

# ANNUAL REPORT 2023



Funds Managed by:  
AKD Investment Management Ltd

**Partner with AKD**  
Profit form the Experience

## **CORPORATE INFORMATION**

### **MANAGEMENT COMPANY**

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

### **BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

#### **Chairman**

Mr. Abdul Karim

#### **Chief Executive Officer**

Mr. Imran Motiwala

#### **Director(s)**

Ms. Anum Dhedhi

Ms. Aysha Ahmed

Mr. Ali Wahab Siddiqi

Mr. Hasan Ahmed

Mr. Abid Hussain\*

Mr. Saim Mustafa Zuberi\*\*

\* Appointed on May 22, 2023 in place of Mr. Saim Mustafa Zuberi

\*\* Resigned on February 21, 2023

### **CHIEF OPERATING OFFICER AND COMPANY SECRETARY OF THE MANAGEMENT COMPANY**

Mr. Muhammad Yaqoob Sultan, CFA

### **CHIEF FINANCIAL OFFICER OF THE MANAGEMENT COMPANY**

Mr. Muhammad Munir Abdullah

### **HEAD OF INTERNAT AUDIT OF THE MANAGEMENT COMPANY**

Ms. Tayyaba Masoom Ali, ACA (ICAP & ICAEW)

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

Mr. Ali Wahab Siddiqui (Chairman)

Mr. Hasan Ahmed (Member)

Ms. Tayyaba Masoom Ali, ACA (ICAP & ICAEW) (Secretary)

### **HUMAN RESOURCE AND REMUNERATION (HR & R) AND NOMINATION COMMITTEE**

Ms. Aysha Ahmed (Chairperson)

Mr. Abdul Karim (Member)

Mr. Imran Motiwala (Member)

Ms. Anum Dhedhi (Member)

Mr. Muhammad Yaqoob Sultan, CFA (Secretary)

### **RATING**

AKD Investment Management Limited AM3++ (AM Three Plus Plus) issued by PACRA

# **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

- » Keep primary focus on investing clients' interest
- » Achieve highest standards of regulatory compliance and good governance
- » Prioritize risk management while endeavouring 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 leading performance
- » Foster and encourage technical, professional, ethical development of human capital to provide our people the best opportunities and environment for their personal growth.

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY**

The Board of Directors of AKD Investment Management Limited (AKDIML), the Management Company of AKD Opportunity Fund (AKDOF), Golden Arrow Stock Fund (GASF), AKD Index Tracker Fund (AKDITF), AKD Islamic Stock Fund (AKDISSF), AKD Cash Fund (AKDCF), AKD Aggressive Income Fund (AKDAIF), AKD Islamic Income Fund (AKDISIF) and AKD Islamic Daily Dividend Fund (AKDIDDF) is pleased to present its annual report along with the Funds' audited Financial Statements for the year ended June 30, 2023.

### **FUNDS' FINANCIAL PERFORMANCE**

#### **AKD Opportunity Fund (AKDOF)**

For the FY23, the return of AKD Opportunity Fund stood at -12.03% compared to the benchmark KSE-100 Index return of -0.21%.

#### **Golden Arrow Stock Fund (GASF)**

For the FY23, the return of Golden Arrow Stock Fund stood at -10.37% compared to the benchmark KSE-100 Index return of -0.21%.

#### **AKD Islamic Stock Fund (AKDISSF)**

For the FY23, the return of AKD Islamic Stock Fund stood at -17.92% compared to the benchmark KMI-30 Index return of 2.88%.

#### **AKD Index Tracker Fund (AKDITF)**

For the FY23, the return of AKD Index Tracker Fund stood at -1.10% compared to the benchmark KSE-100 Index return of -0.21%.

#### **AKD Cash Fund (AKDCF)**

For the FY23, the return of AKD Cash Fund stood at 17.24% compared to the benchmark return of 17.02%.

Distribution for the year ended June 30, 2023:

The Board of Directors approved a final distribution (including refund of element) of Rs 0.1933 per unit. This is in addition to interim distribution (including refund of element) of Rs. 8.1929 per unit approved by the Chief Executive under authority granted by the Board of Directors of the Management Company during the year.

#### **AKD Islamic Income Fund (AKDISIF)**

For the FY23, the return of AKD Islamic Income Fund stood at 17.65% compared to the benchmark return of 6.06%.

Distribution for the year ended June 30, 2023:

The Board of Directors approved a final distribution (including refund of element) of Rs 0.0747 per unit. This is in addition to interim distribution (including refund of element) of Rs. 8.5912 per unit approved by the Chief Executive under authority granted by the Board of Directors of the Management Company during the year.

#### **AKD Aggressive Income Fund (AKDAIF)**

For the FY23, the return of AKD Aggressive Income Fund stood at 2.16% as compared to the benchmark return of 18.60%.

Distribution for the year ended June 30, 2023:

The Board of Directors approved a final distribution (including refund of element) of Rs 0.1690 per unit. This is in addition to interim distribution (including refund of element) of Rs. 0.9275 per unit approved by the Chief Executive under authority granted by the Board of Directors of the Management Company during the year.

#### **AKD Islamic Daily Dividend Fund (AKDIDDF)**

Since the inception of the fund i.e. February 17, 2023, the annualized return of AKD Islamic Daily Dividend Fund stood at 17.60% as compared to the benchmark return of 6.62%.

Distribution for the year ended June 30, 2023:

The Chief Executive under the authority granted by the Board of Directors approved total distribution of Rs. 3.1338 per unit to the unit holders during the year ended June 30, 2023.

### **MACRO PERSPECTIVE**

Over the past year, Pakistan's economy went through a major economic crisis perhaps the worst since independence that led to an unprecedented increase in interest rates and inflation, recording new records in all fronts. The crisis stemmed from the start of the Russia-Ukraine war in February 2022 after which the international commodities prices sharply moved up and coupled with unsustainable global debt levels a number of developing country economies were in complete tail spin. Pakistan was no exception being a net importing country dependent for key essentials like oil, widening deficits of both the current and fiscal account was imminent as the local currency went into free fall and foreign reserves eroded. Hence, to contain the widening Current Account Deficit, the Government had to impose major import restrictions. Through the timely administrative measures adopted by the Government, Pakistan managed to circumnavigate the most difficult economic situation in the Country's history, averting a sovereign default and securing a nine-month Standby Arrangement of US\$3bn with the IMF.

The SBP has proactively focused on restricting the demand growth by adopting monetary contraction through rate increases since June 2020 (*interest rates at 7%*) while the incumbent government resorted to Fiscal tools such as increasing existing taxes along with introducing new ones. In FY23 alone, the SBP

increased the interest rates by 825bps to 22%. Additionally, key conditions of the IMF Program asking for removal of subsidies led to hikes in all utility prices across the board adding inflationary pressures further and higher unemployment. However, the fruits of these politically difficult policies have already started to reflect in demand contraction with most high frequency indicators (*Cement, Auto and POL product sales*). Another important measure that the government took to compress demand was to allow the “Free Float” of the currency, which notably led to a sharp depreciation of the Pak Rupees and naturally contained imports, supported exports and home remittances.

The Current Account Surplus for the month of June 2023 clocked in at USD 334 million, from a Current Account Surplus of USD 220 million (revised) in May 2023 taking the FY23 CAD to USD 2.56 billion (-0.7% of GDP) against USD 17.48 billion (-4.7% of GDP), down -85% YoY during the same period last year primarily due to decline in imports as the Government’s initiatives to stabilize the economy were visibly bearing fruit.

The Government’s resilient efforts to attract investments from Non-Resident Pakistanis continued to yield results, with an impressive inflow of USD 6.48 billion through Roshan Digital Accounts (RDA) with more than 590,000 accounts till July 2023.

Moreover, the FBR collected revenues worth PKR 7.17 trillion during FY23 against the target of 7.64 trillion missing the target by PKR 496 billion despite the imposition of nearly PKR 800 billion additional taxes due to a steep decline in imports and an overall slowdown of the economy.

During FY23, the external account remained a major cause of concern as Pakistan’s liquid foreign exchange reserves decreased by USD 5.70 billion on the back of debt servicing primarily. As of June 30, 2023, the Country’s liquid foreign exchange reserves stood at USD 9.75 billion (*SBP reserves USD 4.46 billion*).

The new IMF program will provide a policy framework to bring power sector reforms in the country along with the SOE governance. This program will support Pakistan in obtaining additional funds from its bilateral partners which is extremely essential in a period of low FX reserves and high debt servicing. The exchange rate is likely to appreciate in the short term due to speculative activity; however, will remain under depreciative pressure till sizeable foreign inflows do not materialize.

The NCPI during the month of August 2023 clocked in at 27.38% YoY as compared to 29.40% YoY in July 2023. This took the 2MFY24 average NCPI to 27.84% compared to 26.10% during the SPLY. The main contributors to the increase in inflation are Housing, Water, Electricity, Gas, and Fuel (weight in CPI 23.63%) with an impact of 0.21% MoM / 6.25% YoY because of the increasing fuel and utility prices and exchange devaluation. Furthermore, food inflation came lower than expected which caused the decline in inflation as noticed by the Food and Non-alcoholic Beverages Index (weight in CPI 34.58%) with an impact of 0.23% MoM / 38.51% YoY.

The Large Scale Manufacturing (LSMI) sector, which accounts for about 80% of the country's industrial output, shrank for the 12th consecutive month in June, by 14.96 percent YoY, leading to contract by 10.26% in FY23 as almost all major industries reported substantial declines. Without say, the fallout of the restrictive measures undertaken by the central bank and the government to contain the current account deficit notably weighed heavily on the industry.

## **EQUITY MARKET REVIEW**

The Equity market, despite closing in flat at 41,452.68 level, decreasing 88 points (-0.21% YoY) remained extremely volatile during the year with excitement over letter of intent from IMF, financial support from KSA, UAE and other bilateral partners, strong corporate results, appointment of the new Chief of Army Staff and the long-awaited Federal Budget FY23. The market also witnessed anxious moments with flash floods that contributed to loss of USD 30 billion, monetary tightening, unprecedented inflation and prolonged political uncertainty investors had very little to celebrate this past year.

During FY23, investor participation declined as volumes contracted by 34% YoY to 190.82 million shares from 291.47 million shares recorded during last year. Surprisingly, after five consecutive years of outflows, foreigners were net buyers in FY23 with USD 1.53 million. Foreigner's interest was majorly caught in Technology and Communication (*USD 43.30 million*) and Oil and Gas Exploration Companies (*USD 27.42 million*).

The sectors that performed during FY23 are Chemical (15.74%), Cement (8.00%), Synthetic & Rayon (40.34%), Investment Banks/Companies (8.16%), and Sugar & Allied Industries (13.00%). While the sectors that kept the bulls in check are Commercial Banks (-9.81%), Pharmaceuticals (-40.36%), Automobile Assembler (-25.67%), Tobacco (-26.18%), and Oil & Gas Exploration Companies (-6.54%). On the local front, major selling was witnessed in Mutual Funds (*USD 144.49 million*) and Insurance Companies (*USD 124.31 million*) as panic swayed away local investors to safer havens and fixed income given that interest rates are almost at record highs.

On a 10Y period, the KSE - 100 index yielded an annualized return of 7.03% (-3.68% annualized in USD terms). The persistent decline in the local currency against the US Dollar has kept foreign investors at bay despite extremely compelling valuations. While foreigners have been on the sell side for several years now; frontier market investors are likely to turn net buyers given the unprecedented currency adjustment and cheap valuations provided that Pakistan implement key economic and policy reforms.

We remain positive towards equities based on the premise that i) holding Cash for real value would not be possible given high inflation and currency devaluation, ii) real value over the long term can only be secured in inflation hedged assets such as Real Estate, Gold or Equity, iii) we believe that Gold has rallied significantly over the past several months and is in its consolidation phase while Real Estate being illiquid and capital intensive besides being on the government's radar for taxing, equities plausibly



seems the prime candidate for a long term investment strategy. The index continues to trade at exceedingly attractive multiples with PE and PB of 4.54x and 0.6x with a healthy dividend yield of 10%.

## **FIXED INCOME REVIEW**

During FY23, the State Bank of Pakistan maintained an aggressive monetary tightening stance, steadily increasing the policy rate to an unprecedented historical high of 22.00%. This decisive approach was taken in response to un-abating inflationary pressures, with the average NCPI for FY23 soaring to 29.18%, and the pressing need to fortify the country's deteriorating external account.

The heightened policy rate played a significant role in driving up the rates of government securities, attracting substantial investments into these instruments as investors sought improved returns offered by government debt securities.

Throughout the year, the State Bank of Pakistan conducted a total of twenty-seven (27) Market Treasury Bill (MTB) auctions, where the government managed to raise PKR 25.15 trillion against the auction target of PKR 24.43 trillion. Notably, the weighted average yields for 3, 6, and 12-month MTBs were 18.07%, 18.03%, and 18.07% respectively, up by 791 bps, 748 bps, and 754 bps as compared to 10.16%, 10.54%, and 10.53% during the same period last year.

To further address the need for liquidity, SBP also conducted twelve (12) auctions of fixed-rate Pakistan Investment Bond (PIB) and was successful in raising PKR 1.30 trillion. The weighted average yield for 3, 5, and 10 years PIBs increased by 456 bps, 263 bps, and 191 bps to 15.22%, 13.32%, and 12.94% respectively, as compared to 10.65%, 10.69%, and 11.03% during the same period last year as the yield curve remains inverted.

