees in '000-----		
Payable to AKD Investment Management Limited - Management Company	1,474	1,474
Payable to Central Depository Company of Pakistan Limited - Trustee	80	80
Payable on redemption of units	603	603
Accrued expenses and other liabilities	446	446
	2,603	2,603

19 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include AKD Investment Management Limited being the Management Company of the Fund, Aqeel Karim Dhedhi Securities (Private) Limited, Central Depository Company of Pakistan Limited being the Trustee, other collective schemes managed by the Management Company AKD Investment Management Limited - Staff Provident Fund, directors and officers of the Management Company and entities having common directorship with the Management Company.

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:

	2011	2010
	(Rupees in '000)	
19.1 Transactions during the year		
AKD Investment Management Limited - Management Company		
Redemption of units (2011: Nil; 2010: 448,203)	-	20,906
Management fee	6,687	8,160
Sales load	70	273
Reimbursement of preliminary expenses and floatation costs	850	1,000
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee	829	1,088
AKD Investment Management Limited - Staff Provident Fund		
Purchase of units (2011: 43,573 ; 2010: Nil)	2,000	-
Redemption of units (2011: 43,573 ; 2010: Nil)	2,146	-
Aqeel Karim Dhedhi Securities (Private) Limited		
Redemption of units (2011: 543,874 ; 2010: Nil)	24,880	-
Issue of bonus units (2011: 37,987 ; 2010: Nil)	1,720	-

AKD Opportunity Fund

Purchase of Term Finance Certificates (2011: Nil; 2010: 2,000)

- 8,678

Golden Arrow Selected Stocks Fund Limited

Purchase of Term Finance Certificates (2011: 8,800; 2010: 5,696)

26,125 26,500

Sale of Term Finance Certificates (2011: 5,200; 2010: Nil)

16,973 -

Saudi Pak Leasing Company Limited

Principal Matured

45,500 28,500

Markup received

4,566 16,939

19.2 Amounts outstanding as at the year end
2011 2010
 (Rupees in '000)

**AKD Investment Management Limited -
Management Company**

Management fee payable

505 599

Preliminary expenses and floatation costs

25 875

Sales load payable

3 -

533 1,474

Central Depository Company of Pakistan Limited - Trustee

Trustee fee payable

57 79

CDS charges Payable

6 1

Security Deposit receivable

100 100

AKD Opportunity Fund

Payable against conversion of units

4,116 -

Aqeel Karim Dhedhi Securities (Private) Limited

Units held (2011: Nil ; 2010: 505,887)

- 24,626

Saudi Pak Leasing Company Limited

Certificate of Investment

26,000 71,500

Markup receivable

57 -

26,057 71,500

20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

	Designation	Qualification	Experience in years
1	Mr. Imran Motiwala Chief Executive Officer - (GASSFL & AKDIML), Fund Manager - (GASSFL & AKDOF)	BBA	17
2	Mr. Muhammad Amin Hussain Chief Financial Officer & Company Secretary, Director - (GASSFL & AKDIML)	ACMA & ACIS	27
3	Mr. Muhammad Yaqoob Fund Manager - AKDIF & AKDITF	MBA	7
4	Mr. Nadeem Saulat Siddiqui GM Marketing and Sales Director - AKDIML	MBA	18
5	Mr. Ahmed Hassan Fund Manager - AKDITF	MBA	4

20.1 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.

21 TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2011
1 Invest & Finance Securities Limited	37%
2 AKD Securities Limited	28%
3 IGI Finex Securities Limited	25%
4 Invisor Securities (Private) Limited	6%
5 KASB Securities Limited	4%
	2010
1 First Capital Securities Corporation Ltd.	21%
2 IGI Finex Securities Limited	18%
3 KASB Securities Limited	14%
4 Investment Managers Securities (Private) Ltd.	14%
5 Icon Securities (Private) Limited	11%
6 Invisor Securities (Private) Limited	6%
7 Global Securities Pakistan Limited	6%
8 Pearl Securities (Private) Ltd.	6%
9 BMA Capital Management Limited	3%
10 Atlas Capital Markets (Private) Limited	2%

22 PATTERN OF UNIT HOLDING

	As at June 30, 2011		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment
Individuals	42	11,893	2.87%
Associated Companies and Directors	-	-	-
Insurance companies	1	9,999	2.42%
Bank and DFIs	2	104,071	25.16%
NBFCs	1	153	0.04%
Retirement Funds	7	286,882	69.35%
Others	3	693	0.17%
	56	413,691	100%

	As at June 30, 2010		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage of investment
Individuals	68	26,909	5.60%
Associated Companies and Directors	1	24,626	5.16%
Insurance companies	-	-	-
Bank and DFIs	5	130,010	27.08%
NBFCs	1	136	-
Retirement Funds	17	292,392	60.90%
Others	5	6,033	1.26%
	97	480,106	100%

