

Funds Managed by:  
**AKD Investment Management Ltd.**

# 2021



# annual report



**Partner with AKD**  
**Profit from the Experience**



**AKD Investment  
Management Ltd.**

# CORPORATE INFORMATION



**Abdul Karim**  
Chairman



**Imran Motiwala**  
Chief Executive Officer



**Hasan Ahmed**  
Director



**Anum Dhedhi**  
Director



**Ali Wahab Siddiqui**  
Director



**Aysha Ahmed**  
Director



**Saim Mustafa Zuberi**  
Director

## **MANAGEMENT COMPANY**

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

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

**Chairman**  
Mr. Abdul Karim

**Director & Chief Executive Officer**  
Mr. Imran Motiwala

**Director**  
Ms. Anum Dhedhi  
Ms. Aysha Ahmed  
Mr. Ali Wahab Siddiqui  
Mr. Hasan Ahmed  
Mr. Saim Mustafa Zuberi

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

Mr. Muhammad Yaqoob Sultan, CFA

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

Muhammad Munir Abdullah

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

Ms. Tayyaba Masoom Ali

### **AUDIT COMMITTEE**

Mr. Ali Wahab Siddiqui (Chairman)  
Mr. Hasan Ahmed (Member)  
Mr. Saim Mustafa Zuberi (Member)  
Ms. Tayyaba Masoom Ali (Secretary)

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

Ms. Aysha Ahmed (Chairman)  
Mr. Abdul Karim (Member)  
Mr. Imran Motiwala (Member)  
Ms. Anum Dhedhi (Member)  
Mr. Saim Mustafa Zuberi (Member)  
Mr. Muhammad Yaqoob Sultan, CFA (Secretary)

### **RATING**

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

# **CORPORATE INFORMATION**

## VISION



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

## MISSION STATEMENT



*AKD Funds shall continuously strive to:*

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

## **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) - *(Formerly: Golden Arrow Selected Stocks Fund Limited)*, AKD Index Tracker Fund (AKDITF), AKD Cash Fund (AKDCF) AKD Aggressive Income Fund (AKDAIF), AKD Islamic Income Fund (AKDISIF) and AKD Islamic Stock Fund (AKDISSF) is pleased to present its annual report along with the Funds' Audited Financial Statements for the year ended June 30, 2021.

### **FUNDS' FINANCIAL PERFORMANCE**

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

For the FY21, the return of AKD Opportunity Fund stood at 103.76% compared to the benchmark KSE-100 Index return of 37.58%.

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

For the FY21, the return of Golden Arrow Stock Fund stood at 113.80% compared to the benchmark KSE-100 Index return of 37.58%.

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

For the FY21, the return of AKD Index Tracker Fund stood at 34.58% compared to the benchmark KSE-100 Index return of 37.58%.

The Chief Executive under the authority granted by the Board of Directors approved total distribution (including refund of element) of Rs. 0.63153 per unit to the unit holders during the year ended June 30, 2021.

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

For the FY21, the return of AKD Cash Fund stood at 6.38% compared to the benchmark return of 6.70%.

The Chief Executive under the authority granted by the Board of Directors approved total distribution (including refund of element) of Rs. 3.17886 per unit to the unit holders during the year ended June 30, 2021.

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

For the FY21, the return of AKD Aggressive Income Fund stood at 7.08% compared to the benchmark return of 7.76%.

The Chief Executive under the authority granted by the Board of Directors approved total distribution (including refund of element) of Rs. 3.50400 per unit to the unit holders during the year ended June 30, 2021.

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

For the FY21, the return of AKD Islamic Income Fund stood at 6.95% compared to the benchmark return of 3.55%.

The Chief Executive under the authority granted by the Board of Directors approved total distribution (including refund of element) of Rs. 3.23485 per unit to the unit holders during the year ended June 30, 2021.

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

For the FY21, the return of AKD Islamic Stock Fund stood at 66.48% compared to the benchmark KMI-30 Index return of 39.32%.

## **MACRO PERSPECTIVE**

Pakistan's economy witnessed robust recovery in FY21 posting a provisional GDP growth of 3.94% compared to negative growth of 0.47% during FY20. This was much more than the forecasted growth of 2.1%. The higher than expected growth in GDP was on the back of 4.43% growth from the Services sector and exceptional growth in Large Scale Manufacturing of 9.29%. Fiscal deficit during the period also showed improvement posting 7.1% of GDP as compared to 8.1% of GDP during FY20. On the external front forex reserves stood at US\$24.4 bn (June 2021) providing import cover of more than 4 months.

The Current Account position remained fairly stable throughout FY21 with the year closing at a deficit of US\$1.8bn as compared to a deficit \$4.45 billion during FY20. External account remained positive during 1HFY21 with a Current Account Surplus of \$1.25 billion (0.86% of GDP), while the momentum tapered off in during the latter of the fiscal year on the back of import of plant & machinery (TERF (Temporary Economic Refinance Facility) related) and higher crude oil prices. Exports of Goods surged by 13.74%YoY to \$25.63 billion largely on back of textile exports. Remittances meanwhile posted phenomenal growth of 27%YoY to \$29.37 billion providing fiscal space and keeping the current account deficit in check. Foreign Direct Investment (FDI) registered a decline of 28.95% to \$1.85 billion. That said, the Government's efforts to attract Non-Resident Pakistani money paid off attracting \$1.56 billion through

Roshan Digital Accounts (RDA) with more than 180,000 accounts opened primarily by Non-Resident Pakistanis by June end FY21. Pakistan also raised US\$2.5 billion from the international capital market through long term Eurobonds under its first ever Global Medium Term Note Program. The IMF during the year cautioned economic managers globally that the pandemic posed several challenges with a need to be proactive in protecting themselves from the economic fallout, while also appreciating our government's policies and initiatives in this regard during these testing times.

On the fiscal front, tax collection figures posted an encouraging growth trend of 18% YoY during FY21 clocking in at PKR 4.7trn, comfortably above the revised target of PkR4.6trn. This took the provisional fiscal deficit during FY21 to 7.1% as opposed to 8.1% during FY20 and the stated target of 7%. In terms of primary deficit, FY21 closed with a deficit of 1.12% which marked a significant annual improvement where the same clocked in at 1.8% in FY20.

Controlling inflation remained challenging where CPI during FY21 was recorded at 8.90% YoY in spite of a high base effect and compared to 10.74%YoY in FY20. With Inflation remaining in the target zone and focus on growth, the State Bank of Pakistan (SBP) maintained the interest rate at 7.00% during FY21. At the same time to facilitate the business community and promote capital expenditure, the SBP offered TERF, a financing facility for 10 years at a fixed rate priced significantly below the discount rate primarily for import of new machinery. Till the cut-off date of availing this facility reportedly the SBP had approved facilities to various manufacturing concerns in amount of Rs435.7bn against which it had already disbursed approximately Rs163.0bn during the current fiscal year.

The Large Scale Manufacturing (LSM) sector witnessed a swift recovery posting a growth of 14.85% during FY21 as compared to decline of 10.17% in FY20. During the period under review, major contribution towards the growth came from Textile, Non Metallic Mineral Products, Food, Beverages & Tobacco and Automobiles to name a few. However, overall growth during the period was kept in check by sectors that posted negative growth including Leather Products and Electronics.

Furthermore, Pakistan was able to attract net \$1.85 bn in Foreign Direct Investment (FDI) during FY21, down by 29%YoY as compared to \$2.60 recorded during FY20. Decrease in net inflows can be attributed to a high base effect where net FDI inflows have surged at a two year CAGR of 16.42% against \$1.36 billion recorded during FY19. Power sector, Oil and Gas Explorations and Financial Business remained the major sectors to attract a net cumulative FDI of \$1.38 bn alone.

Local currency remained strong during the year where PKR-US\$ appreciated by 6.67%YoY to close at PKR 157.54 per. Positivity in local currency was supported by a sustainable external account balance where Current Account witnessed surplus of \$1.25 bn during 1HFY21. Moreover, the Real Effective Exchange Rate (REER) remained below 100 during 9 months of the fiscal year.

## **EQUITY MARKET REVIEW**

FY21 turned out to be an optimistic year for the local bourse where the benchmark KSE-100 index remained buoyant and posted a 7-year highest return of 37.58% (USD 46.75%) to close at 47,356pts. This was on the back of Government's pro-growth policies, surplus in External Account balance and revival of economic activities. The improved performance of the market was in spite of unprecedented challenges posed by the COVID19 pandemic and with it the economic uncertainty; under which the government and central bank have been hailed by the business community and market players alike for the proactive measures taken to ensure the economy weathers these difficult times. Needless to say, after touching a 4 year high of 48,726 (June14, 2021), the KSE-100 index witnessed a correction on the back of profit taking.

Average daily turnover during FY21 surged by an impressive 168.32% clocking in at 527.52 million shares as compared 196.60 million shares during FY20 as negative real interest rates helped the local bourse in attracting liquidity. Moreover, the discontinuation of larger denominated bearer bonds (another government initiative to discourage the movement of undocumented money) also supported the stock market an exceedingly viable option for declared wealth in attracting liquidity. However, continued foreign institutional selling led to investors moving to second/third tier counters and following the incredible re-rating of TRG's stock price, the technology sector has driven the limelight. Overwhelming response was witnessed for fresh equity issues where seven new companies (ex-spo and preference shares) were oversubscribed by 2.2x on average fetching approximately Rs17.17 bn. Moreover, ~24 companies issued right shares successfully raising PKR 49.55bn during outgoing year.

Foreign investors continued to remain net sellers in the equities with net outflow of \$387.34 million during FY21, taking the cumulative outflow since FY16 to \$2.25 billion. During FY21, Banks/DFI and Broker Proprietary disinvested their positions with a net selling of \$94.76 million and \$32.19 million respectively, while much of this selling was absorbed by Individuals and Companies with net buying of \$332.07 million and \$137.80 million respectively.

Major outperformance was witnessed in sectors including Cement, Commercial Banks, Technology & Communication and Food & Personal Care Products. However, some of the gains were diluted by negative performance from Tobacco, Oil & Gas Exploration Companies and Vanaspati & Allied Industries. Total Market Capitalization ratio to GDP increased to 17.40% in FY21 as compared to 15.71% recorded during FY20.

In terms of valuation, the KSE-100 Index closed at a forward Price to Earnings Multiple of 5.95x, which is a 60.14% discount as compared to MSCI Frontier Markets P/E of 14.93x and offering a healthy dividend yield of 5.9%, approximately 150bps below the risk free rate.

## **MONEY MARKET REVIEW**

During FY21, twenty six (26) Market Treasury Bills (MTBs) auctions were carried out by the State Bank of Pakistan, where the government managed to raise PKR 15.23 trn cumulatively. The Weighted average yield of 3 months, 6 months, and 12 months MTBs were 7.15%, 7.29%, and 7.42% respectively, down by 5.08%, 4.84%, and 4.57% as compared to 12.23%, 12.13%, and 11.98% same period last year.

The SBP also conducted twelve (12) auctions of Fixed Rate Pakistan Investment Bonds (PIBs) and was successful in raising PKR 1.06 trn during FY21. Weighted average yield for 3 years, 5 years, and 10 years PIBs decreased by 3.15%, 2.35%, and 1.72% to 8.44%, 8.93%, and 9.45% as compared to 11.58%, 11.28%, and 11.18% same period last year.

The Monetary Policy Committee conducted five (5) meetings, while maintaining the discount rate at 7.00%. The SBP conducted 97 Open Market Operations (OMO) of different maturities and injected average amount of PKR 856.17 bn at an average cut off yield of 7.04% and mopped-up average amount of PKR 79.55 bn at an average cut off yield of 6.93%.

As per the auction target calendar for September – November 2021, the SBP targets to raise PKR 3.90 trn by issuing 3–12 months MTBs against maturing amount of PKR 3.91 trn. In addition, SBP targets to raise another PKR 450 bn through 3–30 years Fixed Rate PIBs during the period against maturing amount of PKR 18 bn.

