askari Investment MANAGEMENT

ANNUAL REPORT 2013

askari Asset Allocation Fund

Vision

The leading quality investment advisor providing excellent returns in a dynamic market place, based on the superior expertise of a committed team of professionals who value

"Service to the Customer"

Askari Investment Management Limited

Good people ■ Sound advice ■ Great returns

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ANNUAL REPORT 2013

askari ASSET ALLOCATION FUND

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Information about the Management Company

Registered Office
Askari Investment Management Ltd.
Office No. 2/W, Kashmir Plaza, Jinnah Avenue,
Blue Area, Islamabad.

Head Office
Askari Investment Management Ltd.
20-C,Khayaban-e-Nishat,
Ittehad Commercial Area,
Phase VI, DHA, Karachi.
UAN : 111-246-111
Email : info@askariinvestments.com

Board of Directors
- Syed Majeedullah Husaini
- Mr. Shahid Hafeez Azmi
- Mr. Khurshid Zafar
- Mr. Sufian Mazhar
- Mr. Farrukh Iqbal Khan

Audit Committee
- Mr. Shahid Hafeez Azmi - Chairman
- Syed Majeedullah Husaini
- Mr. Farrukh Iqbal Khan

HR Committee
- Syed Majeedullah Husaini - Chairman
- Mr. Shahid Hafeez Azmi
- Mr. Farrukh Iqbal Khan

Chief Financial Officer & Company Secretary:
- Zainab Siddiqui

Fund's Information

Bankers
- Askari Bank Limited
- Burj Bank Limited
- Habib Metro Bank Limited
- Allied Bank Limited
- Askari Bank Limited (Islamic Banking)

Trustee
- **Central Depository Company of Pakistan Limited**
  CDC House, 99-B, Block B, S.M.C.H.S,
  Main Shahrah-e-Faisal, Karachi
  Tel: (92-21) 111- 111- 500

Auditors
- **A.F. Ferguson & Co.**
  Chartered Accountants
  State Life Building No. 1-C, I.I Chundrigar Road,
  P.O. Box 4716, Karachi-74000, Pakistan.
  Tel: (021) 324 26682-6

Legal Advisors
- **Mohsin Tayabaly & Company**
  Advocates & Legal Consultants
  2nd Floor, Dine Centre, PC-4,
  Block 9, Kehkashan, Clifton, Karachi.

- **Bawaney & Partners**
  Advocates & Investment & Corporate Advisors
  404, 4th Floor, Beaumont Plaza, 6-D-10,
  Beaumont Road, Civil Lines, Karachi-75530.

- **Akhund Forbes**
  Corporate and Commercial Law Firm
  D-21, Block-4, Scheme 5,
  Clifton, Karachi.

Registrar
- **Technology Trade (Pvt.) Ltd.**
  Dagia House: 241-C, P.E.C.H.S. Block-2,
  Shahrah-e-Quaideen, Karachi.
  Tel: (021) 34391316-7 & 9

Directors' Report

DIRECTORS' REPORT TO THE UNIT HOLDERS

On behalf of the Board of Directors of Askari Investment Management Limited ("Management Company " or "the Company"), we are pleased to present the annual report of Askari Asset Allocation Fund("AAAF" or "the Fund") along with the Audited Financial Statements and Auditors' report thereon for the year ended June 30, 2013.

Economic Review

Pakistan economy during Fy13 continued to face challenges both on internal and external side. More importantly during the year the country also underwent the general election, with PML - N taking the parliamentary majority. On the economic front, the country continued to experience unresolved energy shortages, poor law & order situation, political instability and weak private sector investment. This combined with weak global economic growth in particularly that of its trading partners - US, UK, China and EU - tested country's economic resilience. As result of these aforementioned factors the real GDP growth further slowdown to post a 3.6% growth versus 4.4% in Fy12.

Provisional sector-wise growth figures suggests, subdued agriculture growth of 3.3% versus 3.5% last year. Service sector witnessed a sharp slowdown showing a 3.7% growth compared to 5.7% last year. However, on a positive note despite looming domestic crisis, country's industrial sector showed signs of recovery. For the Fy13, the LSM posted a growth of 2.8% (compared to 1.2% last year) led by high consumer durable items demand.

On the price front the on-going deceleration in food prices, administrated cut in energy prices along with high base effect helped tamed the headline Consumer Price Index (CPI) inflation for the Fy13 to 7.4% y/y from 11% y/y in Fy12. Food inflation during Fy13 came down to 7.1% y/y on average versus 11% y/y during Fy12. Non-food prices recorded a 7.5% y/y growth on average versus 11% y/y in Fy12. As a result of this the core inflation (NFNE) receded to post a 9.6% y/y rise compared to 10.6% y/y in Fy12.

Given the fall in inflation to single digit and no eminent risk on external side; the State Bank of Pakistan (SBP) eased monetary policy rate by 300bps to 9%.

The current account balance, for the Fy13 recorded a deficit of USD 2.3bn (or 0.9% of GDP) compared to USD 4.7bn (or 2.0% of GDP) last year. The relatively stable deficit compared to last year is largely due to the funds received under the Coalition Support Funds (CSF) worth USD 1.88bn. Excluding, the CSF the current account deficit stands at USD 4.2bn (or 1.7% of GDP). Nevertheless, country's export performance remained pretty much unchanged at USD 24.7bn up by a mere +0.2% y/y. Import bill decline by 1.6% y/y to USD 39.8bn; thanks to decelerating international oil prices. As result the country's trade deficit came down to 4.5% y/y to USD 15.1bn from USD 15.8bn.

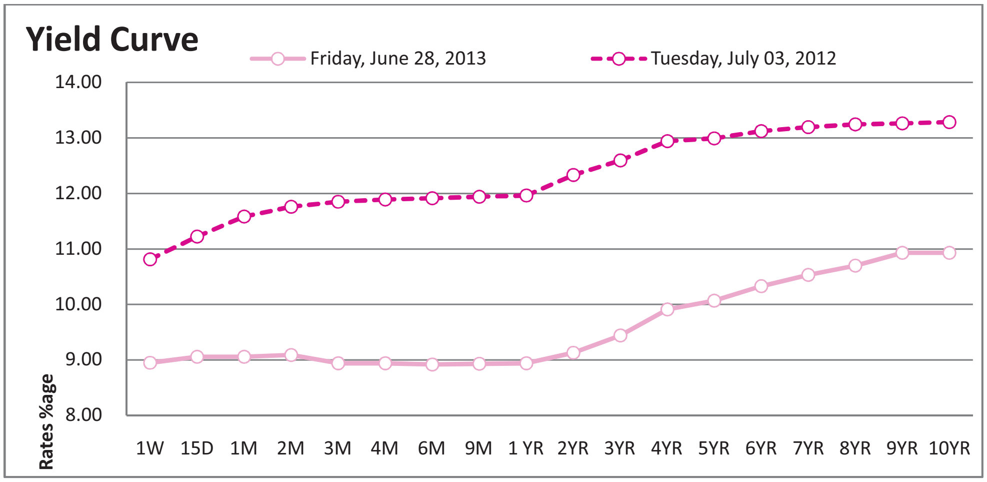
Capital account witnessed a sharp +30%y/y increase but its overall size remained fairly small at USD 283mn to compensate for higher current account deficit. Moreover, financial account saw a net outflow of USD 80mn despite a +76% rise in Foreign Direct Investment (FDI) of USD 1.4bn. This dismissal financial account performance pertains to on-going debt repayments made by the government of Pakistan to different bi-lateral and unilateral fund agencies. Subsequently, as result of on-going debt repayments and growing USD demand, country's foreign exchange reserve depleted sharply. By Jun-13 end, the SBP foreign reserve almost halved to USD 5.0bn from USD 10.8bn in Jul-12. Falling foreign exchange reserves and meeting the current account deficit has spelt trouble for PKR. The PKR touched an all-time low of 99.6 (by Jun-13 end) against the greenback showing almost 6% y/y deprecation.

Low private sector credit hinges on higher government borrowing

The government budgetary borrowing during Fy13 increased by ~33% y/y or by PKR 1.3trn. Almost 59% (or PKR 2trn) of the borrowing needs were met through commercial banks and the rest 41% (or PKR 3trn) through SBP. As a consequence of higher budgetary borrowing and in particularly through commercial banks led towards a private sector crowding out. For Fy13, the private sector credit off-take depicted a decline of 2% y/y. Given the higher domestic borrowing; government domestic debt rose from 38% of GDP in Fy12 to 42% of GDP or PKR 9.5trn in Fy13. Overall external debt reduced to PKR 5.9trn or 26% of the GDP from 31% of the GDP in Fy12. This was mainly on account of higher debt retirement to IMF.
Fixed Income Review

Reflecting the 300bps policy rate cut amid at slowdown in headline CPI inflation number (Fy13 7.4% y/y versus Fy12 11% y/y), the domestic yield curve adjusted lower, remaining upward sloping. Starting Fy13 the rates on 3m, 6m and 12m fell by 291bps, 299bps and 302bps to 11.85%, 11.91% and 11.96% respectively. The benchmark 10 year Pakistan Investment Bond (PIB) yield finished the Fy13 at 13.28% down by 235bps during the Fy13.

Going forward given the high fiscal deficit monetisation, schedule banks will remain the prime lender to government. We see more participation in short-term tenor compared to long-term PIBs' as inflation starts to pick up in the near term, subsequently leading to possible policy rate hike.