In the market for Shariah Compliant instruments, the SBP conducted a total of twenty-four (24) auctions of GOP Ijara Sukuk, both Variable Rental Rate (VRR) and Fixed Rental Rate (FRR). These auctions successfully raised PKR 870.78 billion against the auction target of PKR 1,620 billion. Furthermore, during the third quarter of this fiscal year, the SBP introduced 1-year and 3-year GOP Ijara Sukuk.

Moreover, the State Bank of Pakistan carried out 134 Open Market Operations (OMOs) with varying maturities, injecting PKR 57.18 trillion into the market at an average cut-off yield of 17.55% and mopped up PKR 6.73 trillion at an average cut-off yield of 17.06%.

Looking ahead to the auction target calendars for August through October 2023, the State Bank of Pakistan aims to raise PKR 8.25 trillion by issuing 3 to 12-month MTBs against the maturing amount of PKR 8.91 trillion. Additionally, the SBP targets to raise PKR 480 billion through 3 to 30-year fixed-rate PIBs and PKR 1,520 billion through 2 to 10-year floating-rate PIBs.

## STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- (a) The financial statements, prepared by the Management of the Company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and movement in unit holders' funds.
- (b) Proper books of account of the Funds have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgments.
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed.
- (e) The system of internal control is sound in design and has effectively implemented and monitored.
- (f) There are no significant doubts upon the Funds' ability to continue as a going concern.
- (g) Statutory payments, taxes, duties, levies and charges, if any have been properly disclosed in the financial statements.
- (h) Summary of key financial data / performance tables is appended to the Financial Statements of the Funds.
- (i) The Pattern of unit holdings is appended to the Financial Statements of the Funds.
- (j) The statement showing the attendance of Directors in BOD meetings and Audit Committee meetings is as under:

S.No.	Name of Director	MEETINGS ATTENDANCE				Attended	Leave
		28-Apr-23	24-Feb-23	28-Oct-22	28-Sep-22		
1	Mr. Abdul Karim	✓	✓	✓	✓	4	0
2	Mr. Imran Motiwala	✓	✓	✓	✓	4	0
3	Ms. Anum Dhedhi	✓	✓	✓	✓	4	0
4	Mr. Saim Mustafa Zuberi*	—	—	✓	✓	2	0
5	Mr. Ali Wahab Siddiqui	✓	✓	✓	✓	4	0
6	Mr. Hasan Ahmed	✓	✓	✓	✓	4	0
7	Ms. Aysha Ahmed	✓	✓	✓	✓	4	0

S.No.	Name of Director	MEETINGS ATTENDANCE				Attended	Leave
		28-Apr-23	24-Feb-23	28-Oct-22	28-Sep-22		
1	Mr. Ali Wahab Siddiqui	✓	✓	✓	✓	4	0
2	Mr. Hasan Ahmed	✓	✓	✓	✓	4	0
3	Mr. Saim Mustafa Zuberi*	—	—	✗	✗	0	2

\*Resigned on February 21, 2023

- (k) There have been no trades in the units of the Funds carried out by the Directors, CEO, CFO, CIO, COO, Company Secretary and their spouses and minor children of the Management Company other than as disclosed below and in the note to the financial statements:

S.No.	Trades by	Designation	Investment (No of Units)	Redemption (No of Units)
-------	-----------	-------------	-----------------------------	-----------------------------

#### AKD ISLAMIC INCOME FUND

1	Imran Motiwala	CEO & Director	58,142	58,142
2	Sehr Imran Motiwala	Spouse - CEO & Director	947,645	947,645
3	Anum Dhedhi	CIO & Director	47	82,504
4	Ameer Arif Dagha	Spouse - CIO & Director	995	282,997
5	Ali Wahab Siddiqui	Director	203,373	-
6	Hasan Ahmed	Director	123	-
7	Muhammad Yaqoob	COO & Company Secretary	7,714	7,863
8	Abdul Rehman Yaqoob	Minor Children - COO &	423	-
9	Ayesha Yaqoob	Minor Children - COO &	423	-
10	Muhammad Amin Yaqoob	Minor Children - COO &	423	-

#### AKD ISLAMIC STOCK FUND

1	Imran Motiwala	CEO & Director	-	2,237
2	Sehr Imran Motiwala	Spouse - CEO & Director	-	22,415
3	Anum Dhedhi	CIO & Director	104,968	104,968

#### AKD OPPORTUNITY FUND

1	Imran Motiwala	CEO & Director	-	36,602
---	----------------	----------------	---	--------

#### GOLDEN ARROW STOCK FUND

1	Imran Motiwala	CEO & Director	-	1,476,000
2	Muhammad Yaqoob	COO & Company Secretary	-	100,000

### BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

- i. The total number of directors are seven as follows:
  - a) Male: Five
  - b) Female: Two
- ii. The composition of the Board of Directors is as follows:
  - Independent Director: Three
  - Non-Executive Directors: Five
  - Executive Directors: Two
  - Female directors: Two

### RATING OF THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has assigned Asset Manager Rating of AM3++ (A M three Plus Plus) to AKD Investment Management Limited (AKDIML) on June 27, 2023.

## **RATING OF THE FUNDS**

### **AKD OPPORTUNITY FUND**

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 5-Star Performance Ranking in long term [based on performance review of trailing 36 months (3 Year) and trailing 60 months (5 Year)] and 3-Star Performance Ranking in short term [based on performance review of trailing 12 months (1 Year)] for the period ended December 31, 2022 to AKD Opportunity Fund (AKDOF) on February 13, 2023.

### **AKD CASH FUND**

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the stability rating of “AA+(f)” (Double A Plus; fund stability rating) for the period ended December 31, 2022 to AKD Cash Fund (AKDCF) on March 8, 2023.

### **AKD AGGRESSIVE INCOME FUND**

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the stability rating of “A+(f)” (Single A Plus; fund stability rating) for the period ended December 31, 2022 to AKD Aggressive Income Fund (AKDAIF) on March 8, 2023.

### **GOLDEN ARROW STOCK FUND**

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 5-Star Performance Ranking in long term [based on performance review of trailing 36 months (3 Year) and trailing 60 months (5 Year)] and 4-Star Performance Ranking in short term [based on performance review of trailing 12 months (1 Year)] for the period ended December 31, 2022 to Golden Arrow Stock Fund (GASF) on February 13, 2023.

### **AKD ISLAMIC INCOME FUND**

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the stability rating of “AA-(f)” (Double A Minus; fund stability rating) for the period ended December 31, 2022 to AKD Islamic Income Fund (AKDISIF) on March 6, 2023.

### **AKD ISLAMIC STOCK FUND**

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 4-Star Performance Ranking in long term [based on performance review of trailing 36 months (3 Year)] and 2-Star Performance Ranking in short term [based on performance review of trailing 12 months (1 Year)] for the period ended December 31, 2022 to AKD Islamic Stock Fund (AKDISSF) on February 13, 2023.

## **AKD ISLAMIC DAILY DIVIDEND FUND**

The Pakistan Credit Rating Agency Limited (PACRA) has assigned initial stability rating of “AA(f)” (Double A; fund stability rating) to AKD Cash Fund (AKDCF) on March 20, 2023.

## **HOLDING COMPANY**

AKD Group Holdings (Private) Limited [Formerly: Aqeel Karim Dhedhi Securities (Private) Limited] is the holding company of AKD Investment Management Limited and holds 99.97% of the outstanding ordinary shares of the Company.

## **APPOINTMENT OF AUDITORS**

The Board re-appointed M/s Yousuf Adil, Chartered Accountants as the statutory auditors for AKD Opportunity Fund, AKD Index Tracker Fund, AKD Cash Fund, AKD Aggressive Income Fund and AKD Islamic Daily Dividend Fund and M/s Riaz Ahmad & Company, Chartered Accountants as the statutory auditor for Golden Arrow Stock Fund, AKD Islamic Income Fund and AKD Islamic Stock Fund for the year 2023-2024 as recommended by the Audit Committee.

## **ACKNOWLEDGEMENTS**

The Directors would like to take this opportunity to thank the Securities and Exchange Commission of Pakistan, the Ministry of Finance, the State Bank of Pakistan and the Management of the Pakistan Stock Exchange for their continued support and cooperation. The Board also appreciates the devoted performance of the staff and officers of the AKD Investment Management Limited. The Board will also like to thank the investors for their confidence in the Company.

## **FUTURE OUTLOOK**

As we move into FY24, we believe that structural changes and reforms are necessary to turn around the current economic state addressing fiscal imbalances and external vulnerabilities with sustainable stability. While market consensus suggests foreseeably that the Central Bank has reached its monetary tightening cycle for now, both the fiscal and external accounts are likely to remain very challenging for the Government in the coming year. On the other hand, notably inflation is expected to come off sharply as the high base affect plays out, perhaps providing much needed respite in the form of a reduction in interest rates as debt servicing remains worrying.

The Government announced the Finance Bill for FY23-24 on June 9, 2023 with high expectations and in hopes to regain lost political capital amid one of the worst economic conditions on record. The Finance Minister set GDP growth expectations for FY24 at 3.5% compared to 0.29% in FY23 (*provisional*). Moreover, the Average NCPI target for FY24 is 21% and Budget Deficit and Primary Surplus targets have been set at 6.54% and 0.4% of GDP respectively. Lastly, the Ministry of Finance has targeted exports and remittances to clock at USD 30 billion and USD 33 billion, respectively.

The FBR revenue target is set at PKR 9.4 trillion in FY24. Additionally, the Federal Non-tax revenue target has been marked at PKR 2.96 trillion, 83% higher than FY23. The government is expecting total expenditures of PKR 14.48 trillion in FY24 which is 52% higher than FY23. The Federal Public Sector Development Plan seemingly optimistic is set at PKR 950 billion, 67% higher than in the same period last year. The government has set PKR 7.3 trillion for debt servicing in FY24. The expenditure on defense is at PKR 1.8 trillion in FY24, 15% higher than the last year's budget. While the external debt payment in FY24 has been budgeted at USD 22 billion, which is likely to keep the local currency in check and with it economic direction and performance.

Some of the main provisions of the Finance Bill are as follows:

- Increasing salary tax slabs on people earning PKR 200k per month and above
- Increase in maximum allowed Petroleum Development Levy (PDL) by PKR 10 to PKR 60.
- Imposition of 5% FED on Fertilizers
- Rate of tax IT and IT enabled services was changed from 16% to 5% (without input adjustment).
- The rate of advance tax on sale/purchase of immovable property has been increased from 2% to 3%
- Advance tax on motor vehicles having engine capacity more than 2000cc has been based on value ranging from 6% to 10%
- Re-imposition of 10% final withholding tax on issuance of bonus shares by a company (20% for non-ATL).
- The amnesty provided to people bringing FX to purchase property has incidentally also been withdrawn in line with IMF requirements.

We believe that the support from IMF will help subside the default risk that the country was adamantly facing and more importantly play a major confidence boost for the financial markets. The Equity market rallied around 2,446.32 points (5.90%) on July 3, 2023 – single day highest gain in years on the back of this single event, illustrating that the markets believe that the Country has effectively averted an imminent default. However, the ruling government and economic managers will need to be extremely vigilant and pragmatic for sustainable stability and growth as headwinds remain.

Going forward, the key factors that would drive the market direction include IMF's second quarterly review for the USD 3 billion loan facility under the SBA and clarity on the holding of general elections in Pakistan. One of the key challenges that the Government has been struggling with is to bring down the difference between the interbank and open market exchange rate which has now reached ~7% while the IMF believes the deviation needs to be maintained up to 1.25%. Moreover, the Government will also have to implement some strict measures to contain the soaring fiscal deficit and achieve the desired target of primary surplus agreed with the IMF which will bring a new wave of inflation pressures.

While Pakistan faces one of the worst economic crisis in recent history, we believe that equities as an asset class has over discounted itself. The premise of our positive outlook and re-rating of the capital market stems from the likelihood of Pakistan successfully completing the new SBA IMF program which will notably entail a continuity in reforms and fiscal discipline. The index is trading at a PE multiple of

4.54x far below the long-term averages. The dividend yield is attractive at 10% which is the highest in the region and with the last REER recorded at 87.7492 in June 2023 suggesting the currency has room to appreciate will probably justify and attract foreign investment which can also be noted by the recent month's inflows. We believe that the market currently serves as a striking point for investors.

For and on behalf of the board

**Imran Motiwala**  
Chief Executive Officer

**Abdul Karim**  
Chairman

Karachi: September 22, 2023

## FUND INFORMATION

### AKD Islamic Income Fund



#### Management Company

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

#### Trustee

Digital Custodian Company Limited (DCCL)  
[Formerly: MCB Financial Services Limited (MCBFSL)]  
4th Floor, Perdesi House, 2/1 R-Y Old Queens Road  
Karachi-74200

#### Bankers

Bankislami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited

#### Auditors

Riaz Ahmad and Company  
Chartered Accountants  
Office No. 5, 20th Floor, Bahria Town Tower  
Block 2, P.E.C.H.S.  
Karachi, Pakistan

#### Legal Advisor

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

#### Registrar

AKD Investment Management Limited  
216-217, Continental Trade Centre,  
Block 8, Clifton, Karach - 74000  
UAN: 111-253-465 (111-AKDIML)

#### Distributor

Al-Hilal Securities Advisors (Pvt.) Ltd.  
Financial Investments Mart (Pvt) Ltd.  
Investlink Advisor (Private) Limited.  
Investomate (Private) Limited  
YPay Financial Services (Pvt.) Ltd.