## **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 |           |           |           |          |       |
|-------|-------------------------|---------------------|-----------|-----------|-----------|----------|-------|
|       |                         | 30-Apr-21           | 25-Feb-21 | 29-Oct-20 | 30-Sep-20 | Attended | Leave |
| 1     | Mr. Abdul Karim         | ✓                   | ✓         | ✓         | ✓         | 4        | 0     |
| 2     | Mr. Imran Motiwala      | ✓                   | ✓         | ✓         | ✓         | 4        | 0     |
| 3     | Ms. Anum Dhedhi         | ✓                   | ✓         | ✗         | ✓         | 3        | 1     |
| 4     | Mr. Saim Mustafa Zuberi | ✓                   | ✓         | ✗         | ✓         | 3        | 1     |
| 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 |           |           |           |          |       |
|-------|-------------------------|---------------------|-----------|-----------|-----------|----------|-------|
|       |                         | 29-Apr-21           | 25-Feb-21 | 28-Oct-20 | 29-Sep-20 | Attended | Leave |
| 1     | Mr. Ali Wahab Siddiqui  | ✓                   | ✓         | ✓         | ✓         | 4        | 0     |
| 2     | Mr. Hasan Ahmed         | ✓                   | ✓         | ✓         | ✓         | 4        | 0     |
| 3     | Mr. Saim Mustafa Zuberi | ✓                   | ✗         | ✗         | ✓         | 2        | 2     |

- (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) |
|--------------------------------|--------------------------|------------------------------------------|--------------------------|--------------------------|
| <b>AKD OPPORTUNITY FUND</b>    |                          |                                          |                          |                          |
| 1                              | Mr. Imran Motiwala       | CEO                                      | 23,871                   | 13,530                   |
| 2                              | Mrs. Sehr Imran Motiwala | Spouse-CEO                               | 5,671                    | 5,671                    |
| 3                              | Mr. Muhammad Yaqoob      | COO & Company Secretary                  | 13,803                   | -                        |
| 4                              | Mrs. Maliha Yaqoob       | Spouse-COO & Company Secretary           | 15,226                   | -                        |
| 5                              | Minor Children           | Minor Children - COO & Company Secretary | 16,526                   | -                        |
| <b>AKD ISLAMIC INCOME FUND</b> |                          |                                          |                          |                          |
| 1                              | Mr. Imran Motiwala       | CEO                                      | 27,100                   | 27,100                   |
| 2                              | Mrs. Sehr Imran Motiwala | Spouse-CEO                               | 346,630                  | 2,570,366                |
| 3                              | Mr. Muhammad Yaqoob      | COO & Company Secretary                  | -                        | 18,822                   |
| 4                              | Mrs. Maliha Yaqoob       | Spouse-COO & Company Secretary           | 417                      | 417                      |
| 5                              | Mr. Muhammad Munir       | CFO                                      | 13                       | -                        |
| <b>AKD ISLAMIC STOCK FUND</b>  |                          |                                          |                          |                          |
| 1                              | Ms. Anum Dhedhi          | CIO & Director                           | 10,657                   | -                        |
| 2                              | Mrs. Sehr Imran Motiwala | Spouse-CEO                               | 173,755                  | -                        |
| 3                              | Mr. Muhammad Yaqoob      | COO & Company Secretary                  | 10,646                   | -                        |
| <b>AKD CASH FUND</b>           |                          |                                          |                          |                          |
| 1                              | Hasan Ahmed              | Director                                 | 7                        | -                        |
| <b>GOLDEN ARROW STOCK FUND</b> |                          |                                          |                          |                          |
| 1                              | Minor Children           | Minor Children - COO & Company Secretary | 100,689                  | -                        |

## 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: Two
  - 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 February 08, 2021.

## 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) for the period ended December 31, 2020] and short term [based on performance review of trailing 12 months

(1 Year) for the period ended December 31, 2020] to AKD Opportunity Fund (AKDOF) on February 15, 2021.

#### **AKD CASH FUND**

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the stability rating of “AA+(f)” (Double A Plus; fund stability rating) to AKD Cash Fund (AKDCF) on March 04, 2021.

#### **AKD AGGRESSIVE INCOME FUND**

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the stability rating of “A(f)” (Single A; fund stability rating) to AKD Aggressive Income Fund (AKDAIF) on March 04, 2021.

#### **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) for the period ended December 31, 2020] and short term [based on performance review of trailing 12 months (1 Year) for the period ended December 31, 2020] to Golden Arrow Stock Fund (GASF) on February 15, 2021.

#### **AKD ISLAMIC INCOME FUND**

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the stability rating of “A+(f)” (Single A Plus; fund stability rating) to AKD Islamic Income Fund (AKDISIF) on March 04, 2021.

#### **AKD ISLAMIC STOCK FUND**

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 4-Star Performance Ranking in short term [based on performance review of trailing 12 months (1 Year) for the period ended December 31, 2020] to AKD Islamic Stock Fund (AKDISSF) on February 15, 2021.

#### **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 (AKDOF), AKD Index Tracker Fund (AKDITF), AKD Cash Fund (AKDCF), AKD Aggressive Income Fund (AKDAIF), AKD Islamic Income Fund (AKDISIF), and AKD Islamic Stock Fund (AKDISSF) for the year 2021-2022 as recommended by the Audit Committee.

The present auditors M/s Yousuf Adil, Chartered Accountants are retiring and have completed their five years as auditors of the Golden Arrow Stock Fund (GASF). As per the requirements of the NBFC Regulations, 2008 the auditors have to be changed this year. The Board appointed M/s Riaz Ahmad & Company, Chartered Accountants as the statutory auditors for Golden Arrow Stock Fund (GASF) for the year 2021-2022 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**

During two months of FY21, the Current Account Deficit reached \$2.29 billion (4.13% of GDP) owing to an increase in the Balance of Trade, as the External Account remained under pressure due to higher commodity prices – crude oil in particular, coupled with the import of vaccines and disbursements against TERF related capital expenditure (SBP disbursement reportedly US\$1.63bn during FY22). As per the Central Bank, the Current Account is expected to reach a sustainable level of 2 to 3 percent of GDP during FY22. Recent depreciation of the local currency is expected to help contain the import of luxury goods and stabilize the US dollar/pak rupee parity. In addition, it is also pertinent to mention that the central bank has recognized the inflationary pressures of the Current Account deficit and while leaning towards a growth accommodating monetary stance, increased the discount rate by 25bps to 7.25% in its last monetary committee meeting held in September 21.

Reportedly, Pakistan is expected to re-initiate staff level discussions with the International Monetary Fund (IMF) during last week Sep'21 for release of the sixth tranche of \$6 bn under the Extended Fund Facility (EFF), for which a decision by the third week of October 2021 is likely. As per media reports the government remains reluctant to increase electricity tariffs, underscoring a delay since in April 2021 as part of its revised Circular Debt Management Plan (CDMP) to generate PKR 900 bn through tariff adjustments till June 2023 and remains a major impasse with the IMF. Recent receipts of ~\$2.7 bn, additional liquidity provided by the IMF under its program to facilitate developing countries during the pandemic has taken the total foreign exchange reserve to ~27 bn. More importantly, following the central bank's efforts to create a market determined US dollar/Rupee parity, the Real Effective Exchange Rate (REER) of 97 by end of August 2021 implies a very low likelihood of further Rupee depreciation.

MSCI decided to downgrade the status of Pakistan from Emerging Market (EM) to Frontier Market (FM) effective from November 2021 under its Semi-Annual Index Review (SAIR). Pakistan's current weight of ~0.02% in the MSCI's Emerging Market Index suggests an outflow of ~\$150 mn from passive EM managers, while it is expected that with a weight of approximately 5.5% in MSCI's FM100 index shall

accommodate the same amount with prospective inflows. More importantly, we believe the reclassification will reduce foreign selling which has been witnessed since FY16 as the local bourse would have a more significant weightage of a much smaller fund allocated to frontier markets, unlike the case in the emerging markets.

As far as fixed income is concerned, the State Bank of Pakistan is targeting inflation in the range of 7 to 9 percent in FY22. MPC reinforced its stance to continue negative real interest rates to appropriately support the growth in the economy. However, any near term accommodative stance by the SBP with possible further gradual tapering of stimulus cannot be ruled out owing to growth in demand.

We expect the stock market to remain positive due to expansionary fiscal policy by the Government where the country has posted a provisional GDP growth of ~4.40% in FY21. The Government of Pakistan is expecting growth of approximately 4.8% in FY22 which seems achievable considering the capex gains

from TERF financing, expansionary fiscal policy along with relatively low interest rates. We reiterate our positive market outlook for FY22 based on (i) expected growth in GDP owing to robust corporate earnings (ii) compelling Price to Earnings multiple of 5.62x, (iii) Healthy dividend yield of 6.5%, (iv) negative real interest rates, (v) reduction in Capital Gains Tax rate from 15.00% to 12.50% for capital market transactions.

For and on behalf of the board

**Imran Motiwala**  
Chief Executive Officer

**Abdul Karim Memon**  
Chairman

Karachi: September 29, 2021

# AKD Cash Fund



## MANAGEMENT COMPANY

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

## TRUSTEE

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

## BANKERS

Allied Bank Limited  
Askari Bank Limited  
Bank AL Habib Limited  
Faysal Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
United Bank Limited

## AUDITORS

Yousuf Adil  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Sharah-e-Faisal  
Karachi-75350, Pakistan.

## LEGAL ADVISER

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

## REGISTRAR

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

## DISTRIBUTOR

AKD Investment Management Limited  
Financial Investments Mart (Pvt) Ltd.  
Investomate (Private) Limited.  
ITMinds Limited.  
Investlink Advisor (Private) Limited.  
YPay Financial Services (Pvt.) Ltd.

## RATING

AKD CASH FUND  
PACRA: AA+(f) [Double A Plus (f)]

## FUND MANAGER'S REPORT

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

Open – end Money Market Scheme

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

The investment objective of the Fund is to provide optimum return consistent with minimal risk from a portfolio constituted of high quality short term securities / instruments, which will provide liquidity to investors. The fund exclusively invests in highly secure ('AA' and above) debt instruments such that the weighted average maturity of its assets stays below 90 days.

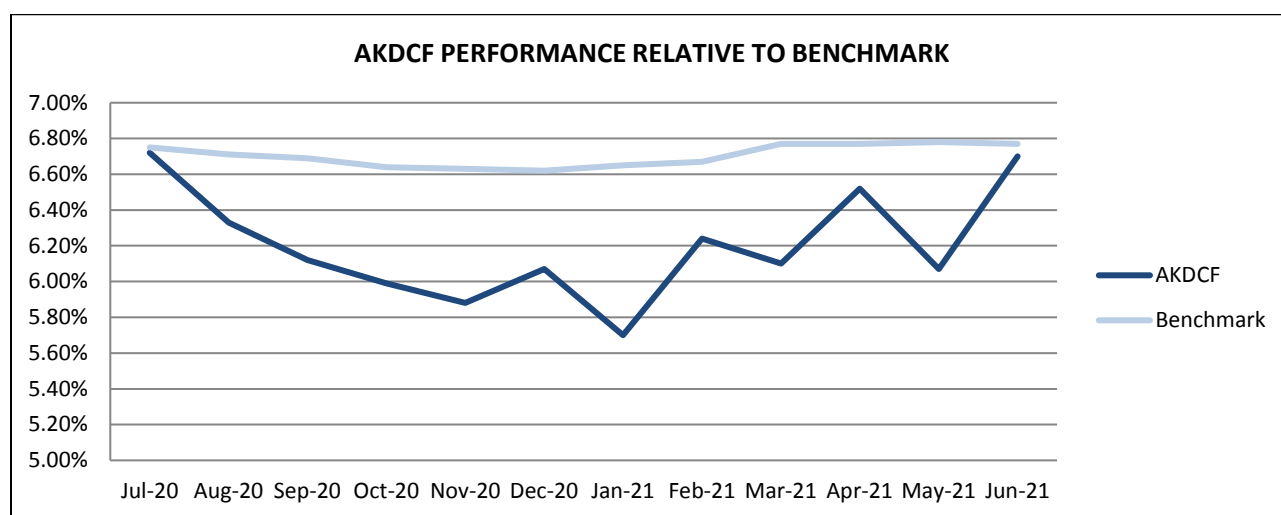
**iii) Explanation as to whether Collective Investment Scheme achieved its stated objective:**

For the FY21, the return of AKD Cash Fund stood at 6.38% compared to benchmark return of 6.70%.

