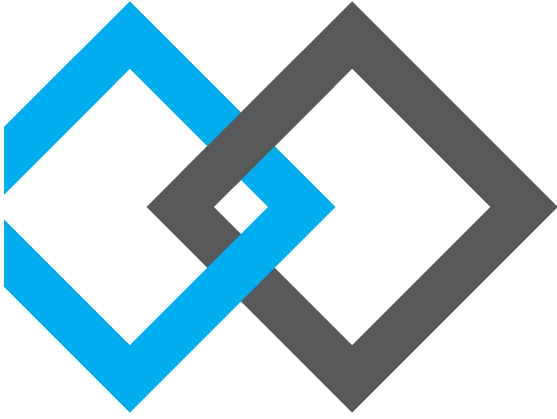


ANNUAL REPORT 2013



**askari** Islamic Income 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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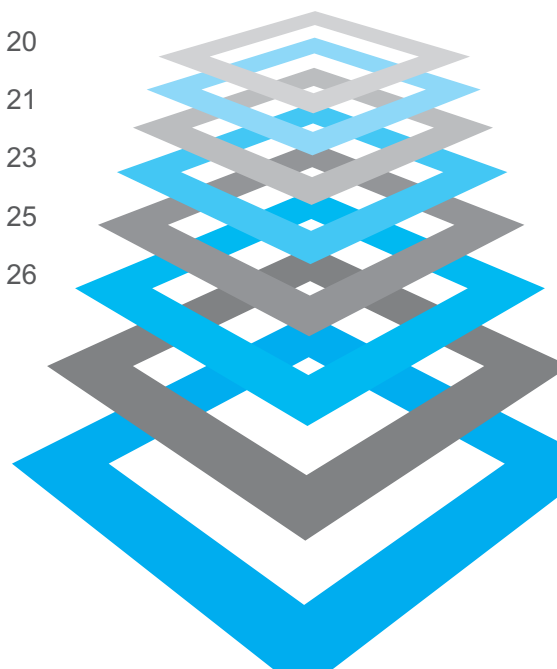
ANNUAL REPORT 2013

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 **askari Islamic Income 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. Khurshid Zafar
- Mr. Sufian Mazhar
- Mr. Shahid Hafeez Azmi
- 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

- Dubai Islamic Bank Limited
- Bank Islami Pakistan Ltd.
- UBL Ameen
- Meezan Bank Limited
- Bank Alfalah Limited (Islamic Banking)
- Burj Bank Limited
- Askari Bank Limited ( Islamic Banking )
- Bank Al-Baraka
- Standard Chartered Bank Pakistan Limited ( Islamic Banking )

### Trustee

- **MCB Financial Services Limited**  
3rd Floor Adamjee House, I.I Chundrigar  
Rd., Karachi.  
Tel: (92-021) 3241-9770

### 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

### Shariah Advisor

- Dr. Muhammad Tahir Mansoori

# 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 Islamic Income Fund( "AIIF" 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 depreciation.

### Low private sector credit hinges on higher government borrowing

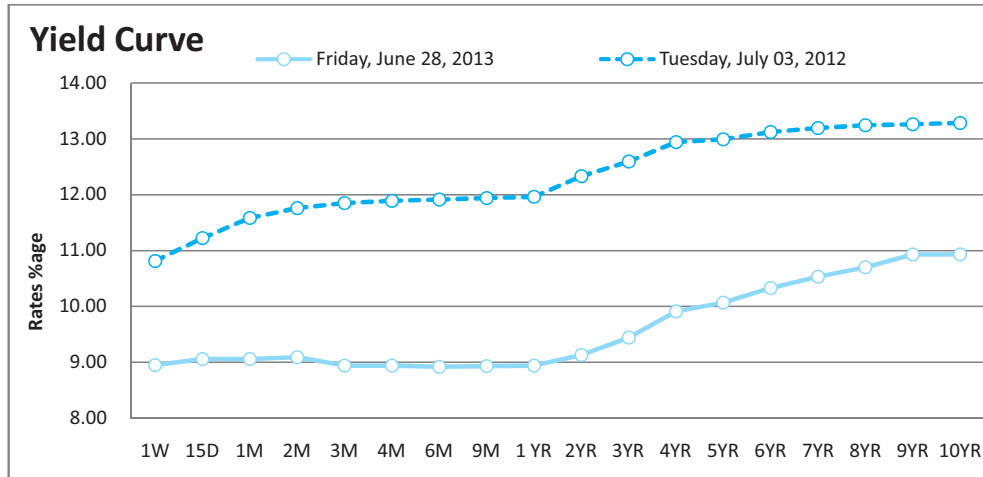
The government budgetary borrowing during Fy13 increased by ~33% y/y or by PKR 1.3trn. Almost 59% (or PKR 2trn) of the borrowing needs were met through commercial banks and the rest 41% (or PKR 3trn) through SBP. As a consequence of higher budgetary borrowing and in particularly through commercial banks 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 monetization, 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.