#### Rating-AKDISIF

PACRA: AA-(f)



## FUND MANAGER'S REPORT

**i) Description of the Collective Investment Scheme Category and types:**

Open – end Islamic Income Scheme

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

AKD Islamic Income Fund (AKDISIF) is a fund that primarily focuses on Shariah compliant income securities and instruments. The objective of AKDISIF is to provide investors with an investment vehicle that strives to enhance capital coupled with regular halal income by investing in Shariah compliant income investments.

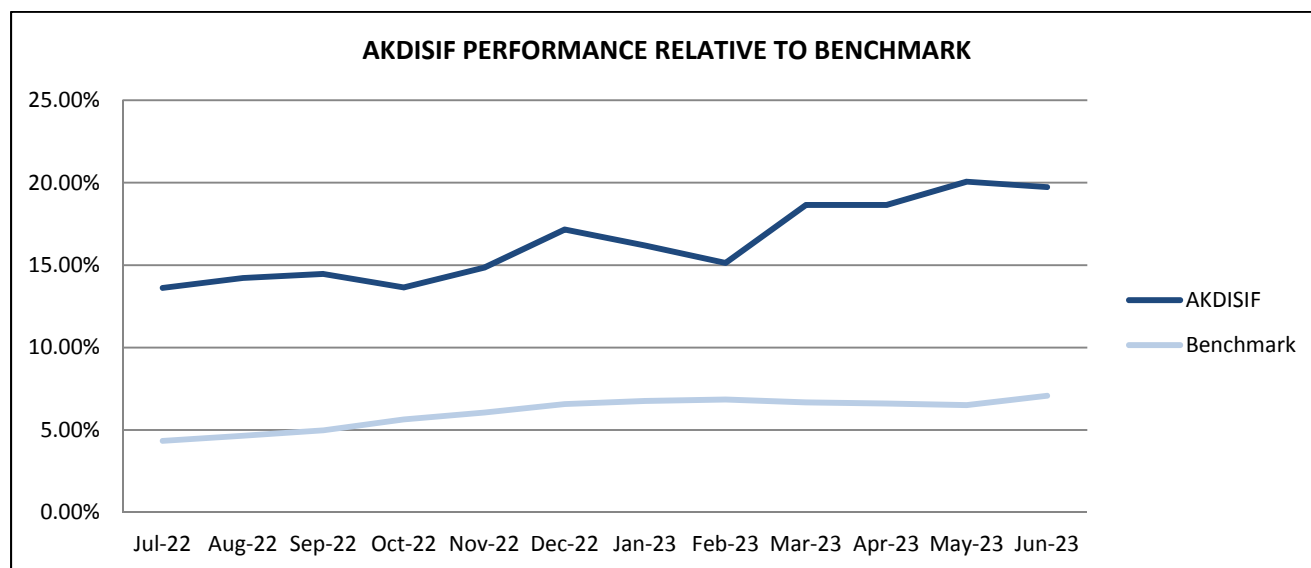
**iii) Explanation as to whether Collective Investment Scheme achieved its stated objective:**

For the FY23, the return of AKD Islamic Income Fund stood at 17.65% compared to the benchmark return of 6.06%.

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

Six (6) months average deposit rates of three (3) A Rated Scheduled Islamic Banks or Islamic Windows of Conventional Banks as selected by MUFAP.

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



Monthly yield (annualized)	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
<b>AKDISIF</b>	13.62%	14.22%	14.46%	13.65%	14.85%	17.16%	16.19%	15.13%	18.64%	18.64%	20.06%	19.73%
<b>Benchmark</b>	4.34%	4.65%	4.98%	5.64%	6.06%	6.57%	6.76%	6.84%	6.67%	6.60%	6.50%	7.08%

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

AKD Islamic Income Fund is an Open – end Islamic Income Scheme. The returns of the fund are generated primarily through investment in Shariah Complaint debt instruments, Spread Transactions and Islamic bank deposits.

vii) **Disclosure of Collective Investment Scheme’s asset allocation as the date of report and particulars of significant changes in asset allocation:**

<b>Asset Allocation (% of Total Assets)</b>	<b>30-Jun-23</b>	<b>30-Jun-22</b>
Cash and Cash Equivalents	20.13%	37.50%
Sukuk	22.78%	36.09%
Govt. Backed/Guaranteed Securities	0.75%	-
Commercial Papers / Short Term Sukuk	40.93%	23.26%
Spread Transactions (Cost)	6.14%	-
Other Assets including Receivables	9.27%	3.15%

viii) **Non-Compliant Investment**

<b>Name of Non-Compliant Investment</b>	<b>Type of Investment</b>	<b>Value of Investment before Provision</b>	<b>Provision held if any</b>	<b>Value of Investment after Provision</b>	<b>Percentage of Net Assets</b>	<b>Percentage of Gross Assets</b>
-----Rupees in ‘000-----						
Lucky Electric Power Co. Ltd.	Commercial Papers/STS	207,000	Nil	207,000	15.81%	15.60%

ix) **Analysis of the Collective Investment Scheme’s performance:**

<b>FY23 Return</b>	<b>17.65%</b>
Benchmark Return	6.06%

x) **Changes in NAV and NAV per unit since the last reviewed period:**

<b>Net Assets Value</b>			<b>NAV Per Unit</b>	
<b>30-Jun-23</b>	<b>30-Jun-22</b>	<b>Change in Net Assets</b>	<b>30-Jun-23</b>	<b>30-Jun-22</b>
<b>(Rupees in 000)</b>			<b>(Rupees)</b>	
1,308,931	892,873	46.60%	50.8934	50.5961

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

**MACRO PERSPECTIVE**

Over the past year, Pakistan’s economy went through a major economic crisis perhaps the worst since independence that led to an unprecedented increase in interest rates and inflation, recording new records in all fronts. The crisis stemmed from the start of the Russia-Ukraine war in February 2022 after which the international commodities prices sharply moved up and coupled with unsustainable global

debt levels a number of developing country economies were in complete tail spin. Pakistan was no exception being a net importing country dependent for key essentials like oil, widening deficits of both the current and fiscal account was imminent as the local currency went into free fall and foreign reserves eroded. Hence, to contain the widening Current Account Deficit, the Government had to impose major import restrictions. Through the timely administrative measures adopted by the Government, Pakistan managed to circumnavigate the most difficult economic situation in the Country's history, averting a sovereign default and securing a nine-month Standby Arrangement of US\$3bn with the IMF.

The SBP has proactively focused on restricting the demand growth by adopting monetary contraction through rate increases since June 2020 (*interest rates at 7%*) while the incumbent government resorted to Fiscal tools such as increasing existing taxes along with introducing new ones. In FY23 alone, the SBP increased the interest rates by 825bps to 22%. Additionally, key conditions of the IMF Program asking for removal of subsidies led to hikes in all utility prices across the board adding inflationary pressures further and higher unemployment. However, the fruits of these politically difficult policies have already started to reflect in demand contraction with most high frequency indicators (*Cement, Auto and POL product sales*). Another important measure that the government took to compress demand was to allow the "Free Float" of the currency, which notably led to a sharp depreciation of the Pak Rupees and naturally contained imports, supported exports and home remittances.

The Current Account Surplus for the month of June 2023 clocked in at USD 334 million, from a Current Account Surplus of USD 220 million (revised) in May 2023 taking the FY23 CAD to USD 2.56 billion (-0.7% of GDP) against USD 17.48 billion (-4.7% of GDP), down -85% YoY during the same period last year primarily due to decline in imports as the Government's initiatives to stabilize the economy were visibly bearing fruit.

The Government's resilient efforts to attract investments from Non-Resident Pakistanis continued to yield results, with an impressive inflow of USD 6.48 billion through Roshan Digital Accounts (RDA) with more than 590,000 accounts till July 2023.

Moreover, the FBR collected revenues worth PKR 7.17 trillion during FY23 against the target of 7.64 trillion missing the target by PKR 496 billion despite the imposition of nearly PKR 800 billion additional taxes due to a steep decline in imports and an overall slowdown of the economy.

During FY23, the external account remained a major cause of concern as Pakistan's liquid foreign exchange reserves decreased by USD 5.70 billion on the back of debt servicing primarily. As of June 30, 2023, the Country's liquid foreign exchange reserves stood at USD 9.75 billion (*SBP reserves USD 4.46 billion*).

The new IMF program will provide a policy framework to bring power sector reforms in the country along with the SOE governance. This program will support Pakistan in obtaining additional funds from its bilateral partners which is extremely essential in a period of low FX reserves and high debt servicing. The exchange rate is likely to appreciate in the short term due to speculative activity; however, will remain under depreciative pressure till sizeable foreign inflows do not materialize.

The NCPI during the month of August 2023 clocked in at 27.38% YoY as compared to 29.40% YoY in July 2023. This took the 2MFY24 average NCPI to 27.84% compared to 26.10% during the SPLY. The main contributors to the increase in inflation are Housing, Water, Electricity, Gas, and Fuel (weight in CPI 23.63%) with an impact of 0.21% MoM / 6.25% YoY because of the increasing fuel and utility prices and exchange devaluation. Furthermore, food inflation came lower than expected which caused the decline in inflation as noticed by the Food and Non-alcoholic Beverages Index (weight in CPI 34.58%) with an impact of 0.23% MoM / 38.51% YoY.

The Large Scale Manufacturing (LSMI) sector, which accounts for about 80% of the country's industrial output, shrank for the 12th consecutive month in June, by 14.96 percent YoY, leading to contract by 10.26% in FY23 as almost all major industries reported substantial declines. Without say, the fallout of the restrictive measures undertaken by the central bank and the government to contain the current account deficit notably weighed heavily on the industry.

## **FIXED INCOME REVIEW**

During FY23, the State Bank of Pakistan maintained an aggressive monetary tightening stance, steadily increasing the policy rate to an unprecedented historical high of 22.00%. This decisive approach was taken in response to un-abating inflationary pressures, with the average NCPI for FY23 soaring to 29.18%, and the pressing need to fortify the country's deteriorating external account.

The heightened policy rate played a significant role in driving up the rates of government securities, attracting substantial investments into these instruments as investors sought improved returns offered by government debt securities.

Throughout the year, the State Bank of Pakistan conducted a total of twenty-seven (27) Market Treasury Bill (MTB) auctions, where the government managed to raise PKR 25.15 trillion against the auction target of PKR 24.43 trillion. Notably, the weighted average yields for 3, 6, and 12-month MTBs were 18.07%, 18.03%, and 18.07% respectively, up by 791 bps, 748 bps, and 754 bps as compared to 10.16%, 10.54%, and 10.53% during the same period last year.

To further address the need for liquidity, SBP also conducted twelve (12) auctions of fixed-rate Pakistan Investment Bond (PIB) and was successful in raising PKR 1.30 trillion. The weighted average yield for 3, 5, and 10 years PIBs increased by 456 bps, 263 bps, and 191 bps to 15.22%, 13.32%, and 12.94% respectively, as compared to 10.65%, 10.69%, and 11.03% during the same period last year as the yield curve remains inverted.

In the market for Shariah Compliant instruments, the SBP conducted a total of twenty-four (24) auctions of GOP Ijara Sukuk, both Variable Rental Rate (VRR) and Fixed Rental Rate (FRR). These auctions successfully raised PKR 870.78 billion against the auction target of PKR 1,620 billion. Furthermore, during the third quarter of this fiscal year, the SBP introduced 1-year and 3-year GOP Ijara Sukuk.

Moreover, the State Bank of Pakistan carried out 134 Open Market Operations (OMOs) with varying maturities, injecting PKR 57.18 trillion into the market at an average cut-off yield of 17.55% and mopped up PKR 6.73 trillion at an average cut-off yield of 17.06%.

Looking ahead to the auction target calendars for August through October 2023, the State Bank of Pakistan aims to raise PKR 8.25 trillion by issuing 3 to 12-month MTBs against the maturing amount of PKR 8.91 trillion. Additionally, the SBP targets to raise PKR 480 billion through 3 to 30-year fixed-rate PIBs and PKR 1,520 billion through 2 to 10-year floating-rate PIBs.

## **FUTURE OUTLOOK**

As we move into FY24, we believe that structural changes and reforms are necessary to turn around the current economic state addressing fiscal imbalances and external vulnerabilities with sustainable stability. While market consensus suggests foreseeably that the Central Bank has reached its monetary tightening cycle for now, both the fiscal and external accounts are likely to remain very challenging for the Government in the coming year. On the other hand, notably inflation is expected to come off sharply as the high base affect plays out, perhaps providing much needed respite in the form of a reduction in interest rates as debt servicing remains worrying.

The Government announced the Finance Bill for FY23-24 on June 9, 2023 with high expectations and in hopes to regain lost political capital amid one of the worst economic conditions on record. The Finance Minister set GDP growth expectations for FY24 at 3.5% compared to 0.29% in FY23 (*provisional*). Moreover, the Average NCPI target for FY24 is 21% and Budget Deficit and Primary Surplus targets have been set at 6.54% and 0.4% of GDP respectively. Lastly, the Ministry of Finance has targeted exports and remittances to clock at USD 30 billion and USD 33 billion, respectively.

The FBR revenue target is set at PKR 9.4 trillion in FY24. Additionally, the Federal Non-tax revenue target has been marked at PKR 2.96 trillion, 83% higher than FY23. The government is expecting total expenditures of PKR 14.48 trillion in FY24 which is 52% higher than FY23. The Federal Public Sector Development Plan seemingly optimistic is set at PKR 950 billion, 67% higher than in the same period last year. The government has set PKR 7.3 trillion for debt servicing in FY24. The expenditure on defense is at PKR 1.8 trillion in FY24, 15% higher than the last year's budget. While the external debt payment in FY24 has been budgeted at USD 22 billion, which is likely to keep the local currency in check and with it economic direction and performance.