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

70% three (3) months PKRV rate + 30% three (3) months average deposit rate of three (3) AA rated scheduled 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-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun-21 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| AKDCF                      | 6.72%  | 6.33%  | 6.12%  | 5.99%  | 5.88%  | 6.07%  | 5.70%  | 6.24%  | 6.10%  | 6.52%  | 6.07%  | 6.70%  |
| Benchmark                  | 6.75%  | 6.71%  | 6.69%  | 6.64%  | 6.63%  | 6.62%  | 6.65%  | 6.67%  | 6.77%  | 6.77%  | 6.78%  | 6.77%  |

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

AKD Cash Fund is an Open – end Money Market Scheme. The returns of the fund are generated primarily through investment in high quality short term government securities. AKDCF is fully complied with the relevant policies and procedures as per Fund's regulatory requirements.

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-21</b> | <b>30-Jun-20</b> |
|---------------------------------------------|------------------|------------------|
| <b>Cash and Cash Equivalents</b>            | 99.82%           | 88.30%           |
| <b>Commercial Papers</b>                    | -                | 10.97%           |
| <b>Other Assets including Receivables</b>   | 0.18%            | 0.73%            |

viii) **Analysis of the Collective Investment Scheme's performance:**

|                         |              |
|-------------------------|--------------|
| <b>FY21 Return</b>      | <b>6.38%</b> |
| <b>Benchmark Return</b> | <b>6.70%</b> |

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

| <b>Net Assets Value</b> |                  | <b>Change in Net Assets</b> | <b>NAV Per Unit</b> |                  |
|-------------------------|------------------|-----------------------------|---------------------|------------------|
| <b>30-Jun-21</b>        | <b>30-Jun-20</b> |                             | <b>30-Jun-21</b>    | <b>30-Jun-20</b> |
| <b>(Rupees in 000)</b>  |                  |                             | <b>(Rupees)</b>     |                  |
| <b>418,559</b>          | <b>533,220</b>   | <b>-21.50%</b>              | <b>50.6287</b>      | <b>50.5830</b>   |

x) **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**

Pakistan's economy witnessed robust recovery in FY21 posting a provisional GDP growth of 3.94% compared to negative growth of 0.47% during FY20. This was much more than the forecasted growth of 2.1%. The higher than expected growth in GDP was on the back of 4.43% growth from the Services sector and exceptional growth in Large Scale Manufacturing of 9.29%. Fiscal deficit during the period also showed improvement posting 7.1% of GDP as compared to 8.1% of GDP during FY20. On the external front forex reserves stood at US\$24.4 bn (June 2021) providing import cover of more than 4 months.

The Current Account position remained fairly stable throughout FY21 with the year closing at a deficit of US\$1.8bn as compared to a deficit \$4.45 billion during FY20. External account remained positive during 1HFY21 with a Current Account Surplus of \$1.25 billion (0.86% of GDP), while the momentum tapered off in during the latter of the fiscal year on the back of import of plant & machinery (TERF (Temporary Economic Refinance Facility) related) and higher crude oil prices. Exports of Goods surged by 13.74%YoY to \$25.63 billion largely on back of textile exports. Remittances meanwhile posted phenomenal growth of

27%YoY to \$29.37 billion providing fiscal space and keeping the current account deficit in check. Foreign Direct Investment (FDI) registered a decline of 28.95% to \$1.85 billion. That said, the Government's efforts to attract Non-Resident Pakistani money paid off attracting \$1.56 billion through Roshan Digital Accounts (RDA) with more than 180,000 accounts opened primarily by Non-Resident Pakistanis by June end FY21. Pakistan also raised US\$2.5 billion from the international capital market through long term Eurobonds under its first ever Global Medium Term Note Program. The IMF during the year cautioned economic managers globally that the pandemic posed several challenges with a need to be proactive in protecting themselves from the economic fallout, while also appreciating our government's policies and initiatives in this regard during these testing times.

On the fiscal front, tax collection figures posted an encouraging growth trend of 18% YoY during FY21 clocking in at PKR 4.7trn, comfortably above the revised target of PkR4.6trn. This took the provisional fiscal deficit during FY21 to 7.1% as opposed to 8.1% during FY20 and the stated target of 7%. In terms of primary deficit, FY21 closed with a deficit of 1.12% which marked a significant annual improvement where the same clocked in at 1.8% in FY20.

Controlling inflation remained challenging where CPI during FY21 was recorded at 8.90% YoY in spite of a high base effect and compared to 10.74%YoY in FY20. With Inflation remaining in the target zone and focus on growth, the State Bank of Pakistan (SBP) maintained the interest rate at 7.00% during FY21. At the same time to facilitate the business community and promote capital expenditure, the SBP offered TERF, a financing facility for 10 years at a fixed rate priced significantly below the discount rate primarily for import of new machinery. Till the cut-off date of availing this facility reportedly the SBP had approved facilities to various manufacturing concerns in amount of Rs435.7bn against which it had already disbursed approximately Rs163.0bn during the current fiscal year.

The Large Scale Manufacturing (LSM) sector witnessed a swift recovery posting a growth of 14.85% during FY21 as compared to decline of 10.17% in FY20. During the period under review, major contribution towards the growth came from Textile, Non Metallic Mineral Products, Food, Beverages & Tobacco and Automobiles to name a few. However, overall growth during the period was kept in check by sectors that posted negative growth including Leather Products and Electronics.

Furthermore, Pakistan was able to attract net \$1.85 bn in Foreign Direct Investment (FDI) during FY21, down by 29%YoY as compared to \$2.60 recorded during FY20. Decrease in net inflows can be attributed to a high base effect where net FDI inflows have surged at a two year CAGR of 16.42% against \$1.36 billion recorded during FY19. Power sector, Oil and Gas Explorations and Financial Business remained the major sectors to attract a net cumulative FDI of \$1.38 bn alone.

Local currency remained strong during the year where PKR-US\$ appreciated by 6.67%YoY to close at PKR 157.54 per. Positivity in local currency was supported by a sustainable external account balance where Current Account witnessed surplus of \$1.25 bn during 1HFY21. Moreover, the Real Effective Exchange Rate (REER) remained below 100 during 9 months of the fiscal year.

## **MONEY MARKET REVIEW**

During FY21, twenty six (26) Market Treasury Bills (MTBs) auctions were carried out by the State Bank of Pakistan, where the government managed to raise PKR 15.23 trn cumulatively. The Weighted average yield of 3 months, 6 months, and 12 months MTBs were 7.15%, 7.29%, and 7.42% respectively, down by 5.08%, 4.84%, and 4.57% as compared to 12.23%, 12.13%, and 11.98% same period last year.

The SBP also conducted twelve (12) auctions of Fixed Rate Pakistan Investment Bonds (PIBs) and was successful in raising PKR 1.06 trn during FY21. Weighted average yield for 3 years, 5 years, and 10 years PIBs decreased by 3.15%, 2.35%, and 1.72% to 8.44%, 8.93%, and 9.45% as compared to 11.58%, 11.28%, and 11.18% same period last year.

The Monetary Policy Committee conducted five (5) meetings, while maintaining the discount rate at 7.00%. The SBP conducted 97 Open Market Operations (OMO) of different maturities and injected average amount of PKR 856.17 bn at an average cut off yield of 7.04% and mopped-up average amount of PKR 79.55 bn at an average cut off yield of 6.93%.

As per the auction target calendar for September – November 2021, the SBP targets to raise PKR 3.90 trn by issuing 3–12 months MTBs against maturing amount of PKR 3.91 trn. In addition, SBP targets to raise another PKR 450 bn through 3–30 years Fixed Rate PIBs during the period against maturing amount of PKR 18 bn.

## **FUTURE OUTLOOK**

During two months of FY21, the Current Account Deficit reached \$2.29 billion (4.13% of GDP) owing to an increase in the Balance of Trade, as the External Account remained under pressure due to higher commodity prices – crude oil in particular, coupled with the import of vaccines and disbursements against TERF related capital expenditure (SBP disbursement reportedly US\$1.63bn during FY22) As per the Central Bank, the Current Account is expected to reach a sustainable level of 2 to 3 percent of GDP during FY22. Recent depreciation of the local currency is expected to help contain the import of luxury goods and stabilize the US dollar/pak rupee parity. In addition, it is also pertinent to mention that the central bank has recognized the inflationary pressures of the Current Account deficit and while leaning towards a growth accommodating monetary stance, increased the discount rate by 25bps to 7.25% in its last monetary committee meeting held in September 21.

Reportedly, Pakistan is expected to re-initiate staff level discussions with the International Monetary Fund (IMF) during last week Sep'21 for release of the sixth tranche of \$6 bn under the Extended Fund Facility (EFF), for which a decision by the third week of October 2021 is likely. As per media reports the government remains reluctant to increase electricity tariff's, underscoring a delay since in April 2021 as part of its revised Circular Debt Management Plan (CDMP) to generate PKR 900 bn through tariff adjustments till June 2023 and remains a major impasse with the IMF. Recent receipts of ~\$2.7 bn, additional liquidity provided by the IMF under its program to facilitate developing countries during the pandemic has taken the total foreign exchange reserve to ~27 bn. More importantly, following the central

bank's efforts to create a market determined US dollar/Rupee parity, the Real Effective Exchange Rate (REER) of 97 by end of August 2021 implies a very low likelihood of further Rupee depreciation.

MSCI decided to downgrade the status of Pakistan from Emerging Market (EM) to Frontier Market (FM) effective from November 2021 under its Semi-Annual Index Review (SAIR). Pakistan's current weight of ~0.02% in the MSCI's Emerging Market Index suggests an outflow of ~\$150 mn from passive EM managers, while it is expected that with a weight of approximately 5.5% in MSCI's FM100 index shall accommodate the same amount with prospective inflows. More importantly, we believe the reclassification will reduce foreign selling which has been witnessed since FY16 as the local bourse would have a more significant weightage of a much smaller fund allocated to frontier markets, unlike the case in the emerging markets.

As far as fixed income is concerned, the State Bank of Pakistan is targeting inflation in the range of 7 to 9 percent in FY22. MPC reinforced its stance to continue negative real interest rates to appropriately support the growth in the economy. However, any near term accommodative stance by the SBP with possible further gradual tapering of stimulus cannot be ruled out owing to growth in demand.

We expect the stock market to remain positive due to expansionary fiscal policy by the Government where the country has posted a provisional GDP growth of ~4.40% in FY21. The Government of Pakistan is expecting growth of approximately 4.8% in FY22 which seems achievable considering the capex gains from TERF financing, expansionary fiscal policy along with relatively low interest rates. We reiterate our positive market outlook for FY22 based on (i) expected growth in GDP owing to robust corporate earnings (ii) compelling Price to Earnings multiple of 5.62x, (iii) Healthy dividend yield of 6.5%, (iv) negative real interest rates, (v) reduction in Capital Gains Tax rate from 15.00% to 12.50% for capital market transactions.

**xi) 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.

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

| Range (Units)     | No. of Investors |
|-------------------|------------------|
| 0.1 - 9,999       | 200              |
| 10,000 - 49,999   | 32               |
| 50,000 - 99,999   | 12               |
| 100,000 - 499,999 | 28               |
| 500,000 and above | 34               |
|                   | 306              |

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

There were no unit splits during the period.

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

Investments are subject to credit and market risk.

**xv) 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 Cash Fund**

Details of Pattern of Holding (Units)

As At June 30, 2021

|                          | No. of Unitholders | Units Held       | % of Total     |
|--------------------------|--------------------|------------------|----------------|
| Associated Companies     | -                  | -                | -              |
| Directors and CEO        | 1                  | 147              | 0.00%          |
| Individuals              | 290                | 4,262,903        | 51.56%         |
| Insurance Companies      | -                  | -                | -              |
| Banks/DFIs               | -                  | -                | -              |
| Retirement funds         | 7                  | 3,697,268        | 44.73%         |
| Public Limited Companies | 1                  | 291,362          | 3.52%          |
| Others                   | 7                  | 15,555           | 0.19%          |
|                          | <b>306</b>         | <b>8,267,235</b> | <b>100.00%</b> |

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Karachi - 74400, Pakistan.