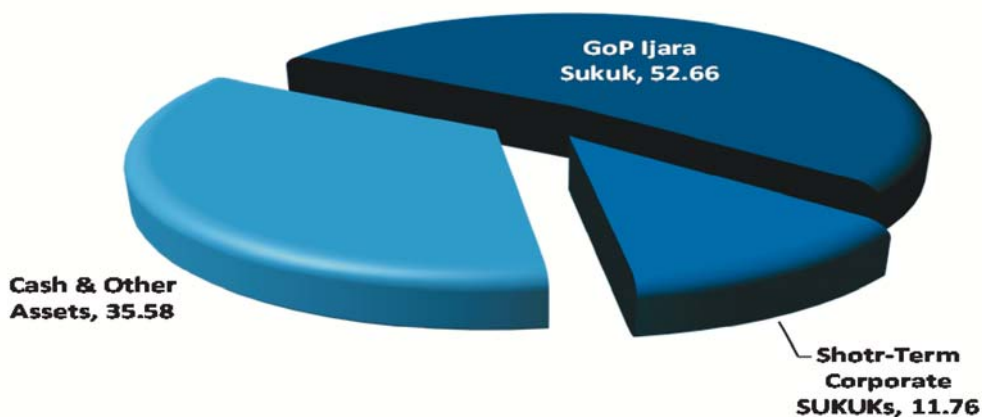
**Performance Review**

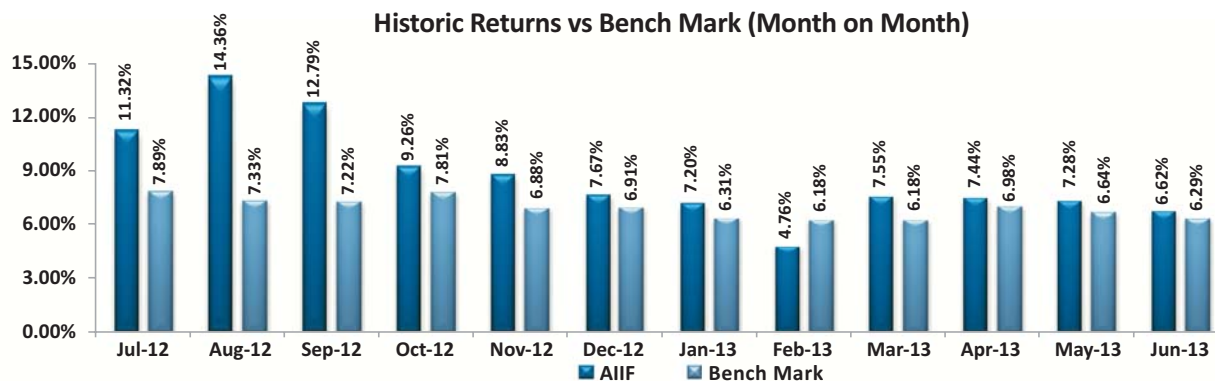
AIIF succeeded its benchmark by 190 bps for the fiscal year ended June 2013, hence earning a return of 8.75%. During the year, the fund consistently outperformed its benchmark except for the month of February, where the increase in secondary market yields on government securities suppressed the prices of GoP Ijara Sukuks resulting in a valuation loss.