Some of the main provisions of the Finance Bill are as follows:

- Increasing salary tax slabs on people earning PKR 200k per month and above
- Increase in maximum allowed Petroleum Development Levy (PDL) by PKR 10 to PKR 60.
- Imposition of 5% FED on Fertilizers
- Rate of tax IT and IT enabled services was changed from 16% to 5% (without input adjustment).
- The rate of advance tax on sale/purchase of immovable property has been increased from 2% to 3%
- Advance tax on motor vehicles having engine capacity more than 2000cc has been based on value ranging from 6% to 10%
- Re-imposition of 10% final withholding tax on issuance of bonus shares by a company (20% for non-ATL).

- The amnesty provided to people bringing FX to purchase property has incidentally also been withdrawn in line with IMF requirements.

We believe that the support from IMF will help subside the default risk that the country was adamantly facing and more importantly play a major confidence boost for the financial markets. The Equity market rallied around 2,446.32 points (5.90%) on July 3, 2023 – single day highest gain in years on the back of this single event, illustrating that the markets believe that the Country has effectively averted an imminent default. However, the ruling government and economic managers will need to be extremely vigilant and pragmatic for sustainable stability and growth as headwinds remain.

Going forward, the key factors that would drive the market direction include IMF’s second quarterly review for the USD 3 billion loan facility under the SBA and clarity on the holding of general elections in Pakistan. One of the key challenges that the Government has been struggling with is to bring down the difference between the interbank and open market exchange rate which has now reached ~7% while the IMF believes the deviation needs to be maintained up to 1.25%. Moreover, the Government will also have to implement some strict measures to contain the soaring fiscal deficit and achieve the desired target of primary surplus agreed with the IMF which will bring a new wave of inflation pressures.

While Pakistan faces one of the worst economic crisis in recent history, we believe that equities as an asset class has over discounted itself. The premise of our positive outlook and re-rating of the capital market stems from the likelihood of Pakistan successfully completing the new SBA IMF program which will notably entail a continuity in reforms and fiscal discipline. The index is trading at a PE multiple of 4.54x far below the long-term averages. The dividend yield is attractive at 10% which is the highest in the region and with the last REER recorded at 87.7492 in June 2023 suggesting the currency has room to appreciate will probably justify and attract foreign investment which can also be noted by the recent month’s inflows. We believe that the market currently serves as a striking point for investors.

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

There was no significant change in the state of affairs during the period under review.

**xiii) Break down of unit holding by size:**

Range (Units)	No. of Investors
0.0001 to 9,999	1,640
10000 to 49999	77
50,000 - 99,999	25
100,000 - 499,999	36
500,000 and above	7
<b>Total</b>	<b>1,785</b>

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

There were no unit splits during the period.

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

Investments are subject to credit and market risk.

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

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

**AKD Islamic Income Fund**

Details of Pattern of Holding (Units)

As at June 30, 2023

	No. of Unitholders	Units Held	% of Total
Associated Companies*	1	742	0.00%
Directors and CEO	2	203,420	0.79%
Individuals	1,743	20,548,448	79.90%
Insurance Companies	1	1,538	0.01%
Banks/DFIs	-	-	-
Retirement funds	10	2,208,991	8.59%
Public Limited Companies	9	114,386	0.44%
Others	19	2,641,553	10.27%
	<b>1,785</b>	<b>25,719,078</b>	<b>100.00%</b>

\* AKD Investment Management Limited





#MonetizeYourAssets

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

### AKD ISLAMIC INCOME FUND

#### Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

AKD Islamic Income Fund, an open-end Scheme established under a Trust Deed dated August 30, 2017 executed between AKD Investment Management Limited, as the Management Company and Digital Custodian Company Limited, as the Trustee. The Fund commenced its operations on February 21, 2018.

1. AKD Investment Management Limited, the Management Company of AKD Islamic Income Fund has, in all material respects, managed AKD Islamic Income Fund during the year ended June 30, 2023 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement.
2. Statement on the shortcoming(s) that may have impact on the decision of the existing or the potential unit holders remaining or investing in the Collective Investment Scheme;

#### **Statement**


No short coming has been addressed during the year ended June 30, 2023.

*DKL*

#### **ONLINE**

+923-111-322-228

digitalcustodian.co

 / digitalcustodian

#### **LAHORE**

LSE Plaza, 508

Kashmir Egerton Road

+92 42 3630 4406

#### **KARACHI**

Perdesi House

Old Queens Road

+92 21 3241 9770

3. Disclosure of the steps taken to address the shortcoming(s) or to prevent the recurrence of the shortcoming(s).

**Disclosure of the steps**

We have critically examine the fund in accordance with circulars, directives, NBFC Regulations 2008 and its constitutive documents. However, no short coming has been addressed.

4. Trustee's opinion regarding the calculation of the management fee, CIS Monthly Fee Payable to the Commission and other expenses in accordance with the applicable regulatory framework.

**Trustee Opinion**

“The Management fee, CIS monthly fee payable to the Commission and other expenses has been accurately calculated in accordance with the NBFC Regulations, 2008 and its constitutive documents”.



Dabeer Khan  
Manager Compliance  
Digital Custodian Company Limited

Karachi: September 25, 2023

**ONLINE**

+923-111-322-228

digitalcustodian.co

 / digitalcustodian

**LAHORE**

LSE Plaza, 508

Kashmir Egerton Road

+92 42 3630 4406

**KARACHI**

Perdesi House

Old Queens Road

+92 21 3241 9770

September 27, 2023



الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2023 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in AKD Islamic Income Fund (AKD-IIF) managed by AKD Investment Management Limited are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

والله أعلم بالصواب، وصلى الله على نبينا محمد وعلى آله وصحبه وبارك وسلم

For and on behalf of Al-Hilal Shariah Advisors (Pvt.) Limited.



Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

**INDEPENDENT AUDITOR'S REPORT**

**To the Unit Holders of AKD Islamic Income Fund**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of AKD Islamic Income Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2023 and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023 and of its financial performance, and its cash flows for the year then ended in accordance with the approved accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matter**

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Following is the key audit matter:

	<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<b>1)</b>	<b>Existence and valuation of investments:</b>	
	Investment portfolio of the Fund makes up 70.9% of total assets and of the Fund. Investment portfolio of the Fund comprises of debt and equity investment. For further information, refer to the following:	Our audit procedures included the following, but were not limited to:  i) walked through the valuation processes and understood the systems and controls implemented;

# Riaz Ahmad & Company

Chartered Accountants

	<p>- Investments note 6 to the financial statements.</p> <p>We have identified the existence, rights and valuation of the Fund's investments as a key audit matter as the investment is a significant driver of the net assets value of the Fund and of its total return.</p>	<p>ii) evaluated the Fund's investment valuation policies with reference to the requirements of the applicable accounting and reporting standards;</p> <p>iii) agreed holding of all investments from the Account Balance Report of Central Depository Company of Pakistan Limited;</p> <p>iv) agreed the valuation of all listed debt instruments from prices quoted on Mutual Fund Association of Pakistan (MUFAP);</p> <p>v) performed verification procedures on purchases and disposals on a sample of investments during the year regarding movement of the securities; and</p> <p>vi) any difference identified during the testing that were over acceptable threshold were investigated further.</p>
--	---	--

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Fund and our auditor's report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund for our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management Company is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting 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.

# Riaz Ahmad & Company

Chartered Accountants

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

# Riaz Ahmad & Company

Chartered Accountants

We communicate with those charged with governance of Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance of Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared, in all material respect, in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

## **Other Matter**

The financial statements of the Fund for the preceding year ended 30 June 2022 were audited by another firm of Chartered Accountants who has expressed an unmodified opinion thereon vide their report dated 29 September 2022.

The engagement partner on the audit resulting in this independent auditor's report is Junaid Ashraf.



**RIAZ AHMAD & COMPANY**  
Chartered Accountants

**KARACHI**


**DATE: 28 SEPTEMBER 2023**  
**UDIN: AR202310045FSmNEhIqY**

**AKD ISLAMIC INCOME FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT 30 JUNE 2023**

		2023	2022
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Bank balances	5.	267,958	336,944
Investments	6.	944,909	533,288
Profit receivable	7.	45,066	18,815
Deposits, prepayments and other receivables	8.	33,203	2,864
Preliminary expenses and floatation cost	9.	-	183
Receivable against sale of investments		33,016	6,387
Receivable against sale/ conversion of units		7,265	-
<b>Total Assets</b>		<b>1,331,417</b>	898,481
<b>LIABILITIES</b>			
Payable to AKD Investment Management Limited - Management Company	10.	1,346	980
Payable to Digital Custodian Company Limited - Trustee	11.	149	98
Payable to Securities and Exchange Commission of Pakistan	12.	229	159
Accrued and other liabilities	13.	20,744	4,371
Payable against redemption/ conversion of units		18	-
<b>Total Liabilities</b>		<b>22,486</b>	5,608
<b>NET ASSET</b>		<b>1,308,931</b>	892,873
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,308,931</b>	892,873
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14.	Number of units	
<b>NUMBER OF UNITS IN ISSUE</b>	15.	25,719,078	17,647,089
<b>NET ASSET VALUE PER UNIT</b>		<b>50.8934</b>	50.5961

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

  
\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

  
\_\_\_\_\_  
**DIRECTOR**

  
\_\_\_\_\_  
**CHIEF FINANCIAL OFFICER**



**AKD ISLAMIC INCOME FUND  
INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 ----- (Rupees in '000) -----	2022
<b>Income</b>			
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'fair value through profit or loss'	6.5	5,633	(2,772)
Unrealised loss on future contracts		(4,826)	-
Capital (loss) / gain on sale of investments		(7,088)	6,830
Income from sukuk certificates		61,064	32,808
Income from security margin		17	203
Income from GoP ijara sukuku		465	-
Income from commercial papers / short term sukuku		60,749	7,404
Profit on bank deposits		80,875	32,248
Dividend income		7,769	1,683
Other income		-	1,491
<b>Total income</b>		<b>204,658</b>	<b>79,895</b>
<b>Expenses</b>			
Remuneration of AKD Investment Management Limited - Management Company	10.1	4,583	3,171
Sindh sales tax on the remuneration of Management Company	10.2	596	412
Remuneration of Digital Custodian Company Limited - Trustee	11.1	1,262	951
Sindh sales tax on the remuneration of Trustee	11.2	164	124
Annual fee to Securities and Exchange Commission of Pakistan	12.	229	159
Amortization of preliminary expenses and floatation costs	9.1	183	287
Auditors' remuneration	16.	260	250
Expenses allocated by Management Company		3,245	1,189
Settlement and bank charges		101	188
Brokerage fee		360	991
Fee and subscription		711	729
Legal and professional charges		361	565
Charity	13.1	198	162
<b>Total expenses</b>		<b>12,253</b>	<b>9,178</b>
<b>Net income for the year before taxation</b>		<b>192,405</b>	<b>70,717</b>
Taxation	17.	-	-
<b>Net income for the year after taxation</b>		<b>192,405</b>	<b>70,717</b>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		192,405	70,717
Income already paid on units redeemed		(131,613)	(45,944)
		<b>60,792</b>	<b>24,773</b>
<b>Accounting income available for distribution:</b>			
Relating to capital gain		-	4,058
Excluding capital gain		60,792	20,715
		<b>60,792</b>	<b>24,773</b>

The annexed notes from 1 to 30 form an integral part of these financial statements.

For AKD Investment Management Limited  
(Management Company)

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

**AKD ISLAMIC INCOME FUND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2023**

	<u>2023</u>	<u>2022</u>
	----- (Rupees in '000) -----	
<b>Net income for the year after taxation</b>	<b>192,405</b>	70,717
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b><u>192,405</u></b>	<b><u>70,717</u></b>

The annexed notes from 1 to 30 form an integral part of these financial statements.

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

  
\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

  
\_\_\_\_\_  
**DIRECTOR**

  
\_\_\_\_\_  
**CHIEF FINANCIAL OFFICER**

**AKD ISLAMIC INCOME FUND**  
**STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
----- Rupees in '000 -----						
<b>Net assets at beginning of the year</b>	886,157	6,716	892,873	719,616	4,273	723,889
Issuance of 55,684,500 (2022:42,596,772) units						
- Capital value	2,817,419	-	2,817,419	2,148,682	-	2,148,682
- Element of income	288,418	-	288,418	109,001	-	109,001
Total proceeds on issuance of units	3,105,837	-	3,105,837	2,257,683	-	2,257,683
Redemption of 47,612,511 (2022: 39,300,497) units						
- Capital value	(2,409,007)	-	(2,409,007)	(1,982,410)	-	(1,982,410)
- Element of income	(129,067)	(131,613)	(260,680)	(56,621)	(45,944)	(102,565)
Total payments on redemption of units	(2,538,074)	(131,613)	(2,669,687)	(2,039,031)	(45,944)	(2,084,975)
Total comprehensive income for the year	-	192,405	192,405	-	70,717	70,717
Distribution during the year	-	(55,238)	(55,238)	-	(22,330)	(22,330)
Refund of capital	(157,259)	-	(157,259)	(52,111)	-	(52,111)
Net income for the year less distribution	(157,259)	137,167	(20,092)	(52,111)	48,387	(3,724)
<b>Net assets at end of the year</b>	<b>1,296,661</b>	<b>12,270</b>	<b>1,308,931</b>	<b>886,157</b>	<b>6,716</b>	<b>892,873</b>
<b>Undistributed income brought forward</b>						
- Realised income		9,488			963	
- Unrealised (loss)/ gain		(2,772)			3,310	
		<u>6,716</u>			<u>4,273</u>	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		-			4,058	
- Excluding capital gains		60,792			20,715	
<b>Net (loss)/income for the year</b>		<u>60,792</u>			<u>24,773</u>	
Interim Distribution for the year Rs. 8.59119 per unit on 26 June 2023. (2022: Rs. 4.5708 declared on 24 June 2022)		(55,238)			(22,330)	
<b>Undistributed income carried forward</b>		<u>12,270</u>			<u>6,716</u>	
<b>Undistributed income carried forward</b>						
- Realised income		11,463			9,488	
- Unrealised income/ (loss)		807			(2,772)	
		<u>12,270</u>			<u>6,716</u>	
<b>Net assets value per unit at beginning of the year</b>		<u>50.5961</u>			<u>50.4424</u>	
<b>Net assets value per unit at end of the year</b>		<u>50.8934</u>			<u>50.5961</u>	

The annexed notes from 1 to 30 form an integral part of these financial statements.