Equity Market Review

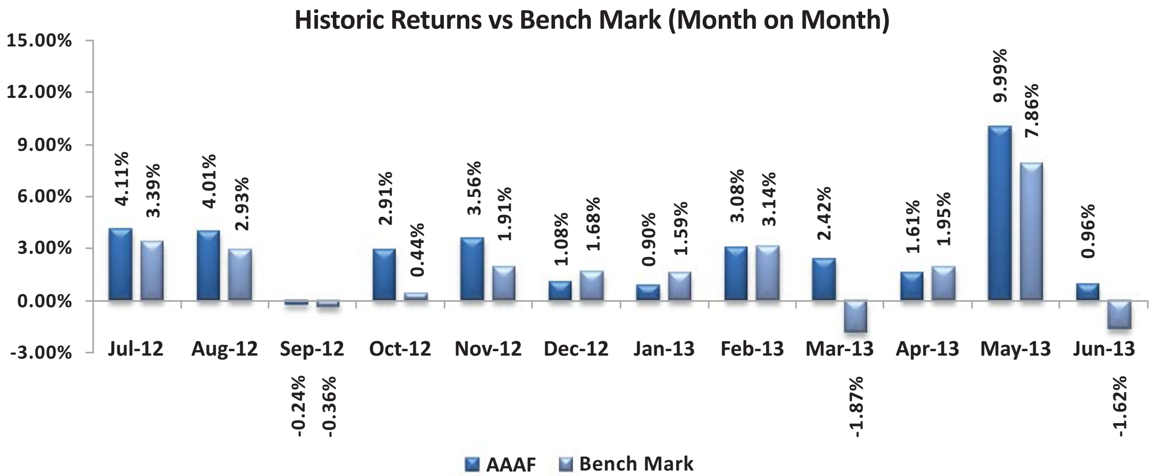
In FY13, Pakistan equity benchmark (KSE-100) recorded a return of 52.3% compared to return of 10.4% posted same period last year, making one of the best performing market in the region. After making high of 22,757the market closed at 21,005 level. Encouragingly, on average the daily trading volumes topped to 201mn shares per day compared to 130mn shares witnessed same period last year. The major reasons for the equity market to record nine year high return were (1) FIPI inflow of US$567mn compared to outflow of US$169mn in FY12), (2) cumulative cut in DR by 300bps (3) single digit inflation of 7.35% (compared to 11% in FY12) (4) massive earnings growth and (5) most importantly PML-N taking the majority seats post elections contrast to market consensus of a hung parliament. The business viewed this as a positive change, with the PML-N knowing to have implemented pro-investment policies in the past. Within the KSE, the star performer of the year was the cement sector; the two cement stocks LUCK and DGKC recorded highest gain of 79% and DGKC, respectively. On the other hand, the banking sector remained under pressure on account monetary easing, increase in minimum deposit rate (MDR) in 1HFY13 by 100 and on directives of SBP to credit profits on average monthly balances on savings account compared to minimum balances earlier.

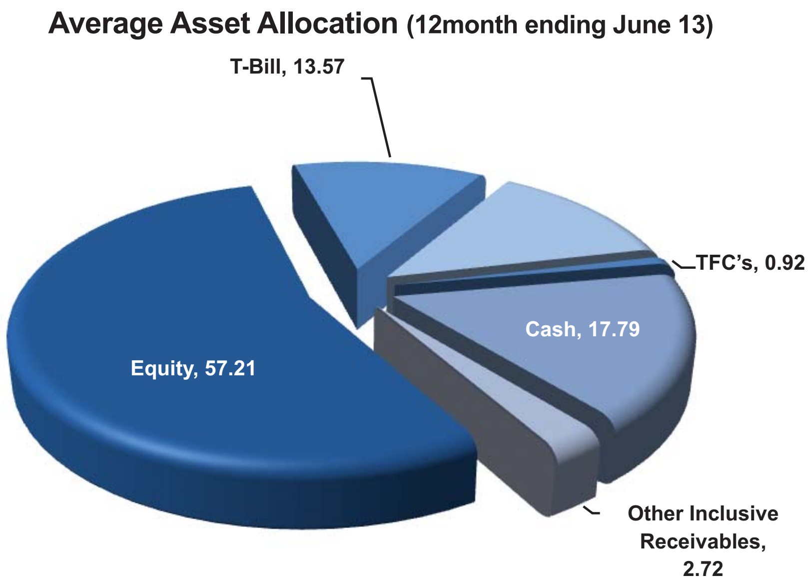
Performance of the Fund

In FY13, the Fund delivered a return of 39.86% against the benchmark return of 22.73%, outperforming the benchmark by 1,700 bps. Equities performed relatively strongly in 2H compared to 1H performance. To elaborate, the equities market recorded a gain of 21% in 1H compared to 2H gain of 24%. Similarly, AAAF gained15.43% in 1H and 18.96% in 2H compared to benchmark performance of 9.99% and 11.05%, respectively in the same period. Out performance of the fund was due to prudent decision making and capitalizing on investment opportunities. As at June 28th, 2013 the average beta of the fund was 0.57. On average the fund's allocation in equities was maintained at 57% in FY13, however it was lowered by 200bps in 2H compared to 1H despite the market continued to rally. The primary reason for lower allocation in 2H was to book capital gains coupled with expected dividend payout in 2H.

During the year the equity allocation was skewed towards oil & gas and construction & materials owing to double digits earnings growth. In equities, the top five fund's sector exposure were in Oil and Gas (21.18%), Construction & Materials (14.5%), Chemicals (9.3%), Banks (6.8%) and, Personal Goods (4.0%). Moreover, on average, the fund had 57% allocation in equities, 13.57% in T-Bills and 13.5% in PIB during the year.

Askari Asset Allocation delivered a return of 12.83% in the fourth quarter as against benchmark return of 8.18%, 200bps higher than the second top performing in the same category. The fund's exceptional performance was due to heavy weight exposure in Oil & Gas and Construction and Materials sector. The fund had 53.4% average allocation in equities in the last quarter of FY13. During the period on the fixed income side , exposure in long term bonds was decreased to nil of the total assets while position in short term papers (T- Bills) was increased at the quarter end as yield spread narrowed between short and long term tenor. Moreover, on average the exposure in short term paper and long term paper stood at 12.51% and 5.61%, respectively.





Outlook

Going forward, with base effect fading away and upward administrated adjustment in energy prices, we expect inflation to prop-up. This may prompt SBP to raise the policy rate; subsequently hurting the private sector credit investment cycle. On the external account, higher current account deficits could only sustain through higher incoming financial and capital accounts. With global economy still is doldrums the prospects of foreign financial capital flowing in would be limited. Moreover, the government has set out a fiscal deficit target of 6.3% of the GDP in Fy14 (down from 8.8% of the GDP in Fy13). Given the lack of foreign funds outlook and no eminent reforms to boost domestic tax revenue collection, the prospects to bring down fiscal deficit under 7% seem bleak. These combined higher twin deficit; current account and fiscal, can lower the prospects of government achieving 4.4% GDP in Fy14.

Details required by the Code of Corporate Governance:

AAAF was listed on Islamabad Stock Exchange (Guarantee) Limited on September 18, 2007 and Askari Investment Management Limited, as its Management Company, is committed to observe the Code of Corporate Governance as applicable. The details as required by the Code of Corporate Governance regarding the pattern of unit holding of the Fund as on June 30, 2013 is as follows:

Category	Unit holding	Percentage of Unit holding
Associated companies, undertakings and related parties		
Askari Bank Limited	2,500,000	52.69%
Askari Investment Management Ltd	3,358	0.07%
Aim Employees Provident Fund	33,223	0.70%
Mutual Fund	-	0.00%
Directors and their spouse and minor children	9,561	0.20%
Executives	4,725	0.01%
Public sector companies and corporations	170,383	3.59%
Banks, DFIs, NBFCs, Insurance companies, Takafuls, Modrabas and Pension funds	255,712	5.39%
Shareholders holding five percent or more voting rights		
National Logistic Cell Limited	499,074	10.52%
EPCL MPT Employees	257,737	5.43%
Sui Southern Gas Executive Staff Provident Fund	382,681	8.06%
Sui Southern Gas Executive Staff Pension Fund	287,010	6.05%
Other Individual Shareholders	341,625	7.29%
Total	**4,745,090**	**100.00%**

The Board of Directors of the Management Company state that:

1. The financial statements, prepared by the Management Company, present fairly the statement of affairs, the results of operations, cash flows and the changes in unit holders' fund.

2. Proper books of accounts have been maintained by the Fund.

3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

4. Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003, Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations, 2008), requirements of the trust deed and directives issued by the Securities and Exchange Commission of Pakistan have been followed in the preparation of the financial statement and any deviation there from has been disclosed.