The overall size of the fund increased by 7.8% during the year and reached PKR 679 million, while achieving an all-time high of PKR 995 million in the month of January 2013. On average, investment in GoP Ijara Sukuks was maintained at 52.66% as it remained the major asset class of the portfolio. Strong outperformance of the portfolio can be accredited to capital gains realized from price appreciation of GoP Ijara Sukuks as a result of cut in discount rates during the months of August and September 2012. Exposure in short term corporate sukuks was maintained at 11.76% to diversify the investments and intensify the overall returns of the portfolio. On average, almost 35.58% of the funds were kept as cash and other short term assets to ensure the fund's liquidity and stability.

The portfolio composition of the Fund provides a tradeoff between both liquidity and high returns to the unit holders.

**Average Asset Allocation (12month ending Jun 13)**





### 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 in 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:

AIIF was listed on the Islamabad Stock Exchange (Guarantee) Ltd on October 13, 2009 after its launch in September 2009 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
<b>Associated companies, undertakings and related parties</b>		
Askari Bank Limited	1,598,805	23.67%
<b>Mutual Fund</b>	-	0.00%
<b>Directors and their spouse and minor children</b>	-	0.00%
<b>Executives</b>	84	0.00%
<b>Public sector companies and corporations</b>	544,739	8.06%
<b>Banks, DFIs, NBFCs, Insurance companies, Takafuls, Modrabas and Pension funds</b>	119,713	1.77%
<b>Shareholders holding five percent or more voting rights</b>		0.00%
Burj Bank Limited	1,470,444	21.77%
Hamdard Laboratories Limited	1,089,696	16.13%
<b>Other Individual Shareholders</b>	1,932,492	28.60%
<b>Total</b>	<b>6,755,973</b>	<b>100.00%</b>

### The Board of Directors of the Management Company state that:

- 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.
- Proper books of accounts have been maintained by the Fund.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

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, CEO, CFO and Company Secretary and their spouses and minor children, of the Management Company.

Meetings of the Board of Directors were held once in every quarter. During the year six board meetings were held.

Detail of Attendance at these meetings is disclosed in the Financial Statements.

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:

	Jun-13	Jun-12	Jun-11	Jun-10
	Rupees			
Net Assets as June 30 <sup>th</sup>	679,329,144	629,668,789	452,751,707	241,259,745
Net Asset Value per unit as of June 30 <sup>th</sup>	100.5524	101.1120	102.6136	106.5258
Net Income for the period	67,325,284	70,469,398	30,585,436	35,563,776
Distribution during the period*	70,518,781	75,076,729	33,833,228	20,784,165

\*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 Re 0.3818 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 Islamic Income 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