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URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)

Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**AKD CASH FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of AKD Cash Fund (the Fund) are of the opinion that AKD Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2021 in accordance with the provisions of the following:

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

**Badiuddin Akber**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, September 30, 2021

# **AKD CASH FUND**

Financial Statements  
for the year ended  
June 30, 2021

## INDEPENDENT AUDITOR'S REPORT

To the unit holders of AKD Cash Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **AKD Cash Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2021, and the related income statement, the statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows 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 June 30, 2021, and of its financial performance, cash flows and transactions for the year then ended in accordance with 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 and Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan 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 IESBA 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 matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were 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 these matters.

Following is the key audit matter:

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Valuation and existence of investments at fair value</b></p> <p>As disclosed in note 6 to the financial statements, investments carried at fair value through profit or loss amounted to Rs. 421.992 million as at June 30, 2021.</p> <p>These investments represent a significant item on the statement of assets and liabilities. This is a main driver of the Fund's performance.</p> <p>The Fund invests primarily in government securities (i.e. Market Treasury Bills) and there is a risk that these investments are incorrectly valued.</p> | <p>In response to this matter, our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>obtained understanding of relevant controls placed by the Management Company applicable to the balances;</li> <li>independently tested valuations with the prices quoted on Mutual Funds Association of Pakistan (MUFAP);</li> <li>performed verification procedures on purchases and sales on a sample of trades made during the year regarding movement of the securities;</li> </ul> |

| Key audit matter                                                                                                                                                                                                                                                                                                       | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Further, the Fund may have included investments in its financial statements which were not owned by the Fund.</p> <p>Considering the above factors, the valuation and existence of investments at fair value are significant areas during our audit due to which we have considered this as a key audit matter.</p> | <ul style="list-style-type: none"> <li>traced securities held by the Fund with the securities appearing in the Investor Portfolio Services (IPS) account statement to verify existence; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul> |

## 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 and our audit report.

Our opinion on the financial statements 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or 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 a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management Company 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 accounting and reporting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Management Company 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 as applicable in Pakistan 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 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.

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 Charges 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 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 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.

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.



Chartered Accountants

Place: Karachi

Date: September 29, 2021

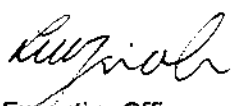
AKD CASH FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2021

|                                                                         | Note | 2021<br>----- (Rupees in '000) ----- | 2020<br>----- (Rupees in '000) ----- |
|-------------------------------------------------------------------------|------|--------------------------------------|--------------------------------------|
| <b>ASSETS</b>                                                           |      |                                      |                                      |
| Bank balances                                                           | 5    | 2,499                                | 4,759                                |
| Investments                                                             | 6    | 421,992                              | 535,170                              |
| Profit receivable on bank deposits and commercial paper                 |      | 85                                   | 3,334                                |
| Deposits and other receivables                                          | 7    | 675                                  | 635                                  |
| <b>Total Assets</b>                                                     |      | <b>425,251</b>                       | <b>543,898</b>                       |
| <b>LIABILITIES</b>                                                      |      |                                      |                                      |
| Payable to AKD Investment Management Limited - Management Company       | 8    | 889                                  | 931                                  |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 9    | 28                                   | 35                                   |
| Payable to Securities and Exchange Commission of Pakistan               | 10   | 88                                   | 155                                  |
| Accrued expenses and other liabilities                                  | 11   | 5,687                                | 9,557                                |
| <b>Total Liabilities</b>                                                |      | <b>6,692</b>                         | <b>10,678</b>                        |
| <b>NET ASSETS</b>                                                       |      | <b>418,559</b>                       | <b>533,220</b>                       |
| <b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>                   |      | <b>418,559</b>                       | <b>533,220</b>                       |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                    | 12   |                                      |                                      |
|                                                                         |      | ----- (Number of units) -----        |                                      |
| <b>NUMBER OF UNITS IN ISSUE</b>                                         | 13   | <b>8,267,235</b>                     | <b>10,541,472</b>                    |
|                                                                         |      | ----- (Rupees) -----                 |                                      |
| <b>NET ASSETS VALUE PER UNIT</b>                                        |      | <b>50.6287</b>                       | <b>50.5830</b>                       |

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

VA

For AKD Investment Management Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

**AKD CASH FUND  
INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2021**

|                                                                                                                     | Note | 2021<br>----- (Rupees in '000) ----- | 2020          |
|---------------------------------------------------------------------------------------------------------------------|------|--------------------------------------|---------------|
| <b>INCOME</b>                                                                                                       |      |                                      |               |
| Capital (loss) / gain on sale of investments                                                                        |      | (439)                                | 897           |
| Net unrealised appreciation on remeasurement of investments<br>classified as 'at fair value through profit or loss' | 6.3  | 47                                   | 448           |
| Income from government securities                                                                                   |      | 28,767                               | 88,567        |
| Income from commercial paper                                                                                        |      | 2,576                                | 3,301         |
| Income from letter of placement                                                                                     |      | 9                                    | 4,325         |
| Profit on bank deposits                                                                                             |      | 723                                  | 2,044         |
| <b>Total income</b>                                                                                                 |      | <b>31,683</b>                        | <b>99,583</b> |
| <b>EXPENSES</b>                                                                                                     |      |                                      |               |
| Remuneration of AKD Investment Management Limited - Management Company                                              | 8.1  | 1,761                                | 3,425         |
| Sindh sales tax on the remuneration of Management Company                                                           | 8.2  | 229                                  | 445           |
| Expenses allocated by Management Company                                                                            | 8.3  | 660                                  | 777           |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee                                            | 9.1  | 286                                  | 505           |
| Sindh sales tax on the remuneration of Trustee                                                                      | 9.2  | 37                                   | 66            |
| Annual fee to Securities and Exchange Commission of Pakistan                                                        | 10.1 | 88                                   | 155           |
| Auditor's remuneration                                                                                              | 14   | 303                                  | 310           |
| Brokerage and settlement charges                                                                                    |      | 151                                  | 204           |
| Fee and subscription                                                                                                |      | 39                                   | 34            |
| Printing and related cost                                                                                           |      | 34                                   | 69            |
| Legal and professional charges                                                                                      |      | 408                                  | 315           |
| Provision for Sindh Workers' Welfare Fund                                                                           | 11.1 | 554                                  | 1,866         |
| <b>Total expenses</b>                                                                                               |      | <b>4,550</b>                         | <b>8,172</b>  |
| <b>Net income for the year before taxation</b>                                                                      |      | <b>27,133</b>                        | <b>91,411</b> |
| Taxation                                                                                                            | 15   | -                                    | -             |
| <b>Net income for the year after taxation</b>                                                                       |      | <b>27,133</b>                        | <b>91,411</b> |
| <b>Allocation of net income for the year</b>                                                                        |      |                                      |               |
| Net income for the year after taxation                                                                              |      | 27,133                               | 91,411        |
| Income already paid on units redeemed                                                                               |      | (7,857)                              | (56,741)      |
|                                                                                                                     |      | <b>19,276</b>                        | <b>34,670</b> |
| <b>Accounting income available for distribution</b>                                                                 |      |                                      |               |
| - Relating to capital gains                                                                                         |      | -                                    | 1,345         |
| - Excluding capital gains                                                                                           |      | 19,276                               | 33,325        |
|                                                                                                                     |      | <b>19,276</b>                        | <b>34,670</b> |
| <b>Earnings per unit</b>                                                                                            | 16   |                                      |               |

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

For AKD Investment Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

AKD CASH FUND

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2021

|                                         | 2021<br>----- (Rupees in '000) ----- | 2020<br>----- (Rupees in '000) ----- |
|-----------------------------------------|--------------------------------------|--------------------------------------|
| Net income for the year after taxation  | 27,133                               | 91,411                               |
| Other comprehensive income for the year | -                                    | -                                    |
| Total comprehensive income for the year | <u>27,133</u>                        | <u>91,411</u>                        |

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

For AKD Investment Management Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

**AKD CASH FUND  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2021**

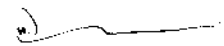
|                                                                                                                     | Note | 2021<br>----- (Rupees in '000) ----- | 2020             |
|---------------------------------------------------------------------------------------------------------------------|------|--------------------------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                         |      |                                      |                  |
| Net income for the year before taxation                                                                             |      | 27,133                               | 91,411           |
| <b>Adjustments for non cash and other items:</b>                                                                    |      |                                      |                  |
| Net unrealised appreciation on remeasurement of investments<br>classified as 'at fair value through profit or loss' | 6.3  | (47)                                 | (448)            |
| Provision for Sindh Workers' Welfare Fund                                                                           |      | 554                                  | 1,866            |
|                                                                                                                     |      | <u>27,640</u>                        | <u>92,829</u>    |
| <b>Decrease / (increase) in assets</b>                                                                              |      |                                      |                  |
| Profit receivable on bank deposits and commercial paper                                                             |      | 3,249                                | (3,285)          |
| Deposits and other receivables                                                                                      |      | (40)                                 | (444)            |
|                                                                                                                     |      | <u>3,209</u>                         | <u>(3,729)</u>   |
| <b>(Decrease) / increase in liabilities</b>                                                                         |      |                                      |                  |
| Payable to AKD Investment Management Limited - Management Company                                                   |      | (42)                                 | 211              |
| Payable to the Central Depository Company of Pakistan Limited - Trustee                                             |      | (7)                                  | 18               |
| Payable to Securities and Exchange Commission of Pakistan                                                           |      | (67)                                 | 28               |
| Accrued expenses and other liabilities                                                                              |      | (4,424)                              | 5,770            |
|                                                                                                                     |      | <u>(4,540)</u>                       | <u>6,027</u>     |
| Investments - net                                                                                                   |      | 47,671                               | (355,295)        |
| <b>Net cash generated from / (used in) operating activities</b>                                                     |      | <u>73,980</u>                        | <u>(260,168)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                                         |      |                                      |                  |
| Receipts from issuance of units                                                                                     |      | 1,179,969                            | 2,027,715        |
| Payment on redemption of units                                                                                      |      | (1,302,873)                          | (1,654,076)      |
| Cash distributions during the year                                                                                  |      | (18,890)                             | (34,231)         |
| <b>Net cash (used in) / generated from financing activities</b>                                                     |      | <u>(141,794)</u>                     | <u>339,408</u>   |
| <b>Net increase in cash and cash equivalents</b>                                                                    |      | <u>(67,814)</u>                      | <u>79,240</u>    |
| Cash and cash equivalents at beginning of the year                                                                  |      | 184,186                              | 104,946          |
| <b>Cash and cash equivalents at end of the year</b>                                                                 | 18   | <u>116,372</u>                       | <u>184,186</u>   |