5. The system of internal controls is sound in design and has been effectively implemented and monitored.

6. There are no significant doubts upon the Fund's ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

During the year, no trades in the units of the Fund were carried out by the Directors, CFO, Company Secretary and their spouses and minor children. Trades of CEO and his spouse and minor children, of the Management Company are as under:

	No of Units
Investment	28,561
Redemption	19,000

Meetings of the Board of Directors were held once in every quarter. During the year sixboard meetings were held.Detail of Attendance at these meetings is disclosed in the Financial Statements.
Key operating and financial data of the Fund for prior years since inception is as follows:

	Jun-13	Jun-12	Jun-11	Jun-10	Jun-09	Jun-08
	Rupees					
Net Assets as on June 30th	263,763,256	193,245,335	177,149,656	219,501,929	289,142,644	489,738,434
Net Asset Value per unit as on June 30th	4,745,090	46.0289	41.0517	58.7784	54.6213	87.8845
Net income/ (loss) for the year/period	42,241,994	27,787,594	(16,042,681)	86,277,716	(172,701,632)	(68,677,504)
Dividend Distribution during the Year/period*	26,398,385	-	84,397,422	-	-	12,459,565

*This excludes dividend distribution approved after the period-end.

On July 05, 2013, the Board of Directors of the Management Company approved a final distribution at the rate of Rs 8.4571 per unit (Par value of Rs. 100 per Unit) out of the accounting income for the year ended June 30, 2013. This distribution has been made in compliance with Regulation 63 of the NBFC Regulations, 2008, and to avail the income tax exemption for the Fund as available under Clause 99 of the Second Schedule to the Income Tax Ordinance, 2001.

Auditors

The Board of Directors on the recommendation of the Audit Committee has approved the re-appointment of M/s A.F. Ferguson & Co. - Chartered Accountants as the auditors of the Fund for the financial year ending June 30, 2014.

Acknowledgement

We would like to join our colleagues on the Board, management team and employees of the Company, in thanking first and foremost the investors for their vote of confidence in Askari Asset Allocation Fund. Additionally we would like to thank Askari Bank Limited, the Securities and Exchange Commission of Pakistan, the Trustee of the Fund and the Stock Exchange for their continued guidance and support.

For and on Behalf of the Board of Directors of the Management Company

Chief Executive Officer (Acting)

August 30, 2013
Karachi

Fund Manager's Report

FUND MANAGER'S REPORT

On behalf of the Board of Directors of Askari Investment Management Limited ("Management Company " or "the Company"), we are pleased to present the annual report of Askari Asset Allocation Fund("AAAF" or "the Fund") along with the Audited Financial Statements and Auditors' report thereon for the year ended June 30, 2013.

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Provisional sector-wise growth figures suggests, subdued agriculture growth of 3.3% versus 3.5% last year. Service sector witnessed a sharp slowdown showing a 3.7% growth compared to 5.7% last year. However, on a positive note despite looming domestic crisis, country's industrial sector showed signs of recovery. For the Fy13, the LSM posted a growth of 2.8% (compared to 1.2% last year) led by high consumer durable items demand.

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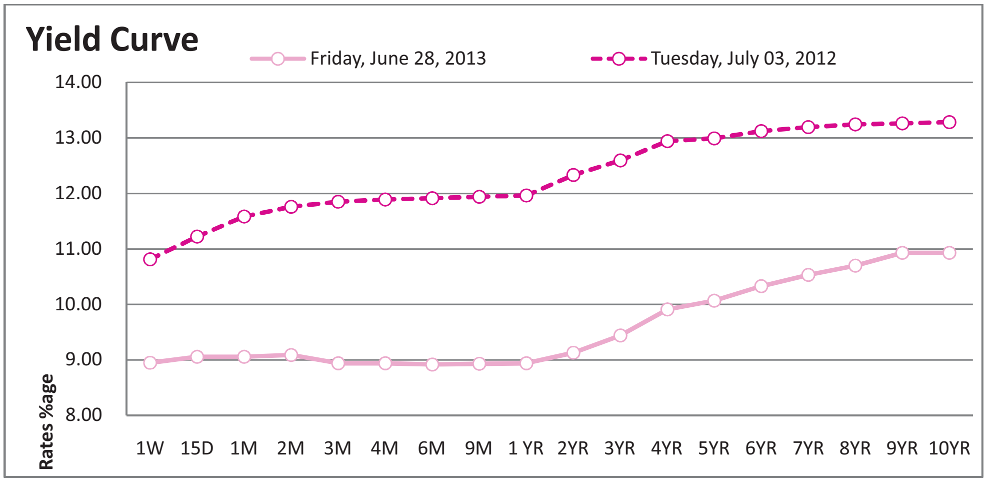

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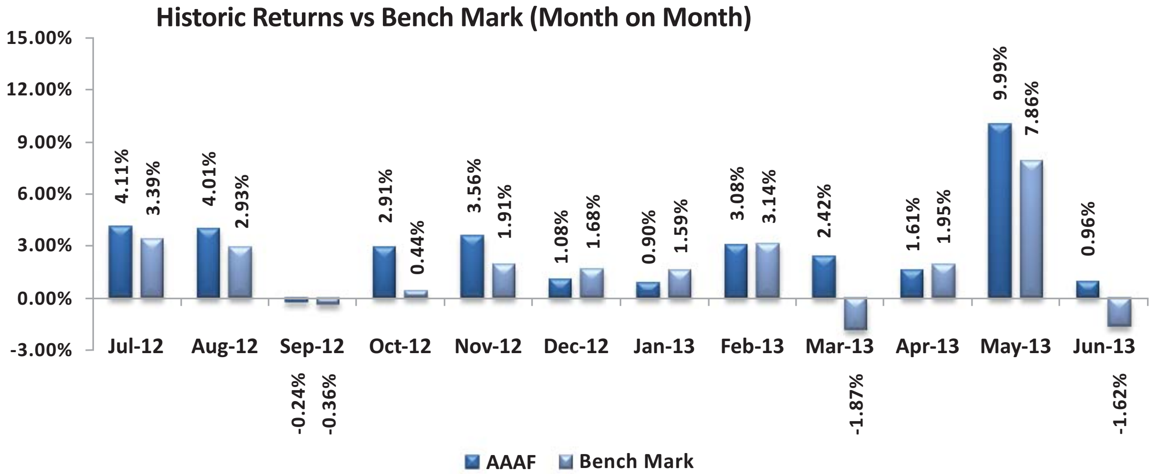
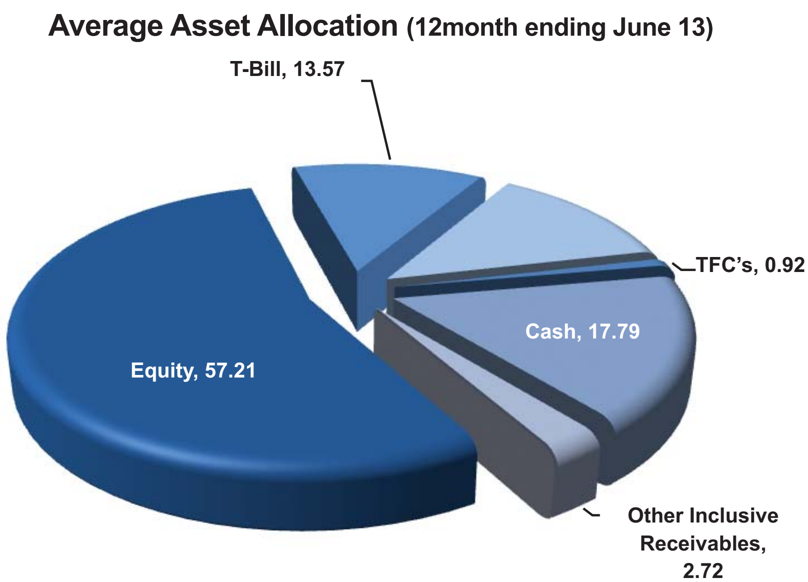

Historic Returns vs Bench Mark (Month on Month)
15.00%
12.00%
9.00%
6.00%
3.00%
0.00%
-3.00%
4.11%
3.39%
4.01%
2.93%
-0.24%
-0.36%
2.91%
0.44%
3.56%
1.91%
1.08%
1.68%
0.90%
1.59%
3.08%
3.14%
2.42%
-1.87%
1.61%
1.95%
9.99%
7.86%
0.96%
-1.62%
Jul-12
Aug-12
Sep-12
Oct-12
Nov-12
Dec-12
Jan-13
Feb-13
Mar-13
Apr-13
May-13
Jun-13
AAAF
Bench Mark


Average Asset Allocation (12month ending June 13)
T-Bill, 13.57
TFC's, 0.92
Cash, 17.79
Equity, 57.21
Other Inclusive Receivables, 2.72

15 YEARS OF TRUST 1997-2012

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED
Head Office
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

TRUSTEE REPORT TO THE UNIT HOLDERS

ASKARI ASSET ALLOCATION 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 Askari Asset Allocation Fund (the Fund) are of the opinion that Askari Investments Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 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.

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

Karachi: October 24, 2013

CENTRAL DEPOSITORY COMPANY

pwc

A. F. FERGUSON & CO.

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

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

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

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

Regulation 35 (x) of the Listing Regulations requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2013.

We draw attention to the following matters which are highlighted in paragraphs 4, 9 and 15 of the annexed statement:

- As required by the Code, the casual vacancy occurring on the Board is required to be filled up within 90 days. However, on one instance, a casual vacancy occurring on the Board was not filled within the time frame as stipulated in the Code;
- As required by the Code, all Directors of the Management Company are required to attend the training program for directors by the year 2016 and atleast one director will attend the training program each year during the period from June 30, 2012 to June 30, 2016. During the year, no Director on the Board attended training as required under the Code; and
- As required by the code, the secretary of the audit committee shall either be the Company Secretary or Head of Internal Audit. However, we noted that the Company was not compliant with the said requirement.