For AKD Investment Management Limited  
(Management Company)

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

**AKD ISLAMIC INCOME FUND**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2023**

Note	2023 ----- (Rupees in '000) -----	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before tax	192,405	70,717
<b>Adjustments for non cash and other items:</b>		
Amortisation of preliminary expenses and floatation costs	183	287
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'fair value through profit or loss	(5,633)	2,772
Unrealised loss on future contracts	4,826	-
Income from sukuk certificates	(61,064)	(32,808)
Income from commercial paper	(60,749)	(7,404)
Profit on bank deposits and TDRs	(80,875)	(32,248)
Profit from Government securities	(465)	-
Other income	-	(1,491)
	<u>(11,372)</u>	<u>(175)</u>
<b>(Decrease) / Increase in assets</b>		
Deposits, prepayments and other receivables	(35,165)	24,801
Receivable against sale/ conversion of units	(7,265)	-
Receivable against sale of securities	(26,629)	(6,387)
<b>Net (Decrease) / Increase during the year</b>	<u>(69,059)</u>	<u>18,414</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to AKD Investment Management Limited - Management Company	366	(141)
Payable to Digital Custodian Company Limited - Trustee	51	17
Payable to Securities and Exchange Commission of Pakistan	70	75
Accrued and other liabilities	18	-
Accrued expenses and other liabilities	16,373	1,987
<b>Net increase during the year</b>	<u>16,878</u>	<u>1,938</u>
Investments - net	(405,988)	(103,751)
<b>Net cash used in operating activities</b>	<u>(469,541)</u>	<u>(83,574)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issuance of units - net	2,948,578	2,205,572
Dividend paid	(55,238)	(22,330)
Profit received on bank deposits, sukuk certificates, commercial paper and Ijara sukuk	176,902	61,182
Payment against redemption of units	(2,669,687)	(2,084,975)
<b>Net cash flow from financing activities</b>	<u>400,555</u>	<u>159,449</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(68,986)</u>	<u>75,875</u>
Cash and cash equivalents at the beginning of the year	336,944	261,069
<b>Cash and cash equivalents at the end of the year</b>	<u>267,958</u>	<u>336,944</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

For AKD Investment Management Limited  
(Management Company)

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

**AKD ISLAMIC INCOME FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** AKD Islamic Income Fund (the Fund) was established under a Trust Deed, executed between AKD Investment Management Limited (AKDIML) as the Management Company and Digital Custodian Company Limited as the Trustee. The Trust Deed was executed under the Trust Act, 1882 on 30 August 2017 and was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on 30 May 2017. The Initial Public Offering (IPO) of the Fund was made during the year from 19 February 2018 to 20 February 2018 and the Fund commenced operations from 21 February 2018. In accordance with the Trust Deed, the first accounting year of the Fund commenced on the date on which the Fund property was first transferred to the Trustee i.e. 19 February 2018.
- 1.2** The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at 216-217, Continental Trade Centre, Block-8, Clifton, Karachi, in the province of Sindh.
- 1.3** The objective of the Fund is to earn a potentially high return through asset allocation between shariah compliant equity instruments and any other instruments as permitted by the SECP and shariah advisor.
- 1.4** The Fund is an open-ended collective investment scheme and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.
- 1.5** The Fund is categorised as an open ended Shariah Compliant (Islamic) Income Scheme in accordance with Circular 7 of 2009, issued by the Securities and Exchange Commission of Pakistan (SECP). Al-Hilal Shariah Advisors (Private) Limited acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.6** The Fund also keep an exposure in short-term instruments for the purpose of maintaining liquidity and to capitalise on exceptional returns if available at any given point of time. Under the Trust Deed, all conducts and acts of the Fund are based on Shariah principles.
- 1.7** Title to the assets of the Fund are held in the name of Digital Custodian Company Limited as Trustee of the Fund.
- 1.8** The Pakistan Credit Rating Agency Limited (PACRA) has assigned Asset Manager Rating of 'AM3++' to the Management Company dated 27 June 2023. The Fund has been given long term stability rating of 'AA- (f)' by PACRA on 06 March 2023.
- 1.9** The Fund was registered on 23 August 2021 with Assistant Director of Industries and Commerce (Trust Wing) Government of Sindh under Section 12 of the Sindh Trusts Act, 2020.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

- 2.1.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:
- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
  - Provisions of and directives issued under the Companies Act, 2017 along with part VIII A of the repealed Companies Ordinance 1984; and
  - Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the requirements of the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, the NBFC Rules, the NBFC Regulation and requirements of the Trust Deed have been followed.

**2.1.2** The SECP through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Currently, the Asset Management Companies are required to continue to follow the requirements of Circular 33 of 2012 for impairment of debt securities.

## **2.2 Accounting convention**

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

## **2.3 Functional and presentation currency**

These financial statements have been presented in Pakistani Rupees, which is the Fund's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees except stated otherwise.

## **2.4 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the accounting and reporting standards requires the management to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) Classification and valuation of financial assets (Note 4.1.1);
- (ii) Impairment of financial assets (Note 4.1.5); and
- (iii) Taxation (Note 4.4)

## **3. AMENDMENTS TO ACCOUNTING STANDARDS**

### **3.1 Amendments to accounting standards that are effective for the year ended 30 June 2023**

Following amendments to published approved accounting standards are mandatory for the Fund's accounting years beginning on or after 01 July 2022:

- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before Intended Use'.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts – Cost of Fulfilling a Contract amends IAS 1 'Presentation of Financial Statements'.
- Annual improvements to IFRS standards 2018-2020 which amended IFRS 9 'Financial Instruments' and IFRS 16 'Leases'.
- Reference to the Conceptual Framework (Amendments to IFRS 3) published by the International Accounting Standards Board (IASB) with amendments to IFRS 3 'Business Combinations'.

7

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognised in prior year and are not expected to significantly affect the current or future years.

### **3.2 Amendments to published approved accounting standards that are effective in current year but not relevant to the Fund**

There are amendments to published standards that are mandatory for accounting years beginning on or after 01 July 2022 but are considered not to be relevant or do not have any significant impact on the Fund's financial statements and are therefore not detailed in these financial statements.

### **3.3 Amendments to published approved accounting standards that are not yet effective but relevant to the Fund**

Following amendments to existing standards have been published and are mandatory for the Fund's accounting years beginning on or after 01 July 2023 or later years:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual year beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting year to defer the settlement of liability for at least twelve months after the reporting year. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual years beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual years beginning on or after 01 January 2023. These amendments clarify how Fund's account for deferred tax on transactions such as leases and decommissioning obligations.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual years beginning on or after 1 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting year affect the classification of a liability. The amendments are effective for reporting years beginning on or after 1 January 2024.

On 25 May 2023, the IASB issued 'Suppliers Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangement. The amendments are effective for reporting year beginning on or after 1 January 2024.

The above amendments and improvements do not have a material impact on these financial statements.

### **3.4 Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Fund**

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting years beginning on or after 1 July 2023 but are considered not to be relevant or do not have any significant impact on the fund's financial statements and are therefore not detailed in these financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

### 4.1 Financial instruments

#### 4.1.1 Classification of financial assets

IFRS 9 contains three principal classification categories for financial assets:

- Amortised cost ("AC"),
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL").

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognized at FVTPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore the management considers its investment in long term debt securities as classified them as FVTPL.

#### Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### Financial assets at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI), only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

FVOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

#### Financial assets at FVTPL

Equity investments which the Fund had not irrevocably elected to classify at fair value through OCI are classified as at fair value through profit or loss.

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to measure at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.



#### **4.1.2 Recognition and initial measurement of financial instruments**

Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

#### **4.1.3 Subsequent measurement of financial assets**

##### **Financial assets at amortised cost**

Financial assets at amortised cost are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

##### **Financial assets at FVOCI**

All financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income.

For debt instruments classified as financial assets at FVOCI, the amounts already recognised in other comprehensive income are reclassified to income statement on derecognition of financial assets. This treatment is in contrast to equity instruments classified as financial assets at FVOCI, where there is no reclassification on derecognition.

##### **Financial assets at FVTPL**

All financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the income statement.

#### **4.1.4 Fair value measurement principles and provision**

The fair value of financial instruments is determined as follows:

##### **Basis of valuation**

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs.

#### **4.1.5 Impairment**

Under expected credit loss (ECL) model of IFRS 9, the Fund recognises loss allowances on financial assets other than debt securities. The Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured at 12-month ECL:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

As disclosed in note 2.1.2 of these financial statements, the Fund follows requirements of circular 33 of 2012 (the circular) for impairment of debt securities. Under the circular, provision for non performing debt securities is made on the basis of time based criteria as prescribed under the circular. Impairment loss recognised on debt securities can be reversed through the income statement.

As allowed under circular no. 33 of 2012 dated 24 October 2012 issued by the SECP, the Management Company may also make provision against debt securities over and above minimum provision requirement prescribed in aforesaid circular, in accordance with the provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

#### **4.1.6 Classification and measurement of financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter year, to the amortised cost of a financial liability.

#### **4.1.7 Derecognition**

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

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

#### **4.1.8 Regular way contracts**

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

#### **4.1.9 Offsetting of financial assets and liabilities**

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

#### **4.2 Cash and cash equivalents**

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

#### **4.3 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.

#### **4.4 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a year of five years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

#### **4.5 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 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the provisions of Section 113 (Minimum Tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.6 Dividend distribution and appropriations**

Dividend distributions and appropriations are recorded in the year in which these are approved by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines (duly consented by the SECP) distribution for the year is deemed to comprise of the portion of income already paid on units redeemed during the year and cash distribution for the year.

Regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders.

Distributions declared subsequent to the year end or reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

#### **4.7 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 and any provision for duties and charges, if applicable. The sales load is payable to investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications 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, any duties, taxes, and charges on redemption, if applicable.

#### **4.7 Element of income / loss included in prices of units issued less those in units redeemed**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting year. Further, the element of income is a transaction of capital nature element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holder's fund. However, to maintain the same ex-dividend net assets value of all units outstanding on the accounting date, net element of income contributed on issue lying in unit holders fund is refunded on units in the same proportion as dividends bears to accounting income available for distribution.

#### **4.8 Net assets value per unit**

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

#### **4.9 Revenue recognition**

- Capital gain or loss on sale of investment is accounted for in the income statement on the date at which the sale transaction takes place.
- Unrealised gain / loss arising on measurement of investments classified as 'at fair value through profit or loss' is included in the income statement in the year in which it arises.

- Dividend income from equity securities is recognised when the right to receive dividend is established.
- Profit on bank deposits is recognised on time proportionate basis using effective yield method.

#### 4.10 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP, and selling and marketing expense) are recognised in the income statement on an accrual basis.