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

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

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

**AKD CASH FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|                                                                           | 2021             |                      |             | 2020          |                      |             |
|---------------------------------------------------------------------------|------------------|----------------------|-------------|---------------|----------------------|-------------|
|                                                                           | Capital value    | Undistributed income | Total       | Capital value | Undistributed income | Total       |
|                                                                           | (Rupees in '000) |                      |             |               |                      |             |
| Net assets at beginning of the year                                       | 531,170          | 2,050                | 533,220     | 100,790       | 1,611                | 102,401     |
| Issue of 22,643,274 (2020: 39,053,738) units                              |                  |                      |             |               |                      |             |
| - Capital value (at Ex-Net asset value per unit at the beginning of year) | 1,145,366        | -                    | 1,145,366   | 1,971,730     | -                    | 1,971,730   |
| - Element of income                                                       | 40,986           | -                    | 40,986      | 79,896        | -                    | 79,896      |
|                                                                           | 1,186,354        | -                    | 1,186,354   | 2,051,626     | -                    | 2,051,626   |
| Redemption of 24,917,511 (2020: 30,540,506) units                         |                  |                      |             |               |                      |             |
| - Capital value (at Ex-Net asset value per unit at the beginning of year) | (1,260,404)      | -                    | (1,260,404) | (1,541,917)   | -                    | (1,541,917) |
| - Element of loss                                                         | (34,612)         | (7,857)              | (42,469)    | (55,418)      | (56,741)             | (112,159)   |
|                                                                           | (1,295,016)      | (7,857)              | (1,302,873) | (1,597,335)   | (56,741)             | (1,654,076) |
| Total comprehensive income for the year                                   | -                | 27,133               | 27,133      | -             | 91,411               | 91,411      |
| Distribution during the year                                              | -                | (18,890)             | (18,890)    | -             | (34,231)             | (34,231)    |
| Refund of capital                                                         | (6,385)          | -                    | (6,385)     | (23,911)      | -                    | (23,911)    |
| Net income for the year after distribution                                | (6,385)          | 8,243                | 1,858       | (23,911)      | 57,180               | 33,269      |
| Net assets at end of the year                                             | 416,123          | 2,436                | 418,559     | 531,170       | 2,050                | 533,220     |
| Undistributed income brought forward                                      |                  |                      |             |               |                      |             |
| - Realised income                                                         |                  | 1,602                |             |               | 1,685                |             |
| - Unrealised income / (loss)                                              |                  | 448                  |             |               | (74)                 |             |
|                                                                           |                  | 2,050                |             |               | 1,611                |             |
| Accounting income available for distribution                              |                  |                      |             |               |                      |             |
| - Relating to capital gains                                               |                  | -                    |             |               | 1,345                |             |
| - Excluding capital gains                                                 |                  | 19,276               |             |               | 33,325               |             |
|                                                                           |                  | 19,276               |             |               | 34,670               |             |
| Distribution during the year                                              |                  |                      |             |               |                      |             |
| - Interim distribution                                                    |                  | (18,890)             |             |               | (34,231)             |             |
| Undistributed income carried forward                                      |                  | 2,436                |             |               | 2,050                |             |
| Undistributed income carried forward                                      |                  |                      |             |               |                      |             |
| - Realised income                                                         |                  | 2,389                |             |               | 1,602                |             |
| - Unrealised income                                                       |                  | 47                   |             |               | 448                  |             |
|                                                                           |                  | 2,436                |             |               | 2,050                |             |
|                                                                           |                  | (Rupees)             |             |               | (Rupees)             |             |
| Net assets value per unit at beginning of the year                        |                  | 50.5830              |             |               | 50.4876              |             |
| Net assets value per unit at end of the year                              |                  | 50.6287              |             |               | 50.5830              |             |

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

For AKD Investment Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**AKD CASH FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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

AKD Cash Fund (the Fund) was established under a Trust Deed executed between AKD Investment Management Limited (AKDIML) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Securities and Exchange Commission of Pakistan (SECP) authorised constitution of the Trust Deed on August 15, 2011 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Initial Public Offering (IPO) of the Fund was made during the period from January 19, 2012 to January 20, 2012. The Fund commenced operations from January 21, 2012. In accordance with the Trust Deed, the first accounting period of the Fund commenced on the date on which the Fund property was first transferred to the Trustee i.e. January 19, 2012.

The Management Company of the Fund has been registered as a Non - Banking Finance Company (NBFC) under the NBFC Rules and has obtained a requisite license from 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.

The Fund is an open-ended mutual fund 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.

The Fund is categorised as Money Market Fund as per circular 7 of 2009 by SECP. The principal activity of the Fund is to make investments in government securities, treasury bills, cash and near cash instruments, money market placements, deposits with banks, certificate of deposits, certificate of musharakas, commercial papers and reverse repos.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

The Management Company has been assigned a quality rating of "AM3++" by the Pakistan Credit Rating Agency Limited (PACRA) on February 8, 2021. The Fund has been given stability rating of 'AA+(f)' by PACRA on March 04, 2021.

**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; 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, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, the NBFC Rules, the NBFC Regulations 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 Basis of measurement**

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 judgements

The preparation of the financial statements in conformity with the accounting and reporting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements 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 judgements 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.

Areas involving a higher degree of judgement 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 and 6);
- (ii) Impairment of financial assets (Note 4.1.5); and
- (iii) Taxation (Note 4.4 and 15)

## 3. AMENDMENTS TO ACCOUNTING STANDARDS

### 3.1 Amendments to accounting standards that are effective for the year ended June 30, 2021

The following amendments to accounting standards are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

|                                                                                                                                                                                            | Effective from accounting period<br>beginning on or after |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions                                                                                                                          | June 01, 2020                                             |
| Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS                                                     | January 01, 2020                                          |
| Amendments to IFRS 3 'Business Combinations' - definition of a business                                                                                                                    | January 01, 2020                                          |
| Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - definition of material                            | January 01, 2020                                          |
| Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: disclosures' - Interest rate benchmark reform | January 01, 2020                                          |

Certain annual improvements have also been made to a number of IFRSs.

### 3.2 Amendments to accounting standards that are not yet effective

The following amendments to accounting standards are only effective for accounting period, beginning on or after the date mentioned against each of them. These amendments to accounting standards are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

**Effective date (accounting period  
beginning on or after)**

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

January 01, 2021

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021

April 01, 2021

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

January 01, 2022

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract

January 01, 2022

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current

January 01, 2023

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies

January 01, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates

January 01, 2023

Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.

January 01, 2023

Certain annual improvements have also been made to a number of IFRSs which are also not expected to have material impact on financial reporting of the Fund.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the SECP:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **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").

###### **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.

### **Financial assets at FVTPL**

All other financial assets are classified at FVTPL (for example: equity held for trading and debt securities not classified either AC or FVOCI).

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirement to measure at amortized 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 amortized 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 of debt securities**

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds Association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorizes them as traded, thinly traded and non-traded securities. The aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non performing debt securities.

## **Basis of valuation of government securities**

The government securities not listed on stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKIRV) rates which are based on the remaining tenor of the security.

### **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 October 24, 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 period. 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 period, 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 realise 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, which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value.

#### **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, if any, are regularly reviewed and adjusted to reflect the current best estimate.

#### **4.4 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

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 ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.5 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.

#### **4.6 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 period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

#### **4.7 Dividend distribution and appropriations**

Dividend distributions and appropriations are recorded in the period 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 reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

#### 4.8 Net assets value per unit

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

#### 4.9 Revenue recognition

- Capital gain or loss on sale of investments is accounted for in the income statement on the date at which the sale transaction takes place.
- Profit on bank deposits and investment in debt securities are recognised on a time proportionate basis using the effective interest method.
- Unrealised gain / loss arising on remeasurement of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.

#### 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 | 2021<br>----- (Rupees in '000) ----- | 2020<br>----- (Rupees in '000) ----- |
|-------------------------|------|--------------------------------------|--------------------------------------|
| <b>5. BANK BALANCES</b> |      |                                      |                                      |
| Saving accounts         | 5.1  | 2,489                                | 4,749                                |
| Current accounts        |      | 10                                   | 10                                   |
|                         |      | <u>2,499</u>                         | <u>4,759</u>                         |

5.1 Mark-up rates on these accounts is 5.5% (2020: 5% to 6.50%) per annum.

|                                                 | Note  | 2021<br>----- (Rupees in '000) ----- | 2020<br>----- (Rupees in '000) ----- |
|-------------------------------------------------|-------|--------------------------------------|--------------------------------------|
| <b>6. INVESTMENTS</b>                           |       |                                      |                                      |
| <b>At fair value through profit or loss</b>     |       |                                      |                                      |
| - Government securities - Market treasury bills | 6.1.1 | 421,992                              | 475,524                              |
| <b>At amortised cost</b>                        |       |                                      |                                      |
| - Letter of placement                           | 6.2.1 | -                                    | -                                    |
| - Commercial paper                              | 6.2.2 | -                                    | 59,646                               |
|                                                 |       | -                                    | 59,646                               |
|                                                 |       | <u>421,992</u>                       | <u>535,170</u>                       |

## 6.2 At amortised cost

### 6.2.1 Letter of placement

| Investee company | Rate % | Face value      |                           |                                | Balance as at June 30, 2021 | Market value as a percentage of |            |
|------------------|--------|-----------------|---------------------------|--------------------------------|-----------------------------|---------------------------------|------------|
|                  |        | At July 1, 2020 | Purchased during the year | Matured / sold during the year |                             | Investments                     | Net assets |
|                  |        |                 |                           | As at June 30, 2021            | Carrying Value              |                                 |            |

(Rupees in '000)

Pak Oman Investment Company Limited

7.15%

45,000

45,000

-

-

-

-

### 6.2.2 Commercial paper

| Name of investee company | Rate of return per annum | Face value          |                           |                         | Carrying value | Maturity | Rating | Face value as a percentage of |            |
|--------------------------|--------------------------|---------------------|---------------------------|-------------------------|----------------|----------|--------|-------------------------------|------------|
|                          |                          | As at July 01, 2020 | Purchased during the year | Matured during the year |                |          |        | Investments                   | Net assets |
|                          |                          | As at June 30, 2021 |                           |                         |                |          |        |                               |            |

%

(Rupees in '000)

K-Electric Limited

Kot Addu Power Company Limited

14.64

7.95 & 8.09

59,646

38,000

59,646

-

-

August 13, 2020  
June 8, 2021

A-1+

A-1+

-

-

6.1 At fair value through profit or loss

6.1.1 Government Securities - Market treasury bills

| Issue date                   | Tenor     | Face value      |                           |                                |                     | Balance as at June 30, 2021 |                                               |             | Market value as a percentage of |       |
|------------------------------|-----------|-----------------|---------------------------|--------------------------------|---------------------|-----------------------------|-----------------------------------------------|-------------|---------------------------------|-------|
|                              |           | At July 1, 2020 | Purchased during the year | Sold / matured during the year | As at June 30, 2021 | Carrying value              | Market value appreciation as at June 30, 2021 | Investments | Net assets                      |       |
| ----- (Rupees in '000) ----- |           |                 |                           |                                |                     |                             |                                               |             |                                 |       |
| July 18, 2019                | 12 Months | 35,000          | -                         | 35,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| December 19, 2019            | 12 Months | -               | 26,000                    | 26,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| March 12, 2020               | 6 Months  | 250,000         | -                         | 250,000                        | -                   | -                           | -                                             | -           | -                               | -     |
| March 26, 2020               | 12 Months | -               | 50,000                    | 50,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| April 9, 2020                | 6 Months  | -               | 65,000                    | 65,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| April 23, 2020               | 3 Months  | 162,000         | -                         | 162,000                        | -                   | -                           | -                                             | -           | -                               | -     |
| May 7, 2020                  | 3 Months  | 18,000          | -                         | 18,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| May 21, 2020                 | 6 Months  | 15,000          | -                         | 15,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| June 4, 2020                 | 6 Months  | -               | 65,000                    | 65,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| July 16, 2020                | 3 Months  | -               | 75,000                    | 75,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| July 16, 2020                | 6 Months  | -               | 35,000                    | 35,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| July 30, 2020                | 6 Months  | -               | 38,000                    | 38,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| August 27, 2020              | 3 Months  | -               | 35,000                    | 35,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| August 27, 2020              | 6 Months  | -               | 80,000                    | 80,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| September 10, 2020           | 3 Months  | -               | 254,000                   | 254,000                        | -                   | -                           | -                                             | -           | -                               | -     |
| September 24, 2020           | 3 Months  | -               | 65,000                    | 65,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| October 8, 2020              | 3 Months  | -               | 276,000                   | 276,000                        | -                   | -                           | -                                             | -           | -                               | -     |
| October 22, 2020             | 3 Months  | -               | 115,000                   | 115,000                        | -                   | -                           | -                                             | -           | -                               | -     |
| November 5, 2020             | 3 Months  | -               | 338,000                   | 338,000                        | -                   | -                           | -                                             | -           | -                               | -     |
| November 19, 2020            | 3 Months  | -               | 180,000                   | 180,000                        | -                   | -                           | -                                             | -           | -                               | -     |
| December 3, 2020             | 3 Months  | -               | 214,000                   | 214,000                        | -                   | -                           | -                                             | -           | -                               | -     |
| December 17, 2020            | 3 Months  | -               | 65,000                    | 65,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| December 31, 2020            | 3 Months  | -               | 343,000                   | 343,000                        | -                   | -                           | -                                             | -           | -                               | -     |
| January 14, 2021             | 3 Months  | -               | 404,000                   | 404,000                        | -                   | -                           | -                                             | -           | -                               | -     |
| January 28, 2021             | 3 Months  | -               | 10,000                    | 10,000                         | -                   | -                           | -                                             | -           | -                               | -     |
| February 11, 2021            | 6 Months  | -               | 33,000                    | -                              | 33,000              | 32,726                      | 32,728                                        | 2           | 7.76                            | 7.82  |
| February 25, 2021            | 3 Months  | -               | 33,000                    | -                              | -                   | -                           | -                                             | -           | -                               | -     |
| March 25, 2021               | 6 Months  | -               | 280,000                   | -                              | 280,000             | 275,349                     | 275,391                                       | 42          | 65.26                           | 65.80 |
| March 25, 2021               | 3 Months  | -               | 346,000                   | -                              | -                   | -                           | -                                             | -           | -                               | -     |
| April 8, 2021                | 3 Months  | -               | 34,000                    | -                              | -                   | -                           | -                                             | -           | -                               | -     |
| May 6, 2021                  | 3 Months  | -               | 33,000                    | 8,000                          | 25,000              | 24,862                      | 24,863                                        | 1           | 5.89                            | 5.94  |
| May 20, 2021                 | 3 Months  | -               | 8,000                     | -                              | 8,000               | 7,934                       | 7,934                                         | -           | 1.88                            | 1.90  |
| June 3, 2021                 | 3 Months  | -               | 74,000                    | -                              | 74,000              | 73,184                      | 73,186                                        | 2           | 17.34                           | 17.49 |
| June 17, 2021                | 3 Months  | -               | 8,000                     | -                              | 8,000               | 7,890                       | 7,890                                         | -           | 1.87                            | 1.89  |
| Total June 30, 2021          |           |                 |                           |                                |                     | 421,945                     | 421,992                                       | 47          |                                 |       |
| Total June 30, 2020          |           |                 |                           |                                |                     | 475,076                     | 475,524                                       | 448         |                                 |       |