A.F.Ferguson & Co
Chartered Accountants

Karachi

Dated: October 22, 2013

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STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented by the Board of Directors of Askari Investment Management Limited, the Management Company of Askari Asset Allocation Fund ("the Fund") to comply with the Code of Corporate Governance contained in Regulation no. 35 of Listing Regulations of Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Askari Asset Allocation Fund is an open end mutual fund and is listed on the Islamabad Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, Askari Investment Management Limited, on behalf of the Fund, has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes

Category	Names
Independent Directors	1. Mr. Shahid Hafeez Azmi 2. Mr. Sufian Mazhar
Executive Director	1. Mr. Basharat Ullah (appointed as Acting Chief Executive Officer subsequent to June 30, 2013)
Non – Executive Directors	1. Mr. Majeedullah Husaini (appointed subsequent to June 30, 2013) 2. Mr. Farrukh Iqbal Khan (appointed subsequent to June 30, 2013) 3. Khurshid Zafar (appointed subsequent to June 30, 2013)

Mr. Adnan Siddiqui (Chief Executive Officer), Mr. Tahir Mahmood and Mr. Mukhtar Ahmed were directors of the company as at June 30, 2013 but resigned subsequent to the year end. Mr. Basharatullah has been appointed as acting chief executive officer of the company.

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Management Company.

3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. The three years' term of office of the previous Board was completed and a new Board comprising of eight directors were elected for the next term of three years commencing from September 27, 2012, with the approval of the Securities and Exchange Commission of Pakistan, as required by the NBFC Regulations, 2008. An independent director, who completed his term on September 26, 2012 was reappointed but the SECP did not approve his appointment.

   During the year, three casual vacancies arose on the board on November 1, 2012, May 27, 2013 and June 25, 2013 which were filled up by the directors within 90 days, except the casual vacancy which arose due to the appointment not approved by SECP.

5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed vision / mission statement, overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including determination of remuneration of non-executive directors, have been taken by the Board. No new appointment of Chief Executive Officer and executive director was made during the year. Non-executive directors Mr. Majeedullah Husaini, Mr. Farrukh Iqbal Khan and Khurshid Zafar were appointed to fill the casual vacancies which arose during the year.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. As required by the code, all the directors of the Management Company are required to attend the training program for directors by the year 2016 and atleast one director will attend the training program each year during the period from June 30, 2012 to June 30, 2016. During the year, no director on the board attended training as required under the code. However, one of the non-executive directors elected subsequent to the year end is a certified director from an institute meeting the criteria specified by the Securities and Exchange Commission of Pakistan.

10. The board has approved appointment of Chief Financial Officer and Company Secretary. The board has approved the remuneration and terms and conditions of employment, as determined by the Chief Executive Officer. The internal audit function has been outsourced to a professional firm and a full time employee has been designated to act as a coordinator between the firm and the Board.

11. The Directors' Report relating to the Fund for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Fund were duly endorsed by the Acting Chief Executive Officer and Acting Chief Financial Officer of the Management Company before approval of the Board.

13. The Directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.

14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company and the Chairman of the committee is an independent director. The secretary of the audit committee is a full time employee of the company but does not hold the position of company secretary or Head of Internal Audit.

16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of the interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been approved by the board and advised to the committee for compliance.

17. The Board has reconstituted its HR and Remuneration Committee subsequent to the year end on August 30, 2013. HR and remuneration committee comprises of 3 members, of whom all are non-executive directors and the chairman of the committee is a non-executive director.

18. The Management Company has outsourced the internal audit function to M. Yousuf Adil Saleem & Co. Chartered Accountants who are considered to be suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.

19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund. The firm and all its partners are also in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the Fund's units, was determined and intimated to directors, employees and the stock exchange.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.

23. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transaction that were made on terms equivalent to those that prevail in the arm's length transactions only if such term can be substantiated.

24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board

Basharat Ullah
Acting Chief Executive Officer

Dated: **August 30, 2013**
Karachi

pwc

A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Askari Equity Fund** (hereinafter referred to as 'the Fund'), which comprise the statement of assets and liabilities as at June 30, 2013, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2013, and of its financial performance, cash flows and transactions for the period then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

AFerguson & Co
Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: October 22, 2013

Karachi

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Financial Statements

ASKARI ASSET ALLOCATION FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2013

	Note	2013	2012
		------------ (Rupees) ------------	
ASSETS			
Balances with banks	4	80,738,753	13,883,816
Investments	5	179,157,167	178,116,256
Receivable against sale of investments		4,689,210	-
Prepayments, dividend and other receivables	6	645,598	1,825,866
Security deposits	7	3,600,000	3,600,000
Total Assets		268,830,728	197,425,938
LIABILITIES			
Payable to Askari Investment Management Limited - Management Company	8	681,301	698,906
Payable to Central Depository Company of Pakistan Limited - Trustee	9	57,534	57,376
Payable to the Securities and Exchange Commission of Pakistan	10	214,159	174,646
Payable against purchase of investments		-	38,625
Accrued and other liabilities	11	4,114,478	3,211,050
Total Liabilities		5,067,472	4,180,603
		263,763,256	193,245,335
UNIT HOLDERS' FUND (as per statement attached)		263,763,256	193,245,335
Contingencies and commitments	12		
Number of units in issue		4,745,090	4,198,350
		------------ (Rupees) ------------	
NET ASSET VALUE PER UNIT		55.5866	46.0289

The annexed notes 1 to 27 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Acting Chief Executive	**Director**	**Director**

As the office of the Chief Executive is currently vacant, these financial statements have been signed by the Acting Chief Executive Officer and two directors authorised in this behalf by the Board of Directors of the Management Company.

ASKARI ASSET ALLOCATION FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
		------------ (Rupees) ------------	
Income			
Capital gain on sale of investments		45,281,061	18,460,522
Dividend income		8,369,750	9,843,176
Profit on placements and balances with banks		2,827,606	2,052,193
Mark-up on term finance certificates		300,697	1,024,223
Mark-up on government securities		6,345,082	4,671,714
Other income		416	-
		63,124,612	36,051,828
Net unrealised appreciation / (diminution) in value of investments classified as at 'fair value through profit or loss' - net	5.4	20,876,245	(565,605)
Total income		84,000,857	35,486,223
Expenses			
Remuneration of the Askari Investment Management Limited - Management Company	8.1	4,877,394	5,515,097
Federal Excise Duty on Management Company's remuneration	8.2	41,442	-
Sindh Sales tax on Management Company's remuneration		787,026	882,415
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	700,000	700,000
Annual fee - Securities and Exchange Commission of Pakistan	10	214,159	174,646
Auditors' remuneration	13	564,265	498,904
Legal and professional charges		50,001	49,959
Securities transaction costs		887,476	761,368
Settlement and bank charges		294,378	281,965
Fees and subscriptions		128,002	110,000
Printing and stationery expenses		120,001	109,025
Amortisation of preliminary expenses and floatation costs		-	490,253
Total expenses		8,664,144	9,573,632
Net income from operating activities		75,336,713	25,912,591
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net		(32,232,638)	4,239,035
Provision for contribution to the Workers' Welfare Fund	11.1	(862,081)	(2,364,032)
Net income for the year before taxation		42,241,994	27,787,594
Taxation	14	-	-
Net income for the year after taxation		42,241,994	27,787,594
Earnings per unit	15		

The annexed notes 1 to 27 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Acting Chief Executive	**Director**	**Director**

As the office of the Chief Executive is currently vacant, these financial statements have been signed by the Acting Chief Executive Officer and two directors authorised in this behalf by the Board of Directors of the Management Company.

ASKARI ASSET ALLOCATION FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	------------ (Rupees)	------------
Net income for the year after taxation	42,241,994	27,787,594
Other comprehensive income	-	-
Total comprehensive income for the year	42,241,994	27,787,594

The annexed notes 1 to 27 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Acting Chief Executive	Director	Director

As the office of the Chief Executive is currently vacant, these financial statements have been signed by the Acting Chief Executive Officer and two directors authorised in this behalf by the Board of Directors of the Management Company.

ASKARI ASSET ALLOCATION FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	------------ (Rupees) ------------	
Accumulated loss brought forward comprising:		
Realised loss	(226,024,921)	(251,008,249)
Unrealised loss	(565,605)	(3,369,871)
	(226,590,526)	(254,378,120)
Net income for the year after taxation	42,241,994	27,787,594
Final distribution of Rs 6.2878 per unit on July 6, 2012 For the year ended June 30, 2012 (2011 : Rs Nil per unit)		
- Cash distribution	(18,863,849)	-
- Bonus units	(7,534,536)	-
	(26,398,385)	-
Accumulated loss carried forward	(210,746,917)	(226,590,526)
Accumulated loss carried forward comprising:		
Realised loss	(231,623,162)	(226,024,921)
Unrealised income / (loss)	20,876,245	(565,605)
	(210,746,917)	(226,590,526)

The annexed notes 1 to 27 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Acting Chief Executive	**Director**	**Director**

As the office of the Chief Executive is currently vacant, these financial statements have been signed by the Acting Chief Executive Officer and two directors authorised in this behalf by the Board of Directors of the Management Company.