	Note	<u>2023</u>	<u>2022</u>
		----- <b>(Rupees in '000)</b> -----	
<b>5. BANK BALANCES</b>			
Saving accounts	5.1	<u>267,958</u>	<u>336,944</u>
5.1	Mark-up rates on these accounts range between 19% to 21% (2022: 12.25% to 14.25%) per annum.		
<b>6. INVESTMENTS</b>			
<b>At fair value through profit or loss:</b>			
- Sukuk certificates	6.1	<b>303,363</b>	324,288
- Government securities	6.2	<b>10,006</b>	-
- Listed equity securities (spread transactions)	6.3	<b>86,540</b>	-
<b>At amortised cost</b>			
Commercial paper - Unlisted / short term sukuk (STS)	6.4	<u>545,000</u>	<u>209,000</u>
		<u><b>944,909</b></u>	<u><b>533,288</b></u>

6.1 Sukuk certificates

Name of investee company	Rate of return per annum	As at 01 July 2022	Purchased during the year	Sold / Matured during the year	As at 30 June 2023	Carrying value as at 30 June 2023	Market value as at 30 June 2023	Unrealised appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments
<b>Listed</b>										
Energyco Pk Limited	-	150	-	150	-	-	-	-	-	-
TPL Trakker Limited	25.91	115	-	-	115	70,757	71,614	857	5.47	7.58
TPL Corporation Limited	24.38	1,150	-	-	1,150	115,000	115,000	-	8.79	12.17
<b>Unlisted</b>										
Mughal Iron & Steels Industries Limited	23.47	10	-	-	10	7,016	6,875	(141)	0.53	0.73
Hub Power Company Limited	23.35	250	-	-	250	13,220	12,563	(657)	0.96	1.33
Hub Power Holdings Limited	24.58	300	170	-	470	47,338	48,236	898	3.69	5.10
Pakistan International Airlines Corporation Limited	22.62	10,000	-	-	10,000	49,181	49,075	(106)	3.75	5.19
<b>Total as at 30 June 2023</b>						<b>302,512</b>	<b>303,363</b>	<b>851</b>		
Total as at 30 June 2022						327,060	324,288	(2,772)		

6.1.1 Significant terms and conditions of sukuk certificates are as follows:

Name of investee company	Face value per certificate	Redeemed face value per certificate	Markup rate	Issue date	Maturity date	Secured / Unsecured	Rating
<b>Listed</b>							
TPL Trakker Limited	1,000,000	611,111	3 month KIBOR + 300 bps	30-Mar-21	30-Mar-26	Secured	A+
TPL Corporation Limited	100,000	100,000	3 month KIBOR + 225 bps	23-Jun-22	23-Jun-27	Secured	AA-
<b>Unlisted</b>							
Mughal Iron & Steels Industries Limited	1,000,000	687,500	3 month KIBOR + 130 bps	2-Mar-21	2-Mar-26	Secured	A+
Hub Power Company Limited	100,000	50,000	1 year KIBOR + 190 bps	19-Mar-20	19-Mar-24	Secured	AA+
Hub Power Holdings Limited	100,000	100,000	6 month KIBOR + 250 bps	12-Nov-20	12-Nov-25	Secured	AA+
Pakistan International Airlines Corporation Limited	5,000	5,000	1 month KIBOR + 100 bps	26-Jul-21	26-Jul-31	GoP Guarantee	GoP Guarantee

6.2

Name of investee company	Rate of return per annum	Maturity Date	As at 01 July 2022	Purchased during the year	Sold / Matured during the year	As at 30 June 2023	Carrying value as at 30 June 2023	Market value as at 30 June 2023	Unrealised appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments
<b>GoP ijara sukuk</b>											
	22.68	At Maturity	17-Apr-23	10,000	-	10,000	10,000	10,000	6	0.76	1.06
<b>Total as at 30 June 2023</b>							<b>10,000</b>	<b>10,006</b>	<b>6</b>		
<b>Total as at 30 June 2022</b>							-	-	-	-	-

6.3 Listed equity securities (spread transactions)

Name of investee company	Face value per share (Rupees)	As at 01 July 2022	Purchased during the year	Right / bonus shares	Sold / disposed	As at 30 June 2023	Balance as at 30 June 2023			Percentage in relation to					
							Carrying Value	Market value	Unrealised appreciation / (diminution)	Market value as percentage of net assets	Market value as percentage of total investment	Paid up value of shares as a percentage of total paid up capital of the investee company			
							(Rupees in '000)						(%)		
<b>Chemical</b>															
Engro Polymer & Chemicals Limited	10	-	263,000	-	263,000	-	-	-	-	-	-	-	-	-	-
<b>Fertilizer</b>															
Engro Fertilizers Limited	10	-	167,500	-	167,500	-	-	-	-	-	-	-	-	-	-
<b>Food &amp; personal care products</b>															
Unity Foods Limited	10	-	5,768,000	-	2,990,000	2,778,000	41,164	43,420	2,256	3.32	4.60	0.23			
Al Shaheer Corporation Limited	10	-	4,000,000	-	-	4,000,000	26,200	28,920	2,720	2.21	3.06	1.07			
							<b>67,364</b>	<b>72,340</b>	<b>4,976</b>						
<b>Oil &amp; Gas Marketing Companies</b>															
Pakistan State Oil Company Limited	10	-	138,500	-	138,500	-	-	-	-	-	-	-			
<b>Property</b>															
TPL Properties Limited	10	-	2,255,000	-	2,255,000	-	-	-	-	-	-	-			
<b>Refinery</b>															
Energyco	10	-	5,000,000	-	-	5,000,000	14,400	14,200	(200)	1.08	1.50	0.09			
							<b>14,400</b>	<b>14,200</b>	<b>(200)</b>						
<b>Textile Composite</b>															
Nishat Chunian Limited	10	-	171,000	-	171,000	-	-	-	-	-	-	-			
Nishat Mills Limited	10	-	7,500	-	7,500	-	-	-	-	-	-	-			
							<b>81,764</b>	<b>86,540</b>	<b>4,776</b>						
Total as at 30 June 2023															
Total as at 30 June 2022															

6.3.1 The above equity securities were purchased in ready market and simultaneously sold in future market during the year.

6.4 Commercial paper - Unlisted / short term sukuk (STS)

Name of investee company	Rate of return per annum	Issue date	Maturity date	Face value	Carrying value	Markup rate	Carrying value as percentage of net assets	Carrying value as percentage of total investment	Rating
Lucky Electric Power Company Limited	22.72	14-Feb-23	15-Aug-23	58,000	58,000	6 month KIBOR + 65 bps	4.43	6.14	A1+
K-Electric Limited	22.82	27-Feb-23	28-Aug-23	70,000	70,000	6 month KIBOR + 75 bps	5.35	7.41	A1+
K-Electric Limited	22.57	21-Mar-23	21-Sep-23	10,000	10,000	6 month KIBOR + 50 bps	0.76	1.06	A1+
Lucky Electric Power Company Limited	22.62	27-Mar-23	29-Sep-23	50,000	50,000	6 month KIBOR + 55 bps	3.82	5.29	A1+
Lucky Electric Power Company Limited	22.38	12-Apr-23	12-Oct-23	65,000	65,000	6 month KIBOR + 30 bps	4.97	6.88	A1+
Lucky Electric Power Company Limited	22.56	28-Apr-23	30-Oct-23	34,000	34,000	6 month KIBOR + 50 bps	2.60	3.60	A1+
Nishat Mills Limited	22.30	9-May-23	8-Nov-23	150,000	150,000	3 month KIBOR + 25 bps	11.46	15.87	A1+
K-Electric Limited	22.49	18-May-23	17-Nov-23	108,000	108,000	6 month KIBOR + 45 bps	8.25	11.43	A1+
				<b>545,000</b>	<b>545,000</b>				
Total as at 30 June 2023				209,000	209,000				
Total as at 30 June 2022									

6.4.1 The nominal value of these commercial papers is Rs 1,000,000 each.

	2023	2022
Note	----- (Rupees in '000) -----	-----
<b>6.5 Net unrealised appreciation on re-measurement of investments classified as 'fair value through profit or loss'</b>		
<b>Market value of investments</b>		
- Sukuk certificates	6.1 <b>303,363</b>	324,288
- Government securities	6.2 <b>10,006</b>	-
- Listed equity securities	6.3 <b>86,540</b>	-
	<b>399,909</b>	324,288
<b>Less: Carrying amount of investments</b>		
- Sukuk certificates	6.1 <b>302,512</b>	327,060
- Government securities	6.2 <b>10,000</b>	-
- Listed equity securities	6.3 <b>81,764</b>	-
	<b>(394,276)</b>	<b>(327,060)</b>
	<b>5,633</b>	<b>(2,772)</b>
<b>7. PROFIT RECEIVABLE</b>		
Profit receivable on:		
- Sukuk certificates	<b>8,181</b>	10,147
- Commercial papers / short term sukukuks	<b>26,016</b>	4,699
- GoP Ijara sukuk	<b>465</b>	-
- Bank deposits	<b>10,404</b>	3,969
	<b>45,066</b>	18,815
<b>8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Security deposits with		
- National Clearing Company of Pakistan Limited	<b>2,500</b>	2,500
- Central Depository Company of Pakistan Limited	<b>100</b>	100
Security margin deposit	8.2 <b>30,314</b>	-
Prepaid shariah advisor fee	<b>235</b>	210
Advance tax	8.1 <b>54</b>	54
	<b>33,203</b>	2,864
<b>8.1</b>	As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance), payments made to Collective Investment Schemes (CISs) are exempt from withholding tax under section 151 and 150 of the Ordinance. However, during the year ended 30 June 2018, withholding tax on profit on debt paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profit on debt amounts to Rs. 0.054 million (2022: Rs. 0.054 million).	
<b>8.2</b>	Spread transactions are subject to deposit of exposure margin as per regulation 12.5 of NCCPL Regulations.	
<b>9. PRELIMINARY EXPENSES AND FLOATATION COST</b>		
Cost	<b>1,433</b>	1,433
<b>Accumulated amortisation</b>		
Opening balance	9.1 <b>1,250</b>	963
Amortisation during the year	<b>183</b>	287
Closing balance	<b>(1,433)</b>	<b>(1,250)</b>
	<b>-</b>	<b>183</b>
<b>9.1</b>	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.	

10. PAYABLE TO AKD INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2023 ----- (Rupees in '000) -----	2022
Management fee	10.1	533	290
Sindh sales tax on management fee	10.2	69	38
Expenses allocated by the Management Company	10.3	533	109
Formation cost		184	471
Others		27	72
		<u>1,346</u>	<u>980</u>

**10.1** As per the offering document the Management Company has charged remuneration at the rate of 0.4% (2022: 0.4%) of average annual net assets of the Fund. Remuneration is paid to the Management Company on monthly basis in arrears.

**10.2** Sindh sales tax on services at the rate of 13% (2022: 13%) on gross value of management fee is charged under the provisions of Sindh Sales Tax on Services Act, 2011.

**10.3** The Management Company has charged expenses at the rate of 0.15% in 1st quarter, 0.25% in 2nd, 3rd quarter and 0.4% in 4th quarter (2022: 0.15%) per annum of the average annual net assets of the Fund.

#### 11. PAYABLE TO DIGITAL CUSTODIAN COMPANY LIMITED - TRUSTEE

Trustee fee	11.1	132	87
Sindh sales tax on trustee fee	11.2	17	11
		<u>149</u>	<u>98</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. The fee is paid to the Trustee monthly in arrears.

The trustee remuneration consists of reimbursement of actual custodial expenses / charges plus the following tariffs;

Net assets	Tariff
Upto Rs. 1 billion	0.12% per annum of net assets
Over Rs. 1 billion	Rs. 1.2 million plus 0.065% per annum of net assets, on amount exceeding Rs. 1 billion

**11.2** Sindh sales tax at the rate of 13% (2022: 13%) on gross value of trustee fee under the provisions of Sindh Sales Tax on Services Act, 2011.

#### 12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Annual fee payable to SECP	<u>229</u>	<u>159</u>
----------------------------	------------	------------

**12.1** All categories of Collective Investment Schemes are required to pay annual fee at an amount equal to 0.02% (2022: 0.02%) of the average annual net assets of the scheme. The fee is payable annually in arrears.

#### 13. ACCRUED AND OTHER LIABILITIES

Auditor's remuneration		195	185
Brokerage payable		250	-
NCC fee payable		42	25
Withholding tax payable		14,546	3,690
Others		173	172
Sales load payable		27	3
Charity payable	13.1	198	162
Payable against time barred cheques		487	134
Unrealised loss of future transaction		4,826	-
		<u>20,744</u>	<u>4,371</u>



- 13.1** According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes.

During the year ended 30 June 2023, Non-Shariah Compliant income amounting to Rs 0.197 million (2022: 0.161 million) was charged as an expense in the books of the Fund, and Rs 0.161 million was disbursed to Karachi Vocational Training Center.

**14. CONTINGENCIES AND COMMITMENTS**

Except as disclosed in note 14.1 there were no contingencies and commitments outstanding as at 30 June 2023 (2022: Nil).

- 14.1** The commitment to sell equity securities at a future date under spread transactions amounts to Rs 83.6 million (2022: Nil)

**15. NUMBER OF UNITS ISSUED DURING THE YEAR**

Opening units in issue	<b>17,647,089</b>	14,350,814
Units issued during the year	<b>55,684,500</b>	42,596,772
Less: Units redeemed	<b>(47,612,511)</b>	(39,300,497)
Total units in issue at the end of the year	<b><u>25,719,078</u></b>	<u>17,647,089</u>

**16. AUDITOR'S REMUNERATION**

Annual audit fee	<b>110</b>	110
Half year fee	<b>55</b>	55
Income certification	<b>60</b>	30
COCG certification	<b>-</b>	20
Out of pocket	<b>16</b>	17
	<b>241</b>	232
Sindh sales tax @ 8%	<b>19</b>	18
	<b><u>260</u></b>	<u>250</u>

**17. TAXATION**

The income of the Fund is exempt from income tax under Clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of the accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holder in cash. Since, the Fund has distributed more than 90 percent of its income for the year ended. Accordingly, no provision for current tax has been made in these financial statements. The Fund is also exempt from the provision of section 113 ( minimum tax) under clause 11 A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

**18. EARNING 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.

**19. EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund is 1.07% (2022: 1.16%), which includes 0.09% (2022: 0.12%) representing Government levies and SECP fee. This ratio is within the maximum limit of 2.5% (2022: 2.5%) prescribed under NBFC Regulations of collective investment scheme categorised as a "Shariah Compliant Income Scheme".

## 20. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / Connected persons include AKD Investment Management Limited, being the Management, Company Central Depository Company of Pakistan Limited, being the custodian, AKD Group Holdings (Private) Limited, AKD Securities Limited, other collective schemes managed by the Management Company, directors, officers and other connected persons of the Management Company, and directors, and other connected person.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms at contracted rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and Constitutive documents of the Company.

Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial information, are as follows:

20.1 Transactions during the year	Note	2023 ---- (Rupees in '000) ----	2022 ----
<b>AKD Investment Management Limited - Management Company</b>			
Remuneration to Management Company		4,583	3,171
Sindh sales tax paid on Management Remuneration		596	412
Expenses allocated by the Management Company		3,245	1,189
Sales load		201	150
Issue of 322,080 (2022: 88,736) units		16,905	4,517
Redemption of 321,666 (2022: 88,509 ) units		17,033	4,553
Issue of capital refund 86 (2022: 15) units		4	1
Dividend paid		1	1
<b>Digital Custodian Company Limited - Trustee</b>			
Trustee remuneration		1,262	951
Sindh sales tax on trustee remuneration		164	124
<b>AKD Cash Fund - Fund under common Management</b>			
K Electric short term sukuk purchased from AKD Cash Fund		68,084	-
<b>AKD Aggressive Income Fund - Fund under common Management</b>			
Hub Power Holding Sukuk purchased from AKD Aggressive Income Fund		18,380	-
<b>AKD Securities Limited - Associated Company</b>			
Brokerage Expense (2022: Nil)		135	-
<b>M3 Technologies Pakistan Private Limited Employees Provident Fund - Common Directorship</b>			
Issue of 104,141 (2022: 104,374) units		5,592	5,355
Issue of capital refund 6,303 (2022 : 1,780) units		319	90
Gross dividend		1,272	355

Transactions during the year	Note	2023 ---- (Rupees in '000) ----	2022
<b>Key Management Personnel</b>			
<b>Chief Financial Officer of the Management Company</b>			
Redemption of Nill (2022: 854) units		-	47
<b>Company Secretary and Chief Operating Officer of the Management Company (with spouse and minor children)</b>			
Issue of 8,131 (2022: 127,384) units		467	6,737
Redemption of 7,864 (2022: 127,244) units		413	6,743
Issue of capital refund 854 (2022: 9) units		43	-
Gross Dividend		11	-
<b>Director and Chief Executive Officer of the Management Company</b>			
Issue of 58,142 (2022: 338,360) units		3,200	17,703
Redemption of 58,142 (2022: 338,360) units		3,233	17,764
<b>Spouse of the Chief Executive Officer of the Management Company</b>			
Issue of 947,645 (2022: 447,569) units		51,992	23,456
Redemption of 947,645 (2022: 447,569) units		52,678	23,614
<b>Director and Chief Investment Officer of the Management Company</b>			
Issue of 41 (2022: 77,821) units		2	4,163
Redemption of 82,503 (2022: Nil) units		4,186	-
Issue of capital refund 5 (2022: 4,683) units		0	236
Gross Dividend		-	111
<b>Spouse of the Director and Chief Investment Officer of the Management Company</b>			
Issue of 880 (2022: 268,119) units		50	14,278
Redemption of 282,997 (2022: Nil) units		14,769	-
Issue of capital refund 115 (2022: 14,878) units		6	751
Gross Dividend		2	441
<b>Ali Wahab Siddiqui - Director of the Management Company</b>			
Issue of 180,675 (2022: Nil) units		10,299	-
Issue of capital refund 22,698 (2022: Nil) units		1,150	-
Gross Dividend		352	-
<b>Hina Aqeel- Close relative of the Sponsor of the Management Company</b>			
Issue of Nil (2022: 40,464) units		-	2,155
Redemption of 42,709 (2022: Nil) units		2,336	-
Issue of capital refund Nil (2022: 2,245) units		-	113
Gross Dividend		-	67
<b>Yasmeen Dhedhi- Close relative of the Sponsor of the Management Company</b>			
Issue of 2,372 (2022: 15,515) units		120	830
Issue of capital refund Nil (2022: 934) units		-	47
Gross Dividend		141	22
			20

✓

Transactions during the year	Note	2023 -----Rupees in '000-----	2022
<b>Hasan Ahmed - Director of the Management Company</b>			
Issue of 120 (2022: Nil) units		-	-
Issue of capital refund 3 (2022: Nil) units		0	-
Gross Dividend		1	-
<b>Muhammad Farid Alam - Key Management Personnel of Associated Company</b>			
Issue of 29 (2022: 17,593) units		2	962
Redemption of 35,205 (2022: 16,368) units		2,000	900
Issue of capital refund (2022: 1,466) units		-	74
Gross Dividend		-	74
<b>Unit holders holding 10% or more of the units in issue</b>			
<b>Pak Qatar Investment Account*</b>			
Issue of N/A (2022: 5,069,316) units		-	278,603
Redemption of N/A (2022: 6,001,235) units		-	328,383
Issue of capital refund N/A (2022: 371,269) units		-	18,733
Gross Dividend		-	258
<b>Pak Qatar Individual Family Participant Investment Fund*</b>			
Issue of N/A (2022: 2,047,665) units		-	112,680
Redemption of N/A (2022: 2,047,664) units		-	112,680
Issue of capital refund N/A (2022: 185,489) units		-	9,359
Gross Dividend		-	-
<b>Durain Cassim**</b>			
Issue of 11,749,344 (2022: N/A) units		672,483	-
Redemption of 6,171,973 (2022: N/A) units		363,836	-
Issue of capital refund 946,793 (2022: N/A) units		47,957	-
Gross Dividend		174	-

\* Prior period connected party

\*\* Current period connected party

## 20.2 Balances outstanding at year end

### AKD Investment Management Limited - Management Company

Remuneration payable	533	290
Sindh Sales Tax on Management remuneration	69	38
Payable against expenses allocated by the Management Company	533	109
Payable against formation cost	184	471
Sales load payable	27	72
Outstanding: 742 (June 2022: 242) units	38	12

### Digital Custodian Company Limited - Trustee

Trustee remuneration payable	132	87
Sindh Sales Tax payable on trustee remuneration	17	11

		2023	2022
	Note	-----Rupees in '000-----	
<b>Balances outstanding at year end</b>			
<b>Receivable / Payable against conversion of units between Funds under management</b>			
Receivable against Conversion of units - AKD Cash Fund		500	-
Receivable against Conversion of units - AKD Index Tracker Fund		6,765	-
			22
<b>Director and Chief Investment Officer of the Management Company</b>			
Units held: 47 (June 2022: 82,504)		2	4,174
<b>Company Secretary and Chief Operating Officer of Management Company (with spouse and minor children)</b>			
Units held: 1,270 (June 2022: 149)		65	8
<b>Spouse of the Director and Chief Investment Officer of Management Company</b>			
Units held: 995 (June 2022: 282,997)		51	14,319
<b>AKD Securities Limited - Associated Company</b>			
Brokerage payable (2022: Nil)		153	-
<b>Hasan Ahmed - Director of Management Company</b>			
Units held: 123 (June 2022: Nil)		6	-
<b>Ali Wahab Siddiqui - Director of Management Company</b>			
Units held: 203,373 (June 2022: Nil)		10,350	-
<b>Muhammad Farid Alam - Key Management Personnel of Associated Company</b>			
Units held: Nil (June 2022: 35,176)		-	1,780
<b>Afsheen Aqeel Dhedhi - Close relative of Sponsor of Management Company</b>			
Units held: 36 (June 2022: 31)		2	2
<b>Hina Aqeel- Close relative of Sponsor of Management Company</b>			
Units held: Nil (June 2022: 42,709)		-	2,161
<b>Yasmeen Dhedhi- Close relative of Sponsor of Management Company</b>			
Units held: 18,821 (June 2022: 16,449)		958	832
<b>M3 Technologies Pakistan Private Limited Employees Provident fund - Common Directorship</b>			
Units held: 216,598 (June 2022: 106,154)		11,023	5,371
<b>Pak Qatar Investment Account - Connected person due to holding of more than 10% units*</b>			
Units held: N/A (June 2022: 4,530,603)		-	229,231
			22

Y

	2023	2022
<b>Balances outstanding at year end</b>	<b>Note</b>	<b>-----Rupees in '000-----</b>
<b>Pak Qatar Individual Family Participant Investment Fund - Connected person due to holding of more than 10% units*</b>		
Units held: N/A (June 2022: 2,233,154)	-	112,989
<b>Durain Cassim - Connected person due to holding of more than 10% units**</b>		
Units held: 6,552,129 (June 2022: Nil)	<b>333,460</b>	-
* Prior period connected party		
** Current period connected party		

## 21. FINANCIAL INSTRUMENTS BY CATEGORY

All the financial assets and liabilities carried on the statement of assets and liabilities are categorised as follows:

### Financial assets

#### At fair value through profit or loss

Sukuk certificates	<b>303,363</b>	324,288
Government securities	<b>10,006</b>	-
Listed equity securities (spread transactions)	<b>86,540</b>	-

#### At amortised cost

Bank balances	<b>267,958</b>	336,944
Commercial papers	<b>545,000</b>	209,000
Deposits, prepayments and other receivables	<b>32,914</b>	2,600
Profit receivable	<b>45,066</b>	18,815
Receivable against sale/ conversion of units	<b>7,265</b>	-
Receivable against sale of investments	<b>33,016</b>	6,387
	<b>931,219</b>	573,746

### Financial liabilities

#### At amortised cost

Payable to AKD Investment Management Limited - Management Company	<b>1,346</b>	980
Payable to Digital Custodian Company Limited - Trustee	<b>149</b>	98
Payable to the Securities and Exchange Commission of Pakistan	<b>229</b>	159
Payable against redemption/ conversion of units	<b>18</b>	-
Accrued and other liabilities	<b>6,000</b>	519
	<b>7,742</b>	1,756

## 22. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, profit rate and other price risk), credit risk and liquidity risk. Risks of the Fund are being managed by the Management Company in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of above mentioned risks. The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund's financial assets primarily comprise of balances with banks and investment in equity securities classified at 'fair value through profit or loss'. The Fund also has profit receivable on bank deposit and deposits and dividend. The Fund's principal financial liabilities include remuneration payable to the Management Company, the Trustee and accrued and other liabilities.

## 22.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices.

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the SECP, the NBFC Regulations and NBFC Rules.

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

### 22.1.1 Currency risk

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

### 22.1.2 Profit rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of 30 June 2023, the Fund is exposed to fair value interest rate risk on its bank balances, investment in sukuk certificates Government securities and commercial papers. The Investment Committee of the Fund reviews the portfolio of the Fund on regular basis to ensure risk is managed within the acceptable limits.

As of 30 June 2023, details of Fund's profit bearing financial instruments were as follows:

	Note	2023 ---- (Rupees in '000) ----	2022
Bank balances	5.	267,958	336,944
Investments	6.	858,369	324,288
		<u>1,126,327</u>	<u>661,232</u>

#### a) Sensitivity analysis for variable rate instrument

At the reporting date the Fund has balances in saving accounts and investment in sukuks, commercial papers and Government securities on which profit rate ranges between 19% to 25.91% (2022: 12.25% to 17.78%) that could expose the Fund to cash flow interest rate risk. The net income in the income statement and statement of comprehensive income would have increased / (decreased) by Rs. 11.63 million (2021: Rs. 8.7 million) and consequently statement of movement in unit holder's fund would be affected by the same amount, had the interest rates on saving accounts with the bank increased/(decreased) by 100 basis points. The analysis assumes that all other variables remain constant.

#### b) Sensitivity analysis for fixed rate instruments

At reporting date, the Fund does not hold any fixed rate instruments that could expose the Fund to fair value interest rate risk.

The composition of Fund's investment portfolio, KIBOR rates and rates announced by Financia Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of 30 June 2023 is not necessarily indicative of the effect on the Fund's net assets and net income due to future movements in interest rates.

## Exposure to profit rate risk and maturity

Profit 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.