Interest rates which ranges between 7.26% to 7.36% (June 30, 2020: 7.15% to 8.07%) per annum.

|                                                                                                                              | Note  | 2021<br>----- (Rupees in '000) ----- | 2020<br>----- (Rupees in '000) ----- |
|------------------------------------------------------------------------------------------------------------------------------|-------|--------------------------------------|--------------------------------------|
| <b>6.3 Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'</b> |       |                                      |                                      |
| Market value of investments                                                                                                  | 6.1.1 | 421,992                              | 475,524                              |
| Carrying amount of investments                                                                                               | 6.1.1 | (421,945)                            | (475,076)                            |
|                                                                                                                              |       | <u>47</u>                            | <u>448</u>                           |

## 7. DEPOSITS AND OTHER RECEIVABLES

|                                                                       |     |            |            |
|-----------------------------------------------------------------------|-----|------------|------------|
| Security deposits with Central Depository Company of Pakistan Limited |     | 100        | 100        |
| Advance tax                                                           | 7.1 | <u>575</u> | <u>535</u> |
|                                                                       |     | <u>675</u> | <u>635</u> |

- 7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, until year ended June 30, 2021, 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.

|                                                                             | Note | 2021<br>----- (Rupees in '000) ----- | 2020<br>----- (Rupees in '000) ----- |
|-----------------------------------------------------------------------------|------|--------------------------------------|--------------------------------------|
| <b>8. PAYABLE TO AKD INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY</b> |      |                                      |                                      |
| Management fee                                                              | 8.1  | 145                                  | 189                                  |
| Sindh sales tax on management fee                                           | 8.2  | 17                                   | 25                                   |
| Expenses allocated by the Management Company                                | 8.3  | 58                                   | 48                                   |
| Federal exercise duty on management fee                                     | 8.4  | <u>669</u>                           | <u>669</u>                           |
|                                                                             |      | <u>889</u>                           | <u>931</u>                           |

- 8.1 The Management Company has charged remuneration at the following rates per annum of the average net assets of the Fund. The remuneration is paid to the management on a monthly basis in arrears.

| Net Asset of the Fund Rs. | Remuneration Rate (Per annum) |
|---------------------------|-------------------------------|
| Up to 1 billion           | 0.40%                         |
| 1 billion - 1.5 billion   | 0.50%                         |

- 8.2 Sindh sales tax on services at the rate of 13% (2020: 13%) on gross value of management fee is charged under the provisions of Sindh Sales Tax on Services Act, 2011.
- 8.3 The Management Company has charged expenses at the rate of 0.1% (2020: 0.1%) per annum of the average annual net assets of the Fund.
- 8.4 As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company was applied with effect from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. The matter was collectively taken up by the Management Company jointly with other Asset Management Companies and Trustees of respective Collective Investment Schemes (CISs), through a Constitutional Petition filed in the Honorable Sindh High Court (SHC) during September 2013. In this respect, the SHC had issued a stay order against the recovery of FED due to which the Fund has not made any payments for FED since June 13, 2013.

On June 30, 2016, SHC had passed a Judgment that after 18th amendment in the Constitution of Pakistan, the Provinces alone have the legislative power to levy a tax on rendering or providing services, therefore, chargeability and collection of FED after July 01, 2011 is ultra vires to the Constitution of Pakistan. On September 23, 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication. Management Company, as a matter of abundant caution, has maintained full provision for FED aggregating to Rs. 0.669 million (2020: Rs. 0.669 million) until the matter is resolved. Had the provision not been retained, the net asset value per unit of the Fund as at June 30, 2021 would have been higher by Re. 0.081 per unit (2020: Re. 0.063 per unit).

Through Finance Act, 2016, FED on services rendered by Non-Banking Financial Institutions (NBFIs) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn.

Therefore, provision for FED has not been recorded in these financial statements from July 01, 2016 onwards.

|                                                                                   | Note | 2021<br>----- (Rupees in '000) ----- | 2020<br>----- (Rupees in '000) ----- |
|-----------------------------------------------------------------------------------|------|--------------------------------------|--------------------------------------|
| <b>9. PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b> |      |                                      |                                      |
| Trustee fee                                                                       | 9.1  | 24                                   | 30                                   |
| Sindh sales tax on trustee fee                                                    | 9.2  | 3                                    | 4                                    |
| CDS charges payable                                                               |      | 1                                    | 1                                    |
|                                                                                   |      | <u>28</u>                            | <u>35</u>                            |

9.1 The Trustee is entitled to a remuneration to be paid monthly 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 remuneration is paid to the Trustee at 0.065% (2020: 0.065%) of net assets on monthly basis in arrears.

9.2 Sindh sales tax on services at the rate of 13% (2020: 13%) on gross value of trustee fee under the provisions of Sindh Sales Tax on Services Act, 2011.

|                                                                      | Note | 2021<br>----- (Rupees in '000) ----- | 2020<br>----- (Rupees in '000) ----- |
|----------------------------------------------------------------------|------|--------------------------------------|--------------------------------------|
| <b>10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b> |      |                                      |                                      |
| Annual fee to SECP                                                   | 10.1 | <u>88</u>                            | <u>155</u>                           |

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 all Collective Investment Schemes are required to pay an annual fee, to the Securities and Exchange Commission of Pakistan, an amount equal to 0.02% (2020: 0.02%) of the average annual net assets of the scheme.

|                                                   | Note | 2021<br>----- (Rupees in '000) ----- | 2020<br>----- (Rupees in '000) ----- |
|---------------------------------------------------|------|--------------------------------------|--------------------------------------|
| <b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b> |      |                                      |                                      |
| Auditor's remuneration                            |      | 229                                  | 229                                  |
| Printing charges payable                          |      | 150                                  | 150                                  |
| Provision for Sindh Workers' Welfare Fund (SWWF)  | 11.1 | 3,036                                | 2,482                                |
| Withholding tax payable                           |      | 2,242                                | 5,454                                |
| Brokerage payable                                 |      | 10                                   | 12                                   |
| Credit rating fee payable                         |      | -                                    | 190                                  |
| Payable against conversion of units               |      | -                                    | 1,039                                |
| Zakat Payable                                     |      | 19                                   | -                                    |
| Others                                            |      | 1                                    | 1                                    |
|                                                   |      | <u>5,687</u>                         | <u>9,557</u>                         |

## 11.1 Provision for Sindh Workers' Welfare Fund (SWWF)

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes / Mutual Funds (CISs) whose income exceeded Rs. 500,000 in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 2% of their accounting or taxable income, whichever was higher.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable High Court of Sindh (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of the LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SCP). On November 10, 2016, the SCP passed a judgment declaring the insertion of amendments introduced through Finance Act, 2008 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. Subsequently, the Federal Board of Revenue (FBR) has filed a review petition in the SCP against the said judgment, which is pending adjudication.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh Workers Welfare Fund (SWWF) Act 2014. SWWF Act 2014, enacted on May 21, 2015, requires every Industrial Establishment located in the province of Sindh and having total income of Rs. 500,000 or more in any year of account commencing on or after the date of closing of account on or after December 31, 2013, to pay 2% of so much of its total income declared to SWWF. The said Act includes any concern engaged in the Banking or Financial Institution in the definition of "Industrial Undertaking" but does not define Financial Institution. The Management Company, based on an opinion obtained by the Mutual Funds Association of Pakistan (MUFAP), believes that Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP obtained a legal opinion on these matters during financial year ended June 30, 2017. Based on such legal advice (which also stated that even if a review petition is filed by any party, such petition can only be based on very limited grounds and the chances of any major change in the SCP judgement are very limited), MUFAP had recommended to all its members to reverse the Federal WWF and start recording of Sindh WWF. Consequently, the Fund has recorded provision of Rs. 0.554 million (2020: 1.866 million) for the year and Rs. 3.036 million (2020: Rs. 2.482 million) in aggregate in respect of SWWF.

Had the provision against SWWF not been made, the net assets value per unit would have been higher by Re. 0.367 per unit (2020: Re. 0.235 per unit).

Subsequent to the year ended June 30, 2021, Sindh Revenue Board (SRB) through its letter dated August 12, 2021 to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Company's (AMCs) are covered under the term "financial institutions" as per the SWWF Act, 2014 and are therefore, subject to SWWF charge whereas the Mutual Funds managed by those AMCs do not qualify as "Financial Institutions" as per SWWF Act, 2014 and are therefore, not liable to pay SWWF contributions. The development was discussed at MUFAP level and has also been taken up with the SECP and all the Asset Management Companies. In consultation with the SECP, have reversed the cumulative provision for SWWF recognised in the financial statements of the Funds. The SECP has given its concurrence for prospective reversal of provision for SWWF. Accordingly, going forward, no provision for SWWF would be recognised in the financial statements of the Fund.

## 12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2021 and June 30, 2020.

|                                                    | 2021             | 2020              |
|----------------------------------------------------|------------------|-------------------|
| <b>13. NUMBER OF UNITS IN ISSUE</b>                |                  |                   |
| Opening units in issue                             | 10,541,472       | 2,028,240         |
| Units issued during the year                       | 22,643,274       | 39,053,738        |
| Less: Units redeemed during the year               | (24,917,511)     | (30,540,506)      |
| <b>Total units in issue at the end of the year</b> | <b>8,267,235</b> | <b>10,541,472</b> |

|                                   | 2021                         | 2020       |
|-----------------------------------|------------------------------|------------|
|                                   | ----- (Rupees in '000) ----- |            |
| <b>14. AUDITOR'S REMUNERATION</b> |                              |            |
| Annual audit fee                  | 147                          | 147        |
| Half year fee                     | 63                           | 63         |
| Income certification              | 30                           | 30         |
| Other certification               | 20                           | 20         |
| Out of pocket                     | 21                           | 27         |
|                                   | <u>281</u>                   | <u>287</u> |
| Sindh sales tax                   | 22                           | 23         |
|                                   | <u>303</u>                   | <u>310</u> |

**15. TAXATION**

The Fund's income is exempt from Income Tax as per 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 the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (Minimum Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year, Management Company has distributed cash dividend of at least 90% of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

**16. EARNINGS PER UNIT**

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

**17. TOTAL EXPENSE RATIO**

The Total Expense Ratio of the Fund is 1.03% (2020: 0.94%) which includes 0.22 % (2020: 0.33%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, annual fee to the SECP. This ratio is within the maximum limit of 2.0% prescribed under the NBFC Regulations.

|                                                                        | 2021                         | 2020           |
|------------------------------------------------------------------------|------------------------------|----------------|
|                                                                        | ----- (Rupees in '000) ----- |                |
| <b>18. CASH AND CASH EQUIVALENTS</b>                                   |                              |                |
| Bank balances                                                          | 2,499                        | 4,759          |
| Market treasury bills (with original maturity of three months or less) | 113,873                      | 179,427        |
|                                                                        | <u>116,372</u>               | <u>184,186</u> |

**19. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS**

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

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 Fund.