ASKARI ASSET ALLOCATION FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	------------ (Rupees) ------------	
Net assets at the beginning of the year	193,245,335	177,149,656
Issue of 3,274,270 units (2012: 3,464,514 units)	145,693,246	153,531,931
Redemption of 2,917,120 units (2012: 3,581,442 units)	(130,786,108)	(160,984,811)
Issue of 189,590 bonus units (2012: Nil units)	7,534,536	-
	22,441,674	(7,452,880)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net - transferred to income statement	32,232,638	(4,239,035)
Capital gain on sale of investments	45,281,061	18,460,522
Net unrealised appreciation / (diminution) in value of investments classified as 'fair value through profit or loss' - net	20,876,245	(565,605)
Other (loss) / income for the year - net	(23,915,312)	9,892,677
Total Comprehensive Income for the year	42,241,994	27,787,594
Final distribution of Rs 6.2878 per unit on July 6, 2012 for the year ended June 30, 2012 (2011: Rs Nil per unit)		
- Cash distribution	(18,863,849)	-
- Bonus units	(7,534,536)	-
	(26,398,385)	-
Net assets at the end of the year	263,763,256	193,245,335

The annexed notes 1 to 27 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Acting Chief Executive	Director	Director

As the office of the Chief Executive is currently vacant, these financial statements have been signed by the Acting Chief Executive Officer and two directors authorised in this behalf by the Board of Directors of the Management Company.

ASKARI ASSET ALLOCATION FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
		------------------(Rupees)------------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
		42,241,994	27,787,594
Net income for the year before taxation			
Adjustments for:			
Unrealised (appreciation) / diminution in the value of investments		(20,876,245)	565,605
classified as 'fair value through profit or loss' - net		-	490,253
Amortisation of preliminary expenses and floatation costs		862,081	2,364,032
Provision for contribution to the Workers' Welfare Fund			
Element of (income) / loss and capital (gains) / losses included		32,232,638	(4,239,035)
in prices of units issued less those in units redeemed - net		12,218,474	(819,145)
		54,460,468	26,968,449
Decrease / (Increase) in assets		44,853,894	(27,325,384)
Investments - net		(4,689,210)	202,365
Receivable against sale of investments		1,180,268	4,930,898
Prepayments, dividend and other receivables		41,344,952	(22,192,121)
Decrease / (Increase) in liabilities		(17,605)	62,067
Payable to Askari Investment Management Limited - Management Company		158	(158)
Payable to Central Depository Company of Pakistan Limited - Trustee		39,513	25,667
Payable to the Securities and Exchange Commission of Pakistan		(38,625)	38,625
Payable against purchase of investments		-	(304,314)
Payable against redemption of units		41,347	114,602
Accrued and other liabilities		24,788	(63,511)
		95,830,208	4,712,817
Net cash generated from operating activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
		145,693,246	153,531,931
Proceeds from issue of units		(130,786,108)	(160,984,811)
Payments on redemption of units		(18,863,849)	-
Cash distribution		(3,956,711)	(7,452,880)
Net cash used in financing activities			
		91,873,497	(2,740,063)
Net increase / (decrease) in cash and cash equivalents during the year			
		38,569,156	41,309,219
Cash and cash equivalents at the beginning of the year			
	4.2	130,442,653	38,569,156
Cash and cash equivalents at the end of the year			

The annexed notes 1 to 27 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Acting Chief Executive	**Director**	**Director**

As the office of the Chief Executive is currently vacant, these financial statements have been signed by the Acting Chief Executive Officer and two directors authorised in this behalf by the Board of Directors of the Management Company.

ASKARI ASSET ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Askari Asset Allocation Fund (the Fund) was established under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). It was registered under a Trust deed executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee on January 17, 2007. The Fund was registered as a Notified Entity under the Non Banking Finance Companies Regulations, 2008 (NBFC Regulations) in February 2009. The units of the Fund were initially issued at Rs 100 per unit.

1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at Office No. 2/W, Kashmir Plaza, Blue Area, Jinnah Avenue, Islamabad with its Head Office situated at 20-C, Khayaban-e-Nishat, Phase VI, DHA, Karachi.

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

1.4 The objective of the Fund is to invest in equity securities as well as debt securities including government securities, commercial papers and various other money market instruments.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM3+' to the Management Company on May 16, 2013. As per the rating scale of PACRA, this rating denotes that the asset manager meets high investment industry standards and benchmarks.

1.5 The Fund has been assigned a stability rating of '4 star' by PACRA on November 6, 2012.

1.6 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

The following standards, amendments and interpretation to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2012:

- IAS 1, 'Financial statement presentation'. The main change resulting from the amendments in this standard is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments do not have any effect on the Fund's financial statements as currently no items are being reported in Other Comprehensive Income.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

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

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise judgment in applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements relate to classification and valuation of investments (notes 3.2 and 5).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments which have been marked to market and carried at fair value.

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents include balances with banks, other short term highly liquid investments with original maturities of three months or less.

3.2 Financial assets

3.2.1 Classification

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

a) Financial assets classified as 'at fair value through profit or loss'

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

b) Loans and receivables

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

c) Available for sale

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

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

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

3.2.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

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

- **Basis of valuation of equity securities**

  The investment of the Fund in equity securities is valued on the basis of closing quoted market prices of the stock exchange.

- **Basis of valuation of debt securities**

  The investment of the Fund in term finance certificates is valued in accordance with the methodology for valuation of debt securities prescribed by the SECP. Under these directives, investment in term finance certificates is valued on the basis of traded, thinly traded and non traded securities. Accordingly, investment in debt securities have been valued at the rates determined and announced by the MUFAP based on the methodology prescribed in the circular.

- **Basis of valuation of government securities**

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

Net gains and losses arising from changes in the fair value of financial assets carried as 'at fair value through profit or loss' are taken to the Income Statement.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'Statement of Comprehensive Income' until these are derecognised or impaired. Upon derecognition, the cumulative gain or loss previously recognised directly in the Statement of Comprehensive Income is transferred to the Income Statement.

b) Loans and receivables

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

Any gain or loss arising on derecognition or impairment of these assets is recognised in the Income Statement.

3.2.5 Impairment

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

Provision for non-performing debt securities is made in accordance with the criteria for provisioning of non-performing debt securities specified by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

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

3.4 Derivatives

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

3.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being charged over a period of five years commencing from June 2, 2007 in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

3.6 Provisions

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

3.7 Taxation

Current

The income of the Fund 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 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst 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.

Deferred

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

3.8 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared.

3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received during business hours of that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the Management Company as processing fee. Issue of units is recorded upon realisation of related funds.

Units redeemed are recorded at the redemption price, applicable to units for which redemption applications are received for redemptions 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, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

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

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

The 'element of income/ (loss) and capital gains/ (losses) in prices of units issued less those in units redeemed' account is credited with the amount representing net income/ (loss) and capital gains/ (losses) accounted for in the net asset value and included in the sale proceeds of units. Upon redemption of units, the 'element of income/ (loss) and capital gains/ (losses) in prices of units issued less those in units redeemed' account is debited with the amount representing net income/ (loss) and capital gains/ (losses) accounted for in the net asset value and included in the redemption price.

The net 'element of income/ (loss) and capital gains/ (losses) in prices of units issued less those in units redeemed' during the year is transferred to the Income Statement.

3.11 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on 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.

3.12 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date on which the transaction takes place.

- Unrealized appreciation / (diminution) in value of investments classified as 'at fair value through profit or loss' are included in the income statement in the period in which they arise.

- Dividend income is recognised when the fund's right to receive dividend is established.

- Income on term finance certificates and government securities is recognised on an accrual basis.

- Profit on placements and balances with banks is recognised on an accrual basis.

4 BALANCES WITH BANKS

	Note	2013	2012
		---------------(Rupees)---------------	
In savings accounts	4.1	80,738,753	13,883,816

4.1 These savings accounts carry profit at the rates ranging from 6.00% to 9.25% (2012: 6.00% to 12.25%) per annum. Deposits in savings accounts include Rs 52,638,767 (2012: Rs13,807,338) maintained with Askari Bank Limited, a connected person, which carries profit at the rate of 8.5% per annum.

4.2 Cash and cash equivalents

	Note	2013	2012
		---------------(Rupees)---------------	
Balances with banks		80,738,753	13,883,816
Treasury bills having maturity of three months or less	5.2	49,703,900	24,685,340
		130,442,653	38,569,156

5 INVESTMENTS

	Note	2013	2012
At fair value through profit or loss			
Listed equity securities	5.1	129,453,267	99,301,463
Government securities	5.2	49,703,900	73,738,513
Term finance certificates	5.3	-	5,076,280
		179,157,167	178,116,256

5.1 Listed equity securities - At fair value through profit or loss - held for trading

Shares of listed companies - Fully paid up ordinary shares of Rs 10 each unless otherwise stated.