----- As at 30 June 2023 -----						
Particular	effective profit rate	Exposed to profit rate risk			Not exposed to profit rate 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 at fair value

Sukuk Certificates	22.3 to 25.9	-	12,563	290,800	-	303,363
--------------------	--------------	---	--------	---------	---	---------

#### Financial assets at amortised cost

Commercial Papers	22.3 to 22.8	188,000	357,000	-	-	545,000
Bank balances	13 to 19.75	267,958	-	-	-	267,958
- Listed equity securities		-	-	-	86,540	86,540
Profit Receivable		-	-	-	45,066	45,066
Deposits, prepayments and other receivables		-	-	-	32,914	32,914
Receivable against sale of investments		-	-	-	33,016	33,016
		455,958	357,000	-	197,536	1,010,494
<b>Sub total</b>		<b>455,958</b>	<b>369,563</b>	<b>290,800</b>	<b>197,536</b>	<b>1,313,857</b>

#### Financial liabilities at amortised cost

Payable to AKD Investment Management Limited - Management Company		-	-	-	1,346	1,346
Payable to Digital Custodian Company Limited - Trustee		-	-	-	149	149
Payable to the Securities and Exchange Commission of Pakistan		-	-	-	229	229
Payable against redemption/ conversion of units		-	-	-	18	18
Accrued and other liabilities		-	-	-	6,000	6,000
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>7,742</b>	<b>7,742</b>

<b>On-balance sheet gap</b>		<b>455,958</b>	<b>369,563</b>	<b>290,800</b>	<b>189,794</b>	<b>1,306,115</b>
-----------------------------	--	----------------	----------------	----------------	----------------	------------------

<b>Total interest rate sensitivity gap</b>		<b>455,958</b>	<b>369,563</b>	<b>290,800</b>	<b>189,794</b>	
--	--	----------------	----------------	----------------	----------------	--

<b>Cumulative interest rate</b>		<b>455,958</b>	<b>369,563</b>	<b>290,800</b>	<b>189,794</b>	
---------------------------------	--	----------------	----------------	----------------	----------------	--



As at 30 June 2022						
Particular	Effective profit rate	Exposed to profit rate risk			Not exposed to profit rate 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 at fair value

Sukuk Certificates	13.8 to 17.7	-	3,820	320,468	-	324,288
--------------------	--------------	---	-------	---------	---	---------

#### Financial assets at amortised cost

Commercial Papers	14 to 16.83	-	-	-	-	-
Bank balances	12.2 to 15	336,944	-	-	-	336,944
Profit Receivable		-	-	-	18,815	18,815
Deposits, prepayments and other receivables		-	-	-	2,864	2,864
Receivable against sale of investments		6,387	-	-	-	6,387
		343,331	-	-	21,679	365,010
<b>Sub total</b>		<b>343,331</b>	<b>3,820</b>	<b>320,468</b>	<b>21,679</b>	<b>689,298</b>

#### Financial liabilities at amortised cost

Payable to AKD Investment Management Limited - Management Company		-	-	-	980	980
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	98	98
Payable to the Securities and Exchange Commission of Pakistan		-	-	-	159	159
Accrued and other liabilities		-	-	-	519	519
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,756</b>	<b>1,756</b>
<b>On-balance sheet gap</b>		<b>343,331</b>	<b>3,820</b>	<b>320,468</b>	<b>23,435</b>	<b>691,054</b>
<b>Total interest rate sensitivity gap</b>		<b>343,331</b>	<b>3,820</b>	<b>320,468</b>	<b>23,435</b>	
<b>Cumulative interest rate</b>		<b>343,331</b>	<b>3,820</b>	<b>320,468</b>	<b>23,435</b>	

### 22.1.3 Price risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factor specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's Constitutive Documents, the NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments are concentrated in the sectors given in note 6.3

At 30 June 2023, the fair value of equity securities exposed to price risk is disclosed in note 6.3

The sensitivity of the profit for the year and the unit holders' fund to an increase or decrease of 5% in the fair values of the Fund's equity securities is disclosed below. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Fund's equity securities at each reporting date, with all other variables held constant.

	2023	2022
	--- (Rupees in '000) ---	
Investment and net assets	<u>4,327</u>	-
Income statement	<u>4,327</u>	-

## 22.2 Credit risk

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted. The Fund's credit risk mainly arises from investment in sukuks certificates, commercial papers, deposits with banks and other financial institutions. The credit risk on Fund is limited because counterparties are financial institutions with reasonably high credit ratings.

### Management of credit risk

The Fund keeps deposits and performs transactions with reputed financial institutions with reasonably high credit ratings. The Fund has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies, where available, and if not available, the Fund uses other publicly available financial information and its own trading records to rate its major customers. The Fund's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The maximum exposure to credit risk before considering any collateral as at 30 June 2023 is the carrying amount of the financial assets. None of these assets are 'impaired' nor 'past due but not impaired'.

	2023		2022	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----			
Bank balances	267,958	267,958	336,944	336,944
Investments	848,363	848,363	533,288	533,288
Deposits, prepayments and other receivables	32,914	32,914	2,600	2,600
Profit receivable	45,066	45,066	2,864	2,864
Receivable against sale of investments	33,016	33,016	18,815	18,815
	<u>1,227,317</u>	<u>1,227,317</u>	<u>894,511</u>	<u>894,511</u>

The analysis below summaries the credit rating quality of the fund's financial assets with banks as at 30 June 2023 and 30 June 2022:

Bank balances by rating category	Rating Agency	2023		2022	
		Rupees in '000	%	Rupees in '000	--- % ---
AA- / A1	PACRA	42,467	16%	251,472	75%
AA- / A1+	PACRA	100,419	37%	-	0%
AA / A-1+	VIS	74,722	28%	85,460	25%
A+ / A-1	VIS	50,158	19%	-	0%
Suspended	VIS	13	0%	12	0%
		<u>267,958</u>	<u>100%</u>	<u>336,944</u>	<u>100%</u>

### Profit receivable on bank deposits

AA- / A1	PACRA	6,501	62%	3,355	85%
AA- / A1+	PACRA	1,619	16%	-	0%
AA / A-1+	VIS	1,073	10%	615	15%
A+ / A-1	VIS	1,211	12%	-	0%
		<b>10,404</b>	<b>100%</b>	<b>3,969</b>	<b>100%</b>

Above rating is on the basis of available ratings assigned by PACRA & VIS as of 30 June 2023.

Balance with bank is assessed to have low credit risk of default since the bank is highly regulated by the State Bank of Pakistan. Accordingly, management of the fund estimates that loss allowance on balance with bank at the end of the reporting period at an amount equal to 12 month Expected Credit Loss (ECL). None of the balance with bank at the end of the reporting period is past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the fund have assessed that there is no impairment, and hence have not recorded any loss allowance on this balance.

### 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 mainly concentrated in equity securities which are diversified and relate to various sectors. The Fund's portfolio of other financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

### Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed. For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## 22.3 Liquidity risk

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

The Fund is exposed to settlement of equity securities and daily cash redemptions, if any, at the option of unit holders. The Fund 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.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% 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 10% of the units then in issue. The Fund did not withhold any redemptions during the current year.

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

As at 30 June 2023				
Within one month	Over one to three months	Over three to twelve months	Over one to five years	Total
----- (Rupees in '000) -----				
<b>Financial liabilities at amortised cost</b>				
Payable to AKD Investment Management Limited - Management Company	1,346	-	-	1,346
Payable to Digital Custodian Company Limited - Trustee	149	-	-	149
Payable to the Securities and Exchange Commission of Pakistan	229	-	-	229
Payable against redemption/ conversion of units	18	-	-	18
Accrued and other liabilities	6,000	-	-	6,000
	<b>7,742</b>	<b>-</b>	<b>-</b>	<b>7,742</b>

As at 30 June 2022				
Within one month	Over one to three months	Over three to twelve months	Over one to five years	Total
----- (Rupees in '000) -----				
Financial liabilities at amortised cost				
Payable to AKD Investment Management Limited - Management Company	758	-	184	942
Payable to Digital Custodian Company Limited - Trustee	87	-	-	87
Accrued expenses and other liabilities	519	-	-	519
	<b>1,364</b>	<b>-</b>	<b>184</b>	<b>1,548</b>

### 23. UNIT HOLDERS' FUND (UHF) RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund are entitled to distributions 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' fund.

The Fund's objective when managing unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the benefits of the unit holders to maintain a strong base of assets to support the development of the investment activities of the Fund and to meet unexpected losses or opportunities. As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. In order to comply with the requirement and to maintain or adjust the unit holders' fund, the Fund's policy is to perform the following:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors of the Management Company is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

## 24. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRS. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

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

The following table shows financial instruments recognised at fair value based on:

**Level 1:** quoted prices in active markets for identical assets or liabilities;

**Level 2:** those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

**Level 3:** those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 30 June 2023			
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
<b>Investment in securities - at fair value through profit or loss</b>				
Investments	96,546	303,363	-	399,909
----- (Rupees in '000) -----				
	As at 30 June 2022			
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
<b>Investment in securities - at fair value through profit or loss</b>				
Investments	-	324,288	-	324,288

24.1 There were no transfers between levels of fair value hierarchy during the year.

## 25. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund as on 30 June 2023 are as follows:

S.NO	Name	Designation	Qualification	Experience in year
1.	Mr. Imran Motiwala	Chief Executive Officer	B.Sc (Marketing)	30
2.	Mr. Muhammad Yaqoob	Chief Operating Officer and Company Secretary	MBA (Finance), CFA Charterholder	19
3.	Ms. Anum Dhedhi	Chief Investment Officer	B.Sc. (Financial Economics)	12
4.	Mr. Sheikh Usman Haroon	Risk Manager	ACCA, CFA Charterholder	9
5.	Mr. Danish Aslam	Fund Manager	BS (Accounting & Finance), CFA Level I Passed	5
6.	Mr. Ali Abbas CFA	Head of Research	MBA (Finance), CFA Charterholder	7

Mr. Danish Aslam is manager of fund. He is also managing AKD Cash Fund, AKD Islamic Daily Dividend Fund, and AKD Aggressive Income Fund.

## 26. PATTERN OF SHAREHOLDING

As at 30 June 2023

	No of unitholders	Units held	Percentage of investment
Individuals	1743	20,548,448	79.90
Directors and CEO	2	203,420	0.79
Associated Companies	1	742	0.00
Insurance company	1	1,538	0.01
Retirement Funds	10	2,208,991	8.59
Public Limited Companies	9	114,386	0.44
Others	28	2,641,553	10.27
	<b>1,794</b>	<b>25,719,078</b>	<b>100.00</b>

As at 30 June 2022

	No of unitholders	Units held	Percentage of investment
Individuals	1172	7,190,484	40.75
Directors and CEO	1	82,504	0.47
Associated Companies	1	242	0.00
Insurance company	2	759,718	4.31
Retirement Funds	11	1,648,221	9.34
Public Limited Companies	13	301,767	1.71
Others	11	7,664,153	43.43
	<b>1211</b>	<b>17,647,089</b>	<b>100.00</b>

## 27. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year 93rd, 94th, 95th and 96th board meetings were held on 28 September 2022, 28 October 2022, 24 February 2023 and 28 April 2023 respectively. Information in respect of attendance by directors in these meetings is given below:

S.No	Name of Director	Number of meeting held	Attended	Leave	Meeting not attended
1	Mr.Abdul karim	4	4	-	-
2	Mr.Imran Motiwala	4	4	-	-
3	Ms. Anum Dedhi	4	4	-	-
4	Mr. Saim Mustafa Zuberi*	4	2	-	-
5	Mr. Ali wahab Siddiqui	4	4	-	-
6	Mr. Hassan Ahmed	4	4	-	-
7	Ms. Aysha Ahmed	4	4	-	-

\*Mr. Saim Mustafa Zuberi resigned from the Board with effect from 21 February 2023

**28. GENERAL**

No significant reclassification / rearrangement of the corresponding figures has been made during the year in these financial statements

Figures have been rounded off to the nearest thousand rupees.

**29. SUBSEQUENT EVENT**

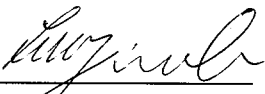
The Board of Directors in its meeting held on 5 July 2023 has proposed and approved a final cash dividend of Rs. 0.07468 per unit amounting to Rs.1.92 million for the year ended 30 June 2023 .

**29.1** No reclassification to the corresponding figures have been made during the year.

**30. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 22 SEP 2023 by the Board of Directors of the Management Company.

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

  
\_\_\_\_\_  
**CHIEF EXECUTIVE OFFICER**

  
\_\_\_\_\_  
**DIRECTOR**

  
\_\_\_\_\_  
**CHIEF FINANCIAL OFFICER**

**AKD ISLAMIC INCOME FUND  
PERFORMANCE TABLE**

	2023	2022	2021
Total net assets value (Rs '000)*	1,307,010	892,873	723,889
Net assets value per unit - (Rs)*	50.8187	50.5961	50.4424
Selling price as at June 30 (Rs)*	51.3276	51.1021	50.9468
Repurchase price as at June 30 (Rs)*	50.8187	50.5961	50.4424
Highest selling price (Rs)	59.8358	55.5787	54.0201
Lowest selling price (Rs)	51.1218	51.0144	50.7165
Highest repurchase price (Rs)	59.2434	55.0284	53.4852
Lowest repurchase price (Rs)	50.6157	50.5093	50.2144
<b>Return of the Fund</b>			
- capital growth (Rs '000)	416,058	168,984	426,294
- income distribution (including refund of capital) (Rs '000)	214,418	74,441	43,847
<b>Distribution per unit</b>			
<b>Interim</b>			
- Gross (2023: announced on June 26, 2023)	8.5912	4.5708	3.2349
- Gross (2022: announced on June 30, 2022)			
- Gross (2021: announced on June 30, 2021)			
<b>Final</b>			
- Gross (2023: announced on July 6, 2023)	0.0747	-	-
<b>Average Annual Return</b>			
- One year	17.65	9.39	6.95
- Two years	13.44	8.16	9.22
- Three years	11.24	9.28	8.95
Weighted Average Portfolio Duration	248	428	252

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

Note: The portfolio composition of the fund has been disclosed in note 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.**

**Head Office:**

216-217, Continental Trade Centre, Block-8, Clifton, Karachi-74000  
U.A.N : 92-21-111 AKDIML (111-253-465) | Fax : 92-21-35303125

**Gulshan-e-Iqbal Branch:**

Bungalow No. FL-3/12,  
Ground Floor Block No. 5, KDA,  
Scheme No. 24, Gulshan-e-Iqbal, Karachi.  
Contact # 92-21-34823003-7

**Abbottabad Branch:**

Office No. 1 & 2, 2nd Floor, Zaman Plaza,  
Near Complex Hospital,  
Main Mansehra Road, Abbottabad.  
Contact # 099-2381431-2

**Lahore Branch:**

Plaza # 250, 2nd Floor, Phase IV,  
Block-FF, D.H.A., Lahore Cantt.  
Contact # 0333-0342762-4

E-mail : [info@akdinvestment.com](mailto:info@akdinvestment.com)  
Website : [www.akdinvestment.com](http://www.akdinvestment.com)