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

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

# 19.1 Transactions during the year with connected persons / related parties

2021 2020  
----- (Rupees in '000) -----

## AKD Investment Management Limited - Management Company

|                                            |       |       |
|--------------------------------------------|-------|-------|
| Issue of 21,879 (2020: 35,356) units       | 1,120 | 1,980 |
| Redemption of 21,879 (2020: 35,356) units  | 1,140 | 1,989 |
| Management remuneration                    | 1,761 | 3,425 |
| Sindh sales tax on management remuneration | 229   | 445   |
| Expenses allocated by management company   | 660   | 777   |

## Central Depository Company of Pakistan Limited - Trustee

|                                                         |     |     |
|---------------------------------------------------------|-----|-----|
| Trustee remuneration                                    | 286 | 505 |
| CDS charges                                             | 6   | 5   |
| Sindh sales tax on trustee remuneration and CDS Charges | 38  | 66  |
| Security deposit paid                                   | -   | 100 |

## AKD Investment Management Limited - Staff Provident Fund

|                                        |   |       |
|----------------------------------------|---|-------|
| Issue of Nil (2020: 94,575) units      | - | 5,080 |
| Redemption of Nil (2020: 94,575) units | - | 5,202 |

## Hasan Ahmed - Director of the Management Company

|                            |   |   |
|----------------------------|---|---|
| Issue of 7 (2020:13) units | 1 | 1 |
| Dividend paid              | 1 | 1 |

## Sehr Imran Motiwala - Spouse of the CEO & Director of the Management Company

|                                           |   |         |
|-------------------------------------------|---|---------|
| Issue of Nil (2020: 1,912,911) units      | - | 106,887 |
| Redemption of Nil (2020: 1,912,911) units | - | 107,037 |

## Unit holders holding 10% or more of the units in issue

### Dinaz Cassim

|                                               |        |         |
|-----------------------------------------------|--------|---------|
| Issue of 51,028 (2020: 5,148,070 ) units      | 2,581  | 265,026 |
| Redemption of 681,137 (2020: 3,572,324) units | 35,000 | 195,000 |
| Dividend paid                                 | 3,037  | 5,913   |
| Refund of capital Nil (2020: 60,643) units    | -      | 3,065   |

### Durain Cassim

|                                                 |         |         |
|-------------------------------------------------|---------|---------|
| Issue of 71,951 (2020: 7,334,005) units         | 3,639   | 381,088 |
| Redemption of 2,486,716 (2020: 3,658,137) units | 128,000 | 200,000 |
| Dividend paid                                   | 4,282   | 13,045  |
| Refund of capital 157,771 (2020: 157,771) units | -       | 7,974   |

## Bank Alfalah Ltd. Employees Provident Fund\*\*

|                                             |         |   |
|---------------------------------------------|---------|---|
| Issue of 2,626,792 (2020: Nil) units        | 137,041 | - |
| Dividend paid                               | 4,179   | - |
| Refund of capital 82,456 (2020: Nil ) units | 4,171   | - |

## 19.2 Balances outstanding at year end:

2021                      2020  
----- (Rupees in '000) -----

**AKD Investment Management Limited - Management Company**

|                                                        |     |     |
|--------------------------------------------------------|-----|-----|
| Management remuneration payable                        | 145 | 189 |
| Federal excise duty payable on management remuneration | 669 | 669 |
| Sindh Sales tax payable on management remuneration     | 17  | 25  |
| Payable against allocated expenses                     | 58  | 48  |

**Central Depository Company of Pakistan Limited - Trustee**

|                                                 |     |     |
|-------------------------------------------------|-----|-----|
| Trustee remuneration payable                    | 24  | 30  |
| CDS charges payable                             | 1   | 1   |
| Sindh Sales Tax payable on trustee remuneration | 3   | 4   |
| Deposit with CDC                                | 100 | 100 |

**Hasan Ahmed - Director of the Management Company**

|                            |   |   |
|----------------------------|---|---|
| Units held 146 (2020: 139) | 7 | 7 |
|----------------------------|---|---|

**AKD Opportunity Fund**

|                                     |   |       |
|-------------------------------------|---|-------|
| Payable against conversion of units | - | 1,039 |
|-------------------------------------|---|-------|

**Unit holders holding 10% or more of the units in issue****Dinaz Cassim**

|                                        |        |        |
|----------------------------------------|--------|--------|
| Units held 1,006,280 (2020: 1,636,339) | 50,947 | 82,774 |
|----------------------------------------|--------|--------|

**Durain Cassim**

|                                        |        |         |
|----------------------------------------|--------|---------|
| Units held 1,418,874 (2020: 3,833,639) | 71,836 | 193,918 |
|----------------------------------------|--------|---------|

**Bank Alfalah Ltd. Employees Provident Fund\*\***

|                                  |         |   |
|----------------------------------|---------|---|
| Units held 2,709,248 (2020: Nil) | 137,166 | - |
|----------------------------------|---------|---|

\* Prior period connected party, current figures not shown

\*\* Current period connected party, prior period figures not shown

## 20. 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

|                                                      | 2021<br>----- (Rupees in '000) ----- | 2020<br>----- |
|------------------------------------------------------|--------------------------------------|---------------|
| Investments - Government securities (Treasury bills) | 421,992                              | 475,524       |

#### At amortised cost

|                                                         |                |                |
|---------------------------------------------------------|----------------|----------------|
| Bank balances                                           | 2,499          | 4,759          |
| Investments in commercial paper                         | -              | 59,646         |
| Profit receivable on bank deposits and commercial paper | 85             | 3,334          |
| Deposits                                                | 100            | 100            |
|                                                         | <u>424,676</u> | <u>543,363</u> |

### Financial liabilities

#### At amortised cost

|                                                                         |            |              |
|-------------------------------------------------------------------------|------------|--------------|
| Payable to AKD Investment Management Limited - Management Company       | 203        | 237          |
| Payable to the Central Depository Company of Pakistan Limited - Trustee | 25         | 30           |
| Accrued expenses and other liabilities                                  | 410        | 1,622        |
|                                                                         | <u>638</u> | <u>1,889</u> |

## 21. 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, investment in government securities and debt securities classified at 'fair value through profit or loss' and 'at amortised cost'. The Fund also has profit receivable on bank deposits and commercial paper and deposits. The Fund's principal financial liabilities include remuneration payable to the Management Company, the Trustee and accrued and other liabilities.

### 21.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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 Securities and Exchange Commission of Pakistan.

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

#### 21.1.1 Currency risk

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

## 21.1.2 Yield / interest 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 June 30, 2021, the Fund is exposed to such risk on its balances held with bank balances and investments in government securities and commercial paper. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

As of June 30, 2021, details of Fund's profit bearing financial instruments were as follows:

|                                                    | 2021<br>----- (Rupees in '000) ----- | 2020<br>----- (Rupees in '000) ----- |
|----------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>Variable rate instruments (financial asset)</b> |                                      |                                      |
| Balances with banks                                | <u>2,489</u>                         | <u>4,749</u>                         |
| <b>Fixed rate instruments (financial assets)</b>   |                                      |                                      |
| Government securities - Market treasury bills      | <u>421,992</u>                       | <u>475,524</u>                       |
| Commercial paper                                   | <u>-</u>                             | <u>59,646</u>                        |

### a) Sensitivity analysis for variable rate instruments

At the reporting date the Fund has balances in savings bank accounts on which interest rate is 5.5% that could expose the Fund to cash flow interest rate risk. The net income for the year would have increased / (decreased) by Rs. 0.025 million (2020: Rs. 0.047 million) had the interest rates on saving accounts with the banks increased / (decreased) by 100 basis points. The analysis assumes that all other variables remain constant.

### b) Sensitivity analysis for fixed rate instruments

Fund is exposed to fair value interest rate risk for investment in government securities and commercial paper.

In case of 100 basis points increase / decrease in interest rates on June 30, 2021, with all other variables held constant, the net income for the year and the net assets would have been lower / higher by Rs. 4,220 million (2020: Rs.5.352 million).

### Exposure to interest rate risk and maturity

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

As at June 30, 2021

| Particular | Effective interest rate | Exposed to interest rate risk |                                          |                    | Not exposed to interest 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 through profit or loss

|                                                      |             |         |         |   |   |         |
|------------------------------------------------------|-------------|---------|---------|---|---|---------|
| Investments - Government securities (Treasury bills) | 7.26 - 7.36 | 113,873 | 308,119 | - | - | 421,992 |
|------------------------------------------------------|-------------|---------|---------|---|---|---------|

#### Financial assets at amortized cost

|                                                         |     |       |   |   |     |       |
|---------------------------------------------------------|-----|-------|---|---|-----|-------|
| Bank balances                                           | 5.5 | 2,489 | - | - | 10  | 2,499 |
| Profit receivable on bank deposits and commercial paper |     | -     | - | - | 85  | 85    |
| Deposits                                                |     | -     | - | - | 100 | 100   |
|                                                         |     | 2,489 | - | - | 195 | 2,684 |

|           |  |         |         |   |     |         |
|-----------|--|---------|---------|---|-----|---------|
| Sub total |  | 116,362 | 308,119 | - | 195 | 424,676 |
|-----------|--|---------|---------|---|-----|---------|

As at June 30, 2021

| Particular | Effective interest rate | Exposed to interest rate risk |                                          |                    | Not exposed to interest rate risk | Total |
|------------|-------------------------|-------------------------------|------------------------------------------|--------------------|-----------------------------------|-------|
|            |                         | Upto three months             | More than three months and upto one year | More than one year |                                   |       |

(Rupees in '000)

**Financial liabilities at amortised cost**

|                                                                         |  |   |   |   |     |     |
|-------------------------------------------------------------------------|--|---|---|---|-----|-----|
| Payable to AKD Investment Management Limited - Management Company       |  | - | - | - | 203 | 203 |
| Payable to the Central Depository Company of Pakistan Limited - Trustee |  | - | - | - | 25  | 25  |
| Accrued expenses and other liabilities                                  |  | - | - | - | 410 | 410 |
| <b>Sub total</b>                                                        |  | - | - | - | 638 | 638 |

**On-balance sheet gap**

|         |         |   |       |         |
|---------|---------|---|-------|---------|
| 116,362 | 308,119 | - | (443) | 424,038 |
|---------|---------|---|-------|---------|

**Cumulative interest rate sensitivity gap**

|         |         |   |       |
|---------|---------|---|-------|
| 116,362 | 308,119 | - | (443) |
|---------|---------|---|-------|

As at June 30, 2020

| Particular | Effective interest rate | Exposed to interest rate risk |                                          |                    | Not exposed to interest 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 through profit or loss**

|                                                      |             |         |         |   |   |         |
|------------------------------------------------------|-------------|---------|---------|---|---|---------|
| Investments - Government securities (Treasury bills) | 7.15 - 8.07 | 179,428 | 296,096 | - | - | 475,524 |
|------------------------------------------------------|-------------|---------|---------|---|---|---------|

**Financial assets at amortised cost**

|                                                         |         |        |   |   |       |        |
|---------------------------------------------------------|---------|--------|---|---|-------|--------|
| Bank balances                                           | 5 - 6.5 | 4,749  | - | - | 10    | 4,759  |
| Commercial paper                                        | 14.64   | 59,646 | - | - | -     | 59,646 |
| Profit receivable on bank deposits and commercial paper |         | -      | - | - | 3,334 | 3,334  |
| Deposit                                                 |         | -      | - | - | 100   | 100    |
|                                                         |         | 64,395 | - | - | 3,444 | 67,839 |

**Sub total**

|         |         |   |       |         |
|---------|---------|---|-------|---------|
| 243,823 | 296,096 | - | 3,444 | 543,363 |
|---------|---------|---|-------|---------|

**Financial liabilities at amortised cost**

|                                                                         |  |   |   |   |       |       |
|-------------------------------------------------------------------------|--|---|---|---|-------|-------|
| Payable to AKD Investment Management Limited - Management Company       |  | - | - | - | 237   | 237   |
| Payable to the Central Depository Company of Pakistan Limited - Trustee |  | - | - | - | 30    | 30    |
| Accrued expenses and other liabilities                                  |  | - | - | - | 1,622 | 1,622 |
| <b>Sub total</b>                                                        |  | - | - | - | 1,889 | 1,889 |

**On-balance sheet gap**

|         |         |   |       |         |
|---------|---------|---|-------|---------|
| 243,823 | 296,096 | - | 1,555 | 541,474 |
|---------|---------|---|-------|---------|

**Cumulative interest rate sensitivity gap**

|         |         |   |       |
|---------|---------|---|-------|
| 243,823 | 296,096 | - | 1,555 |
|---------|---------|---|-------|

### 21.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk.

### 21.2 Credit risk

Credit risk represents the risk of loss if the counterparties fail to perform as contracted. The Fund's credit risk mainly arises from bank balances, profit receivable on bank deposits and commercial papers.