23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 36th, 37th, 38th, 39th and 40th Board meetings were held on July 8, 2010, October 8, 2010, October 29, 2010, February 24, 2011 and April 26, 2011 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings held	Attended	Leave granted	Meetings not attended
Mr. Farukh Shaukat Ansari	5	4	1	38th meeting
Mr. Nadeem Naqvi	5	5	-	
Mr. Imran Motiwala*	5	5	-	
Mr. Taufique Habib	5	5	-	
Mr. Zahoor Motiwala	2	-	2	36th and 37th meeting
Mr. Asif Ikram	5	1	4	36th,37th,39th and 40th meeting
Mr. Ali Qadir Gilani	5	3	2	37th and 38th meeting
Mr. Muhammad Ramzan Sheikh**	1	-	1	40th meeting
Mr. Nadeem Saulat ***	-	-	-	
Mr. Muhammad Amin Hussain ****	1	1	-	

- * Mr. Imran Motiwala was appointed as CEO on April 26, 2011 in place of Mr. Nadeem Naqvi
- ** Mr. Muhammad Ramzan Sheikh was appointed on April 4, 2011 in place of Mr. Zahoor Motiwala
- *** Mr. Nadeem Saulat was appointed on May 24, 2011 in place of Mr. Asif Ikram
- **** Mr. Muhammad Amin Hussain was appointed on April 26, 2011 in place of Mr. Nadeem Naqvi

24 FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities, spread transactions, margin trading 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.

24.1 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.

24.1.1 Currency risk

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

24.1.2 Interest rate risk

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

- Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing Term Finance Certificates (TFCs) and Sukuk Bonds / Certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs 0.195 million (2010: Rs. 0.393 million) in case of TFC and Sukuk Bonds / Certificates classified as financial assets at fair value through profit or loss. In case of TFCs and Sukuk Bonds / Certificates classified as available-for-sale 100 basis points increase / decrease in KIBOR with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 0.070 million (2010: 0.194 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association is expected to change over time. Further, in case of variable rate instruments, the sensitivity analysis has been done from the last repricing date. Accordingly, the sensitivity analysis prepared as of June 30, 2011 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, 2011, Market treasury bills and preference shares are held by the Fund, classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. The sensitivity analysis has not been performed in respect of preference shares as the company has currently defaulted in the payment of redemption amount due on November 30, 2009. In case of Treasury bills, an increase of 100 basis points increase in rates announced by Financial Market Association on June 30, 2011, with all other variables held constant, the net income for the year and net assets would be lower by Rs 0.231 million (2010: Rs 0.159 million). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2011, with all other variables held constant, the net income for the year and net assets would be higher by Rs 0.232 million (2010: Rs 0.162 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's MROR Sensitivity related to financial assets and financial liabilities as at June 30, 2011 can be determined from the following:

As at June 30, 2011						
Effective rate of mark-up / return	--- Exposed to Yield / Interest risk ---			Not exposed to yield / interest risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
%	----- (Rupees in '000) -----					
On-balance sheet financial instruments						
Financial Assets						
Bank balances	5.00- 11.50	24,464	-	-	14	24,478
Receivable against Margin Trading System	15.98 - 18.00	13,450	-	-	-	13,450
Investments	13.29 - 17.24	107,128	88,658	135,210	11,352	342,348
Loans and receivables	10.00	26,000	-	-	4,382	30,382
Profit and other receivables		-	-	-	9,718	9,718
Deposits and prepayments		-	-	-	2,850	2,850
		171,042	88,658	135,210	28,316	423,226
Financial Liabilities						
Payable to AKD Investment Management Limited - Management Company		-	-	-	533	533
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	63	63
Payable on redemption of units		-	-	-	7,174	7,174
Accrued expenses and other liabilities		-	-	-	468	468
		-	-	-	8,238	8,238
On-balance sheet gap		171,042	88,658	135,210	20,078	414,988
Off-balance sheet financial instruments						
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions have not been settled		757	-	-	-	757
Off-balance sheet gap		757	-	-	-	757
		171,799	88,658	135,210	20,078	415,745

As at June 30, 2010

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

On-balance sheet financial instruments

Financial Assets

Bank balances	5.00-12.05	31,577	-	-	40	31,617
Investments	13.53-15.93	30,971	255,985	-	11,352	298,308
Loans and receivables	10.00-16.00	90,450	50,000	-	-	140,450
Profit and other receivables		-	-	-	9,898	9,898
Deposits and prepayments		-	-	-	2,725	2,725
		152,998	305,985	-	24,015	482,998

Financial Liabilities

Payable to AKD Investment Management Limited - Management Company					1,474	1,474
Payable to Central Depository Company of Pakistan Limited - Trustee					80	80
Payable on redemption of units					603	603
Accrued expenses and other liabilities					446	446
		-	-	-	2,603	2,603

On-balance sheet gap

	152,998	305,985	-	21,412	480,395
--	---------	---------	---	--------	---------

Off-balance sheet financial instruments

Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions have not been settled

	-	-	-	-	-
--	---	---	---	---	---

Off-balance sheet gap

	-	-	-	-	-
	152,998	305,985	-	21,412	480,395

24.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at June 30, 2011.