Name of the investee company	As at July 1, 2012	Purchased during the year	Bonus / right issues during the year	Sold during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market value as at June 30, 2013	Appreciation / (Diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments	Percentage of paid up capital of investee company held
	-------------------------Number of Shares-------------------------					----------------------Rupees----------------------					
Oil and Gas											
Pak Oilfields Limited	44,843	31,800	-	50,343	26,300	11,315,852	13,080,831	1,764,979	4.96%	7.30%	0.02%
Pakistan Petroleum Limited	83,614	75,200	21,778	107,292	73,300	12,531,128	15,508,814	2,977,686	5.88%	8.66%	0.01%
Pakistan State Oil Company Limited	54,515	32,300	19,103	66,818	39,100	8,448,466	12,526,858	4,078,392	4.75%	6.99%	0.03%
Attock Refinery Limited	-	15,000	-	15,000	-	-	-	-	-	-	-
						32,295,446	41,116,503	8,821,057	15.59%	22.95%	
Chemicals											
Engro Corporation Limited	37,752	460,186	-	446,752	51,186	6,425,908	6,238,038	(187,870)	2.37%	3.48%	0.01%
Fauji Fertilizers Company Limited	60,672	97,047	-	157,719	-	-	-	-	-	-	-
Fatima Fertilizers Company Limited	469,555	122,000	-	279,555	312,000	7,773,449	7,746,960	(26,489)	2.94%	4.32%	0.00%
ICI Pakistan Limited	-	4,800	-	4,800	-	-	-	-	-	-	-
						14,199,357	13,984,998	(214,359)	5.31%	7.80%	
Construction and Materials											
D.G. Khan Cement Company Limited	94,514	709,940	-	653,014	151,440	8,655,184	12,674,014	4,018,830	4.81%	7.07%	0.02%
Cherat Cement Limited	-	628,688	-	355,500	273,188	15,790,080	15,896,810	106,730	6.03%	8.87%	0.02%
Fauji Cement Company Limited	-	2,365,000	-	1,585,000	780,000	6,481,146	10,366,200	3,885,054	3.93%	5.79%	0.02%
Attock Cement Pakistan Limited	-	105,000	-	105,000	-	-	-	-	-	-	-
AkzoNobel Pakistan Limited	-	60,600	-	60,600	-	-	-	-	-	-	-
Lucky Cement Limited	16,871	222,873	-	191,044	48,700	6,816,545	10,213,364	3,396,819	3.87%	5.70%	0.01%
						37,742,955	49,150,388	11,407,433	18.64%	27.43%	
Personal Goods											
Nishat (Chunian) Limited	-	90,000	-	5,000	85,000	4,923,790	5,078,750	154,960	1.93%	2.83%	0.00%
Nishat Mills Limited	141,767	372,500	-	406,767	107,500	9,682,394	10,127,575	445,181	3.84%	5.65%	0.04%
						14,606,184	15,206,325	600,141	5.77%	8.48%	
Electricity											
Nishat Power Limited	10,061	-	-	10,061	-	-	-	-	-	-	-
Hub Power Company Limited	-	78,000	-	78,000	-	-	-	-	-		-
Pak Gen Power Limited	463,846	-	-	463,846	-	-	-	-	-	-	-
						-	-	-	-	-	-
Banks											
Allied Bank Limited	140,012	48,000	7,100	165,012	30,100	1,801,818	2,063,053	261,235	0.78%	1.15%	0.01%
Bank Alfalah Limited	184,000	509,000	-	693,000	-	-	-	-	-	-	-
Meezan Bank Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
United Bank Limited	-	197,179	-	197,179	-	-	-	-	-	-	-
						1,801,818	2,063,053	261,235	0.78%	1.15%	
Food Producers											
Engro Foods Limited	-	173,000	-	173,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Media											
TRI Pack Films Limited	-	25,000	-	-	25,000	5,000,114	5,050,000	49,886	1.91%	2.82%	0.01%
						5,000,114	5,050,000	49,886	1.91%	2.82%	
Household Goods											
Tariq Glass Industries Limited	-	131,000	-	-	131,000	2,937,905	2,882,000	(55,905)	1.09%	1.61%	
						2,937,905	2,882,000	(55,905)	1.09%	1.61%	
Total - June 30, 2013						108,583,779	129,453,267	20,869,488	49.09%	72.24%	
Total - June 30, 2012						99,575,615	99,301,463	(274,152)	51.39%	55.76%	

5.1.1 Investments include shares with market value of Rs 8,894,450 (2012: Rs 8,588,300) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

5.2 Government securities - At fair value through profit or loss - held for trading

Issue date	Tenor	Face Value				Carrying value as at June 30, 2013	Market value as at June 30, 2013	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2012	Purchases during the year	Disposed / matured during the year	As at June 30, 2013					
		---Rupees---								
MARKET TREASURY BILLS										
December 1, 2011	1 year	14,000,000	-	14,000,000	-	-	-	-	-	-
January 26, 2012	1 year	15,000,000	-	15,000,000	-	-	-	-	-	-
May 17, 2012	3 Months	25,000,000	-	25,000,000	-	-	-	-	-	-
August 9, 2012	1 year	-	25,000,000	25,000,000	-	-	-	-	-	-
July 26, 2012	1 year	-	25,000,000	25,000,000	-	-	-	-	-	-
October 18, 2012	6 Months	-	40,000,000	40,000,000	-	-	-	-	-	-
May 2, 2013	3 Months	-	50,000,000	-	50,000,000	49,697,143	49,703,900	6,757	18.84%	27.74%
		54,000,000	140,000,000	144,000,000	50,000,000	49,697,143	49,703,900	6,757	18.84%	27.74%
PAKISTAN INVESTMENT BONDS										
August 22, 2007	5 years	3,000,000	-	3,000,000	-	-	-	-	-	-
August 18, 2011	10 years	20,000,000	-	20,000,000	-	-	-	-	-	-
July 19, 2012	3 years		175,000,000	175,000,000	-	-	-	-	-	-
July 19, 2012	5 years		150,000,000	150,000,000	-	-	-	-	-	-
July 19, 2012	10 years		200,000,000	200,000,000	-	-	-	-	-	-
		23,000,000	525,000,000	548,000,000	-	-	-	-	-	-
Total - June 30, 2013		77,000,000	665,000,000	692,000,000	50,000,000	49,697,143	49,703,900	6,757	18.84%	27.74%
Total - June 30, 2012						74,406,691	73,738,513	(668,178)	38.16%	41.40%

5.3 Term finance certificates - At fair value through profit or loss - held for trading

Name of the investee company	Number of certificates				Carrying value as at June 30, 2013	Market value as at June 30, 2013	Appreciation / (diminution)	Investment as a percentage of		
	As at July 1, 2012	Purchases during the year	Sales during the year	As at June 30, 2013				Net assets	Market value of total investments	Issue size
					--- Rupees ---					
Term finance certificates - listed										
United Bank Limited	1,150	-	1,150	-	-	-	-	-	-	-
					-	-	-	-	-	
Term finance certificates - unlisted										
Bank Al-Habib Limited	600	-	600	-	-	-	-	-	-	-
					-	-	-	-	-	
Total - June 30, 2013					-	-	-	-	-	
Total - June 30, 2012					4,699,555	5,076,280	376,725	2.62%	2.85%	

5.4 Net unrealised diminution in value of investments classified as 'at fair value through profit or loss'

	Note	2013	2012
		---(Rupees)---	
Market value of investments	5.1 & 5.2	179,157,167	178,116,256
Less: Carrying value of investments	5.1 & 5.2	158,280,922	178,681,861
		20,876,245	(565,605)

	Note	2013	2012
6 PREPAYMENTS, DIVIDEND AND OTHER RECEIVABLES		----------------(Rupees)	----------------
Dividend receivable		-	125,319
Profit receivable on balances with banks		384,936	144,198
Income accrued on Term Finance Certificates		-	289,088
Income accrued on Pakistan Investment Bonds		-	981,737
Withholding tax receivable		253,587	253,587
Others		7,075	31,937
		645,598	1,825,866
7 SECURITY DEPOSITS			
Security deposits with:			
Central Depository Company of Pakistan Limited (CDC)		100,000	100,000
National Clearing Company of Pakistan Limited		3,500,000	3,500,000
		3,600,000	3,600,000
8 PAYABLE TO ASKARI INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Remuneration of the Management Company	8.1	427,518	475,343
Sindh sales tax on Management Company's remuneration		75,032	76,054
Federal Excise Duty on remuneration of the Management Company	8.2	41,442	-
Other payables		116,259	116,000
Sales load		21,050	31,509
		681,301	698,906

8.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3 percent of the average annual net assets of the Fund and thereafter of an amount equal to 2 percent of such assets of the Fund. As the Fund completed its five years during the current year, the Management Company has revised its remuneration from 3 percent to 2 percent from September 2012. The remuneration is paid to the Management Company monthly in arrears.

8.2 During the current year, the Federal Board of Revenue levied Federal Excise Duty at the rate of 16% on the remuneration of Management Company through Finance Act 2013 effective from June 13, 2013.

	2013	2012
9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	----------------(Rupees)	----------------
Trustee fee	57,534	57,376

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

Based on the Trust Deed, the tariff structure applicable to the Fund is as follows:

Amount of Funds under management (Average NAV)	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.2% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.1% p.a. of NAV exceeding Rs 1,000 million

The remuneration is paid to the Trustee monthly in arrears.

	2013	2012
10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	----------------(Rupees)	----------------
Annual fee	214,159	174,646

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment categorised as Asset Allocation scheme is required to pay as annual fee to the SECP of an amount equal to 0.095% of the average annual net assets of the scheme. The Fund has been categorised as an Asset Allocation scheme by the Management Company.