#### 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.

Credit risk from balances with banks and financial institutions is managed in accordance with the Fund's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimize the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

The Fund's maximum exposure to credit risk is the carrying amounts of following financial assets.

|                                                         | 2021                                               |                  | 2020                                               |                  |
|---------------------------------------------------------|----------------------------------------------------|------------------|----------------------------------------------------|------------------|
|                                                         | 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                                           | 2,489                                              | 2,489            | 4,749                                              | 4,749            |
| Profit receivable on bank deposits and commercial paper | 85                                                 | 85               | 3,334                                              | 3,334            |
|                                                         | <u>2,574</u>                                       | <u>2,574</u>     | <u>8,083</u>                                       | <u>8,083</u>     |

The analysis below summaries the credit rating quality of the Fund's financial assets with banks as at June 30, 2021.

|                                  | Rating Agency | 2021           |         | 2020           |         |
|----------------------------------|---------------|----------------|---------|----------------|---------|
|                                  |               | Rupees in '000 | %       | Rupees in '000 | %       |
| Bank balances by rating category |               |                |         |                |         |
| AA+ / A1+                        | PACRA         | 2,305          | 92.26%  | 4,521          | 94.99%  |
| AA / A1+                         | PACRA         | 83             | 3.34%   | 77             | 1.61%   |
| AAA / A1+                        | PACRA / VIS   | 110            | 4.40%   | 162            | 3.40%   |
|                                  |               | 2,499          | 100.00% | 4,759          | 100.00% |

|                                                         | Rating Agency | 2021           |      | 2020           |        |
|---------------------------------------------------------|---------------|----------------|------|----------------|--------|
|                                                         |               | Rupees in '000 | %    | Rupees in '000 | %      |
| Profit receivable on bank deposits and commercial paper |               |                |      |                |        |
| AA+ / A1+                                               | PACRA         | 85             | 100% | 33             | 0.98%  |
| A-1+                                                    | VIS           | -              | -    | 3,301          | 99.02% |

Above ratings are on the basis of available ratings assigned by PACRA Rating Company Limited as of June 30, 2021.

Balance with banks is assessed to have low credit risk of default since the banks are highly regulated by the State Bank of Pakistan. Accordingly, the Fund estimates that loss allowance on balance with banks 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 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 arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's 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 honour its obligations to deliver cash, securities or other assets as contractually agreed.

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

### 21.3 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 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 ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current year.

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

As at June 30, 2021

| Within one Month | Over one to three months | Over three to twelve months | Over one to five years | Total |
|------------------|--------------------------|-----------------------------|------------------------|-------|
| (Rupees in '000) |                          |                             |                        |       |

#### Financial liabilities

|                                                                     |     |   |   |   |     |
|---------------------------------------------------------------------|-----|---|---|---|-----|
| Payable to AKD Investment Management Limited - Management Company   | 203 | - | - | - | 203 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 25  | - | - | - | 25  |
| Accrued expenses and other liabilities                              | 410 | - | - | - | 410 |
|                                                                     | 638 | - | - | - | 638 |

As at June 30, 2020

| Within one Month | Over one to three months | Over three to twelve months | Over one to five years | Total |
|------------------|--------------------------|-----------------------------|------------------------|-------|
| (Rupees in '000) |                          |                             |                        |       |

#### Financial liabilities

|                                                                     |       |   |   |   |       |
|---------------------------------------------------------------------|-------|---|---|---|-------|
| Payable to AKD Investment Management Limited - Management Company   | 237   | - | - | - | 237   |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 30    | - | - | - | 30    |
| Accrued expenses and other liabilities                              | 1,622 | - | - | - | 1,622 |
|                                                                     | 1,889 | - | - | - | 1,889 |

## 22. 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.

## 23. 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 IFRSs. 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. period 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 June 30, 2021                                             |         |         |         |  |
|-----------------------------------------------------------------|---------|---------|---------|--|
| Level 1                                                         | Level 2 | Level 3 | Total   |  |
| ----- (Rupees in '000) -----                                    |         |         |         |  |
| ASSETS                                                          |         |         |         |  |
| Investment in securities - at fair value through profit or loss |         |         |         |  |
| Treasury bills - Government securities                          |         |         |         |  |
| -                                                               | 421,992 | -       | 421,992 |  |
| As at June 30, 2020                                             |         |         |         |  |
| Level 1                                                         | Level 2 | Level 3 | Total   |  |
| ----- (Rupees in '000) -----                                    |         |         |         |  |
| ASSETS                                                          |         |         |         |  |
| Investment in securities - at fair value through profit or loss |         |         |         |  |
| Treasury bills - Government securities                          |         |         |         |  |
| -                                                               | 475,524 | -       | 475,524 |  |

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

24. **PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund are as follows:

| S.no | Name                  | Designation                                   | Qualification                    | Experience in years |
|------|-----------------------|-----------------------------------------------|----------------------------------|---------------------|
| 1    | Mr. Imran Motiwala    | Chief Executive Officer                       | B.Sc. (Marketing)                | 28                  |
| 2    | Mr. Muhammad Yaqoob   | Chief Operating Officer and Company Secretary | MBA (Finance), CFA Charterholder | 17                  |
| 3    | Ms. Anum Dhedhi       | Chief Investment Officer                      | B.Sc. (Financial Economics)      | 10                  |
| 4    | Sheikh Usman Haroon   | Risk Manager                                  | ACCA, CFA Level III Passed       | 7                   |
| 5    | Mr. Bilal Shuja Zaidi | Investment Analyst                            | BS (Accounting & Finance), CFA   | 3                   |
| 6    | Mr. Danish Aslam      | Fund Manager                                  | BS (Accounting & Finance), CFA   | 3                   |
| 7    | Mr. Ajay Kumar        | Fund Manager                                  | MBA (Finance), CFA Charterholder | 6                   |

Mr. Danish Aslam is the Manager of the Fund. He is also managing AKD Islamic Income Fund and AKD Aggressive Income Fund.

25. **PATTERN OF UNIT HOLDING**

As at June 30, 2021

|                          | Number of unit holders | Number of units held | percentage investment % |
|--------------------------|------------------------|----------------------|-------------------------|
| Individuals              | 290                    | 4,262,903            | 51.57%                  |
| Retirement Funds         | 7                      | 3,697,268            | 44.72%                  |
| Public Limited Companies | 1                      | 291,362              | 3.52%                   |
| Others                   | 7                      | 15,555               | 0.19%                   |
| Director                 | 1                      | 147                  | 0.00%                   |
|                          | <b>306</b>             | <b>8,267,235</b>     | <b>100.00%</b>          |

As at June 30, 2020

|                          | Number of unit holders | Number of units held | percentage investment % |
|--------------------------|------------------------|----------------------|-------------------------|
| Individuals              | 271                    | 9,646,153            | 91.52%                  |
| Retirement Funds         | 7                      | 590,670              | 5.60%                   |
| Public Limited Companies | 1                      | 291,362              | 2.76%                   |
| Others                   | 6                      | 13,148               | 0.12%                   |
| Director                 | 1                      | 139                  | 0.00%                   |
|                          | <b>286</b>             | <b>10,541,472</b>    | <b>100.00%</b>          |

26. **ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

During the year 85th, 86th, 87th and 88th board meetings were held on September 30, 2020, October 29, 2020, February 25, 2021 and April 30, 2021 respectively. Information in respect of attendance by Directors in these meetings is given below:

| S.No. | Name of Director        | Number of meetings |          |               | Meeting not attended |
|-------|-------------------------|--------------------|----------|---------------|----------------------|
|       |                         | Held               | Attended | Leave granted |                      |
| 1     | Mr. Abdul Karim         | 4                  | 4        | -             | -                    |
| 2     | Mr. Imran Motiwala      | 4                  | 4        | -             | -                    |
| 3     | Ms. Anum Dhedhi         | 4                  | 3        | 1             | 86th                 |
| 4     | Mr. Saim Mustafa Zuberi | 4                  | 3        | 1             | 86th                 |
| 5     | Mr. Ali Wahab Siddiqui  | 4                  | 4        | -             | -                    |
| 6     | Mr. Hasan Ahmed         | 4                  | 4        | -             | -                    |
| 7     | Ms. Aysha Ahmed         | 4                  | 4        | -             | -                    |

27. GENERAL

- 27.1 Figures have been rounded off to the nearest thousand rupees unless otherwise specified.
- 27.2 Comparative figures have been reclassified where necessary for better presentation and comparison.

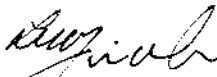
28. DATE OF AUTHORISATION FOR ISSUE

29 SEP 2021

These financial statements were authorised for issue on \_\_\_\_\_ by the Board of Directors of the Management Company.

YR

For AKD Investment Management Limited  
(Management Company)

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

**AKD CASH FUND  
PERFORMANCE TABLE**

|                                                                | 2021      | 2020    | 2019     |
|----------------------------------------------------------------|-----------|---------|----------|
| Total net assets value (Rs '000)*                              | 418,559   | 533,220 | 102,401  |
| Net assets value per unit - (Rs)*                              | 50.6287   | 50.5830 | 50.4876  |
| Selling price as at June 30 (Rs)*                              | 50.6287   | 50.5830 | 50.4876  |
| Repurchase price as at June 30 (Rs)*                           | 50.6287   | 50.5830 | 50.4876  |
| Highest selling price (Rs)                                     | 53.7609   | 56.6225 | 54.2019  |
| Lowest selling price (Rs)                                      | 50.5928   | 50.5028 | 50.3494  |
| Highest repurchase price (Rs)                                  | 53.7609   | 56.6225 | 54.2019  |
| Lowest repurchase price (Rs)                                   | 50.5928   | 50.5028 | 50.3494  |
| <b>Return of the Fund</b>                                      |           |         |          |
| - capital growth (Rs '000)                                     | (114,661) | 430,819 | (60,812) |
| - income distribution (including refund of capital) (Rs '000)* | 25,275    | 58,142  | 7,238    |
| <b>Distribution per unit</b>                                   |           |         |          |
| Interim                                                        |           |         |          |
| - Gross (2021: Announced on June 30, 2021) (Rs)                | 3.18      | 6.08    | 3.75     |
| - Gross (2020: Announced on June 30, 2020) (Rs)                |           |         |          |
| - Gross (2019: Announced on June 28, 2019) (Rs)                |           |         |          |
| <b>Final</b>                                                   | -         | -       | -        |
| <b>Average Annual Return</b>                                   |           |         |          |
| - Last one year                                                | 6.38      | 12.24   | 7.89     |
| - Last two years                                               | 9.27      | 10.04   | 6.32     |
| - Last three years                                             | 8.81      | 8.26    | 6.33     |
| Weighted Average Portfolio Duration                            | 72        | 48      | 17       |

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

\*\*\* Interim Distribution has been made as per Clause 11 of the Fund's Trust Deed

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

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