24.2 Credit risk

24.2.1 Credit risk management

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in term finance certificates, Sukuk Bonds / Certificates loans and receivables 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 investments in bank balances, term finance certificates and sukuk bonds as at June 30, 2011 and June 30, 2010:

Bank balances by rating category	June 30,	June 30,
	2011	2010
	(Rupees in '000)	
A1+	24,132	31,397
A2	300	151
A-1	2	2
A-2	44	67
	24,478	31,617

Term Finance Certificates / Sukuk Bonds by rating category

AAA, AAA-, AAA+	-	-
AA, AA-, AA+	12,886	18,316
A, A-, A+	134,826	207,527
Rated non-investment / non-rated investment	15,828	32,364
Default	19,829	5,918
	183,369	264,125

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets.

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

Term Finance Certificates	Cost	
	2011	2010
	(Rupees in '000)	
15 to 89	-	-
90 to 179	-	-
180 to 270	-	9,996
270 to 365	-	-
over 365	130,000	130,000

24.2.3 Concentration of credit risk

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

24.3 Liquidity risk

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

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

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

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

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

As at June 30, 2011					
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	533	533	-	-	
Payable to Central Depository Company of Pakistan Limited - Trustee	63	63	-	-	
Payable on redemption of units	7,174	7,174	-	-	
Accrued expenses and other liabilities	468	468	-	-	
	8,238	8,238	-	-	
As at June 30, 2010					
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	1,474	1,474	-	-	
Payable to Central Depository Company of Pakistan Limited - Trustee	80	80	-	-	
Payable on redemption of units	603	603	-	-	
Accrued expenses and other liabilities	446	446	-	-	
	2,603	2,603	-	-	

24.4 Fair value of financial assets and liabilities

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

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

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

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

	As at June 30, 2011			
	Level 1	Level 2	Level 3	Total
ASSETS	----- (Rupees in '000) -----			
Investment in securities - at fair value through profit or loss	11,352	262,452	-	273,804
Investment in securities - available for sale	-	-	68,544	68,544

	As at June 30, 2010			
	Level 1	Level 2	Level 3	Total
ASSETS	----- (Rupees in '000) -----			
Investment in securities - at fair value through profit or loss	11,352	201,894	-	213,246
Investment in securities - available for sale	-	79,144	5,918	85,062

25 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 unrealised capital gains as reduced by such expenses as are chargeable to the Fund.

In accordance with the risk management policies stated in note 24, 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.

26 NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in its meetings held on July 08, 2011 has approved a final bonus distribution in respect of the year ended June 30, 2011 of Rs. 3.70 per unit (2010: Rs. 3.40 per unit) amounting to Rs. 30.294 million (2010: Rs. 33.534 million). The financial statements for the year ended June 30, 2011 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2012.

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 24, 2011 by the Board of Directors of the Management Company.

28 GENERAL

28.1 Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. There were no significant reclassifications of corresponding figures in the current year.

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

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

Imran Motiwala
Chief Executive Officer

Taufique Habib
Director

PERFORMANCE TABLE

	2011	2010	2009	2008	2007
Total net assets value (Rs '000)*	406,032	471,641	588,900	3,862,671	2,450,766
Net assets value per unit - (Rs)*	46.8272	45.2784	44.6562	50.4220	50.1770
Selling price as at June 30 (Rs)	51.0326	49.1653	45.1028	51.9363	52.2885
Repurchase price as at June 30 (Rs)*	46.8272	45.2784	44.6562	50.4220	50.1770
Highest selling price (Rs)	51.0326	49.1936	52.3009	54.5448	52.3129
Lowest selling price (Rs)	45.7544	45.0428	43.4063	50.8675	50.8000
Highest repurchase price (Rs)	50.5272	48.7064	51.7830	54.0047	51.7949
Lowest repurchase price (Rs)	45.3013	44.5967	42.9764	50.3638	50.2500
Return of the Fund					
- capital growth (Rs '000)	(66,415)	(108,794)	(3,287,517)	1,425,651	83,826
- income distribution (Rs '000)*	30,294	33,534	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 (2011: announced on July 8, 2011, 2010: announced on July 8, 2010) (2008: announced on July 7, 2008, 2007: announced on July 11, 2007) (Rs)	3.70	3.40	-	1.00	1.59
----- Percentage -----					
Average Annual Return					
- Last one year	11.59	9.01	-9.95	9.46	12.90 **
- Last two years	10.38	-0.99	-0.27	-	-
- Last three years	2.81	2.49	-	-	-
- Last four years	4.48	-	-	-	-
----- No. of days -----					
Weighted Average Portfolio Duration	76	87	77	79	22

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

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

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

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



**AKD Investment
Management Ltd.**

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