11 ACCRUED AND OTHER LIABILITIES

	Note	2013	2012
		(Rupees)	
Auditors' remuneration		310,200	335,135
Legal and professional charges		297,783	247,782
Provision for contribution to the Workers' Welfare Fund	11.1	3,226,120	2,364,032
Withholding tax		-	7,658
Printing charges payable		87,659	68,370
Brokerage payable		130,249	104,643
Other payables		62,467	83,430
		4,114,478	3,211,050

11.1 Provision for contribution to Workers' Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In light of this, Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF.

Further, a Constitutional Petition was filed with the Honorable High Court of Sindh by a CIS/mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds/voluntary pension funds being pass through vehicles/entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to maintain the provision in respect of WWF and has made a provision amounting to Rs 3,226,120 (including Rs 862,081 for the current year) in these financial statements for the current year. Had the same not been made the net asset value per unit of the Fund as at June 30, 2013 would have been higher by Re 0.6798 per unit.

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2013 (June 30, 2012: Nil).

13 AUDITORS' REMUNERATION

	2013	2012
	(Rupees)	
Annual audit fee	285,000	285,000
Half yearly review fee	120,000	120,000
Code of Corporate Governance	50,000	50,000
Fee for income certification	50,000	-
Out of pocket expenses	59,265	43,904
	564,265	498,904

14 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company intends to distribute more than ninety percent of the Fund's accounting income for the current year as reduced by capital gains, whether realised or unrealised, to its unit holders.

15 EARNINGS PER UNIT

Earnings per unit has not been disclosed as in the opinion of the management, determination of weighted average number of units outstanding during the year is not practicable.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	------ 2013 ------		
	Financial assets at fair value through profit or loss	Loans and receivables	Total
Financial assets	------ Rupees ------		
Balances with banks	-	80,738,753	80,738,753
Investments	179,157,167	-	179,157,167
Receivable against sale of investments	-	4,689,210	4,689,210
Dividend and other receivables	-	392,011	392,011
Security deposits	-	3,600,000	3,600,000
	179,157,167	89,419,974	268,577,141

	------ 2013 ------		
	Financial Liabilities at fair value through profit or loss	At amortised cost	Total
Financial liabilities	------ Rupees ------		
Payable to Askari Investment Management Limited - Management Company	-	681,301	681,301
Payable to Central Depository Company of Pakistan Limited - Trustee	-	57,535	57,535
Accrued and other liabilities	-	888,358	888,358
	-	1,627,194	1,627,194

	------ 2012 ------		
	Financial assets at fair value through profit or loss	Loans and receivables	Total
Financial assets	------ Rupees ------		
Balances with banks			
Investments	-	13,883,816	13,883,816
Receivable against sale of investments	178,116,256	-	178,116,256
Dividend and other receivables	-	1,572,279	1,572,279
Security deposits	-	3,600,000	3,600,000
	178,116,256	19,056,095	197,172,351

	------ 2012 ------		
	Financial Liabilities at fair value through profit or loss	At amortised cost	Total
Financial liabilities	------ Rupees ------		
Payable to Askari Investment Management Limited - Management Company	-	698,906	698,906
Payable to Central Depository Company of Pakistan Limited - Trustee	-	57,376	57,376
Payable against redemption of units	-	38,625	38,625
Accrued and other liabilities	-	839,360	839,360
	-	1,634,267	1,634,267

17 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties among others include Askari Investment Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Askari Bank Limited being the holding company of the Management Company, Fauji Group Companies, Askari General Insurance Company Limited being an associate company of the Management Company, Askari Investment Management Employees Provident Fund and Askari High Yield Scheme, Askari Sovereign Cash Fund, Askari Islamic Income Fund, Askari Equity Fund, Askari Sovereign Yield Enhancer Fund and Askari Islamic Asset Allocation Fund being funds under common management and the directors and officer of the Management Company.

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

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

Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

	2013	2012
	----------------(Rupees)----------------	
17.1 Details of transactions with connected persons are as follows:		
Askari Investment Management Limited - the Management Company		
Remuneration for the year	4,877,394	5,515,097
Sindh sales tax on Management company's remuneration	787,026	882,415
Federal Excise Duty on Management Company's remuneration	41,442	-
Sales load charged during the year	47,900	3,837,432
Issue of 60,344 units (2012: 926,384 units)	3,000,000	40,993,559
Redemption of 57,944 units (2012: 925,557 units)	3,000,000	41,964,329
Issue of 131 bonus units (2012: Nil Units)	5,204	-
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration for the year	700,000	700,000
Custodian Fee	23,819	44,546
Askari Bank Limited - Holding company of the Management Company		
Profit on balances with banks	2,256,951	2,035,263
Bank charges	30,964	25,908
Dividend paid	15,719,500	-
Askari Investment Management Employees Provident Fund		
Issue of nil units (2012: 5,900 units)	-	248,339
Redemption of 3,612 units (2012: nil units)	200,000	-
Bonus of 5,032 units: (2012: nil)	199,972	-
Key Management Personnel		
Issue of 33,286 units (2012: 23,019 units)	1,579,337	950,000
Redemption of 19,000 units (2012: 13,919 units)	923,242	625,000

	2013	2012
17.2 Amounts outstanding as at year end	----------------(Rupees)----------------	
Askari Investment Management Limited - the Management Company		
Remuneration payable	427,518	475,343
Sindh sales tax payable	75,032	76,054
Federal excise duty payable	41,442	-
Sales load payable	21,050	31,509
Other payables	116,259	116,000
Investment held in the fund 3,358 units (2012: 827 units)	186,660	38,066
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration payable	57,534	57,376
Security deposit receivable	100,000	100,000
Askari Bank Limited - Holding company of the Management Company		
Investment held in the fund 2,500,000 units (2012: 2,500,000 units)	138,966,500	115,072,250
Balance with bank	52,638,767	13,807,338
Profit receivable	172,599	143,926

	2013	2012
	----------------(Rupees)----------------	
Askari Investment Management Employees Provident Fund		
Investment held in the fund 33,223 units (2012: 31,803 units)	1,846,754	1,463,857
National Logistic Cell		
Investment held in the fund 499,074 units (2012: 499,074 units)	27,741,827	22,971,827
Key Management Personnel		
Investment held in the fund 14,286 units (2012: 9,100 units)	794,110	416,864

17.3 Equity holding in Fauji Group

	2013 Rupees
Market value of 780,000 shares of Fauji Cement Company Limited (2012: Nil shares)	10,366,200

Purchase and sales transactions in shares of Fauji Group Companies are reflected in note 5.1.

18 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of units holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to various risks including market risk, credit risk and liquidity risk arising from the financial instruments it holds.

18.1 Market risk

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

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

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

18.1.1 Currency risk

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

18.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is mainly exposed to interest rate risk on its investments in government securities and term finance certificates and on balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within acceptable limits.

a) Sensitivity analysis for variable rate instruments

Presently, the fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2013, the Fund holds fixed rate government securities exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in market interest rates as at June 30, 2013, with all other variables held constant, the net income for the year and net assets would have been lower by Rs 32,142 (2012: 1,114,350). In case of 100 basis points decrease in market interest rates as at June 30, 2013, with all other variables held constant, the net income for the year and net assets would have been higher by Rs 32,836 (2012: 1,189,641).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2013 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for financial instruments recognised in the Statement of Assets and Liabilities is based on the earlier of contractual repricing or maturity date.

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2013 can be determined from the following:

	2013					
	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and up-to one year	More than one year		
Financial assets		Rupees				
Balances with banks	6% to 9.25%	80,738,753	-	-	-	80,738,753
Investments	9.76%	49,703,900	-	-	129,453,267	179,157,167
Receivable against sale of investments		-	-	-	4,689,210	4,689,210
Dividend and other receivables		-	-	-	392,011	392,011
Security deposits		-	-	-	3,600,000	3,600,000
		130,442,653	-	-	138,134,488	268,577,141
Financial liabilities						
Payable to Askari Investment Management Limited - Management Company		-	-	-	681,301	681,301
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	57,534	57,534
Accrued and other liabilities		-	-	-	888,358	888,358
		-	-	-	1,627,193	1,627,193
On-balance sheet gap		130,442,653	-	-	136,507,295	266,949,948
Off - balance sheet financial instruments		-	-	-	-	-
Off balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		130,442,653	-	-	136,507,295	266,949,948
Cumulative interest rate sensitivity gap		130,442,653	130,442,653	130,442,653		

	2012					
	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and up-to one year	More than one year		
		Rupees				
Financial assets						
Balances with banks	6% to 12.25%	13,883,816	-	-	-	13,883,816
Investments	8.45% to 15%	29,556,192	30,580,975	18,677,626	99,301,463	178,116,256
Dividend and other receivables		-	-	-	1,572,279	1,572,279
Security deposits		-	-	-	3,600,000	3,600,000
		43,440,008	30,580,975	18,677,626	104,473,742	197,172,351
Financial liabilities						
Payable to Askari Investment Management Limited - Management Company		-	-	-	698,906	698,906
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	57,376	57,376
Payable against purchase of investments		-	-	-	38,625	38,625
Accrued and other liabilities		-	-	-	839,360	839,360
		-	-	-	1,634,267	1,634,267
On-balance sheet gap		43,440,008	30,580,975	18,677,626	102,839,475	195,538,084
Off - balance sheet financial instruments		-	-	-	-	-
Off balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		43,440,008	30,580,975	18,677,626	102,839,475	195,538,084
Cumulative interest rate sensitivity gap		43,440,008	74,020,983	92,698,609		

18.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest 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.

The Fund is exposed to equity price risk on investments in equity securities held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2013, net income for the year would increase / decrease by Rs 1,605,503 (2012: Rs. 1,168,824) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as 'at fair value through profit or loss'.

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

18.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities, balances with banks, dividend receivable and profit receivable on balances with banks. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection. The internal risk management policies and investment guidelines (approved by the Board) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency. Risk attributable to investment in government securities is limited as these are guaranteed by the Federal Government.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit rating quality of the Fund's financial assets as at year end:

Balances with banks by rating category	**Rating agency**	-------------------2013-------------------	
		Amount	**Percentage**
A1+	PACRA	52,728,551	65.31%
A-1	JCR-VIS	28,010,202	34.69%
		80,738,753	100.00%

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

Management, after giving due consideration to their strong financial standing, does not expect non–performance by these counter parties on their obligations to the Fund. The maximum exposure to credit risk before any credit enhancement as at June 30, 2013 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial instruments is broadly diversified and mostly concentrated in government securities, term finance certificates and deposits held with commercial banks having high credit ratings thereby mitigating any significant concentrations of credit risk. Sector-wise investments in equity securities by the Fund has been disclosed in note 5.1 to these financial statements.

Collateral

The Fund does not hold any collateral against its investment in government securities, term finance certificates and balances with banks and these are unsecured.

18.3 Liquidity risk

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

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

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was obtained by the fund during the year.

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

The table below analyses the Fund's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the year end to the contractual maturity date.

	2013			
	Upto three months	More than three months and up to one year	More than one year	Total
	Rupees			
Financial assets				
Balances with banks	80,738,753	-	-	80,738,753
Investments	179,157,167	-	-	179,157,167
Receivable against sale of investments	4,689,210	-	-	4,689,210
Dividend and other receivables	392,011	-	-	392,011
Security deposits	3,600,000	-	-	3,600,000
	268,577,141	-	-	268,577,141
Financial liabilities				
Payable to Askari Investment Management Limited - Management Company	681,301	-	-	681,301
Payable to Central Depository Company of Pakistan Limited - Trustee	57,534	-	-	57,534
Accrued and other liabilities	888,358	-	-	888,358
	1,627,193	-	-	1,627,193

	2012			
	Upto three months	More than three months and up to one year	More than one year	Total
	Rupees			
Financial assets				
Balances with banks	13,883,816	-	-	13,883,816
Investments	128,857,655	27,388,465	21,870,136	178,116,256
Dividend and other receivables	1,572,279	-	-	1,572,279
Security deposits	3,600,000	-	-	3,600,000
	147,913,750	27,388,465	21,870,136	197,172,351
Financial liabilities				
Payable to Askari Investment Management Limited - Management Company	698,906	-	-	698,906
Payable to Central Depository Company of Pakistan Limited - Trustee	57,376	-	-	57,376
Payable against purchase of investments	38,625	-	-	38,625
Accrued and other liabilities	839,360	-	-	839,360
	1,634,267	-	-	1,634,267

19 UNIT HOLDERS' FUND 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. The Fund’s objective when managing the 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 adjusts the amount of distributions the Fund pays to unit holders;

- Redeem and issue units in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and issuance; and

- The Fund Manager / Investment Committee members and the Chief Executive Officer critically track the movement of ‘Assets under Management’. The Board of Directors 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 requirement of minimum fund size during the current year.

20 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- inputs other than quoted prices included within level 1 that are observable for the asset or liability, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

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

	------------------------- 2013 -------------------------			
	Level 1	Level 2	Level 3	Total
	----------------------------- Rupees-----------------------------			
Financial assets as 'at fair value through profit or loss'				
Listed equity securities	129,453,267	-	-	129,453,267
Government securities	-	49,703,900	-	49,703,900
	129,453,267	49,703,900	-	179,157,167

	------------------------- 2012 -------------------------			
	Level 1	Level 2	Level 3	Total
	----------------------------- Rupees-----------------------------			
Financial assets as 'at fair value through profit or loss'				
Listed equity securities	99,301,463	-	-	99,301,463
Government securities	-	73,738,513	-	73,738,513
Term finance certificates	-	5,076,280	-	5,076,280
	99,301,463	78,814,793	-	178,116,256

21 TRANSACTIONS WITH TOP TEN BROKERS / DEALERS

	List of top ten brokers by percentage of commission expensed during the year:	**2013**
1	Arif Habib Limited	12.86%
2	Elixir Securities Limited	9.81%
3	Invest and Finance Securities Limited	8.88%
4	Foundation Securities (Private) Limited	8.78%
5	KASB Securities Limited	8.69%
6	JS Global Capital Market Limited	8.23%
7	Taurus Securities Limited	7.39%
8	Topline Securities Limited	6.68%
9	Pearl Securities limited	5.78%
10	Aba Ali Habib Securities Limited	5.72%

		2012
1	KASB Securities Limited	8.33%
2	Invest and Finance Securities Limited	6.69%
3	Elixir Securities Limited	6.67%
4	Arif Habib Limited	6.57%
5	Foundation Securities (Private) Limited	6.49%
6	Taurus Securities Limited	6.48%
7	JS Global Capital Market Limited	6.40%
8	BMA Capital Limited	5.80%
9	Next Capital Limited	5.71%
10	Al-Habib Capital Market Limited	5.46%

22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

--------2013--------				
S. No	Name	Designation	Qualification	Experience in years
1	Mr. Adnan Siddiqui	Chairman	MBA	22
2	Mr. Basharat Ullah	Chief Investment Officer / Fund Manager	MBA	20
3	Ms. Zainab Siddiqui	Chief Financial Officer	ACA	7
4	Mr. Shahbaz Ashraf	Head of Research	CFA	5.5
5	Mr. M. Farrukh	VP Risk Management & Compliance	CIMA (Finalist)	13

22.1 Mr. Basharat Ullah is also the fund manager of Askari Sovereign Yield Enhancer and Askari Islamic Asset Allocation Fund managed by the Management Company.

22.2 Mr. Adnan Siddiqui resigned subsequent to the year end.

23 PATTERN OF UNIT HOLDING

	---------- 2013 ----------			
Category	Number of unit holders	Number of units held	Investment amount	Percentage of total investment
			(Rupees)	
Individuals	67	346,350	19,252,248	7.30%
Associated companies / Directors	6	2,546,143	141,531,439	53.66%
Retirement funds	7	1,183,140	65,766,730	24.93%
Others	5	669,457	37,212,839	14.11%
	85	4,745,090	263,763,256	100.00%

	---------- 2012 ----------			
Category	Number of unit holders	Number of units held	Investment amount	Percentage of total investment
			(Rupees)	
Individuals	29	365,129	16,806,478	8.70%
Associated companies / Directors	2	2,500,828	115,110,304	59.57%
Retirement funds	4	724,801	33,361,776	17.26%
Others	4	607,592	27,966,777	14.47%
	39	4,198,350	193,245,335	100.00%

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 44th, 45th, 46th, 47th, 48th and 49th Board meetings were held on July 06, 2012, August 10, 2012, September 26, 2012, October 23, 2012, February 8, 2013 and April 16, 2013 respectively. Information in respect of attendance by Directors in the meetings is given below:

S.No.	Name of Director	Date of resignation	Number of meetings held	Attended	Leave granted	Meetings not attended
1	Mr. Shahid Hafeez Azmi	-	6	6	-	-
2	Mr. Muhammad Naseem	-	4	4	-	-
3	Mr. Mohammad Rafiquddin Mehkari	May 27, 2013	6	6	-	-
4	Mr. Tahir Aziz	June 25, 2013	6	5	1	44th meeting
5	Mr. Sufian Mazhar	-	6	-	-	44th, 45th, 46th, 47th, 48th & 49th meeting
6	Mr. Adnan Siddiqui	-	6	6	-	-
7	Mr. Lt Gen.(R) Tahir Mahmood	-	6	6	-	-
8	Mr. Maj Gen.(R) Mukhtar Ahmed	-	6	5	1	48th meeting

Name of other persons

S.No.	Name	Designation	Number of meetings held	Attended	Meetings not attended
1	Sajjad Hussain	Financial Controller & Company Secretary	6	2	44th, 45th, 46th and 47th meeting
2	Adeel Shahid	Acting CFO & Head of Operations	6	2	44th, 45th, 46th and 47th meeting
3	Zeeshan	CFO & Company Secretary	6	4	48th & 49th meeting

24.1 Mr. Adnan Siddiqui, Mr. Lt. Gen. (R) Tahir Mahmood and Mr. Maj Gen. (R) Mukhtar Ahmed have resigned subsequent to the year end.

25 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **August 30, 2013** by the Board of Directors of the Management Company.

26 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in the meeting held on July 5, 2013 have approved a final dividend distribution of Rs 8.4571 (2012: Rs 6.2878) per unit for the year ended June 30, 2013. The financial statements of the Fund for the year ended June 30, 2013 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2014.

27 GENERAL

27.1 Figures have been rounded off to the nearest rupee.

27.2 Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of better presentation. No significant reclassifications have been made during the current year.

For Askari Investment Management Limited
(Management Company)

Acting Chief Executive	Director	Director

As the office of the Chief Executive is currently vacant, these financial statements have been signed by the Acting Chief Executive Officer and two directors authorised in this behalf by the Board of Directors of the Management Company.

Invest with Aim!

Askari Investment Management Ltd.

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