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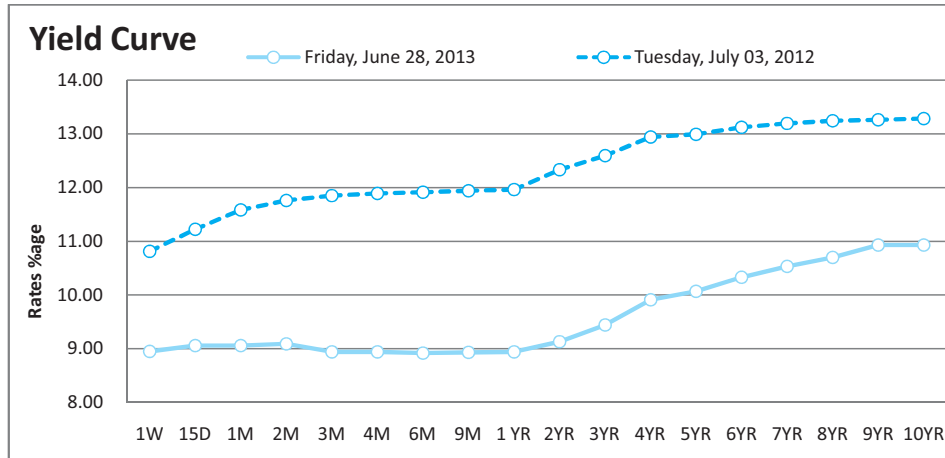
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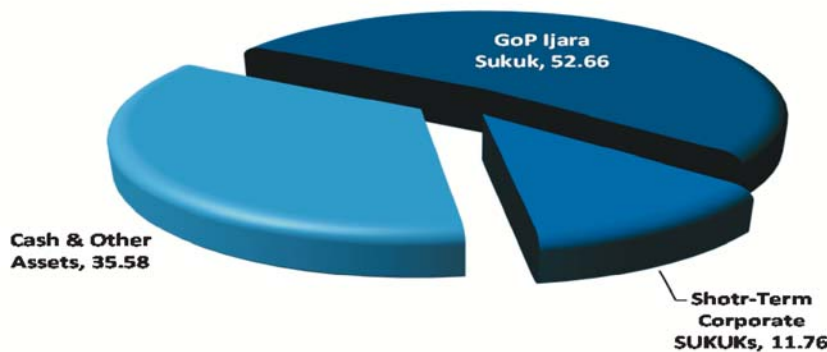
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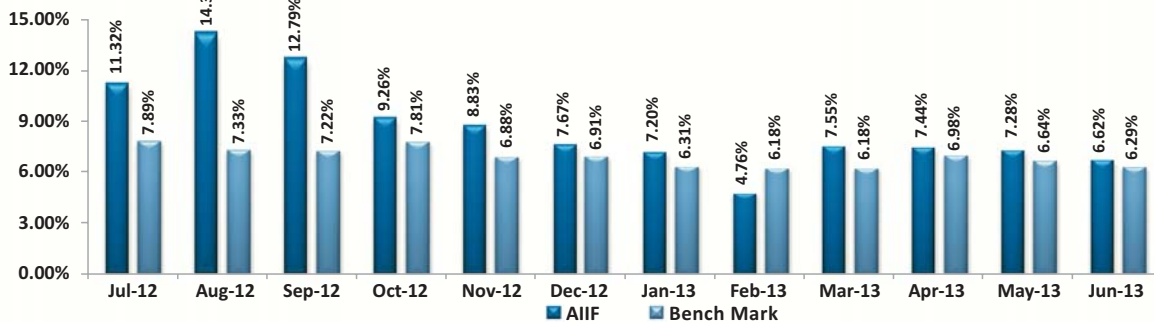
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The portfolio composition of the Fund provides a tradeoff between both liquidity and high returns to the unit holders.

**Average Asset Allocation (12month ending Jun 13)**



**Historic Returns vs Bench Mark (Month on Month)**





## MCB FINANCIAL SERVICES LIMITED

### REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

#### ASKARI ISLAMIC INCOME FUND

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

Askari Islamic Income Fund, an open-end scheme established under a Trust Deed dated August 26, 2008 executed between Askari Investment Management Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on June 25, 2009.

1. Askari Investment Management Limited, the Management Company of Askari Islamic Income Fund, has in all material respects, managed Askari Islamic Income Fund during the year ended June 30, 2013 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: September 12, 2013

3rd Floor, Adamjee House, I. I. Chundrigar Road, Karachi - 74000  
Direct Nos. 021-32430485, 32415454, 32415204, 32428731 PABX No. 021-32419770, Fax No. 021-32416371  
Website: <http://www.mcbfsl.com.pk>

**Shari'ah Academy**  
International Islamic University Islamabad  
Pakistan

**أكاديمية الشريعة**  
الجامعة الإسلامية العالمية بإسلام آباد  
باكستان

Director General

**REPORT OF THE SHARIAH ADVISOR**

**ASKARI ISLAMIC INCOME FUND**

*Alhamdulillah*, Askari Islamic Income Fund (AIIF or the "Fund") has successfully completed its fourth year operations for the period from July 01, 2012 to June 30, 2013 and I thank ALLAH Almighty on this occasion. In the capacity of being the Shariah Advisor of AIIF, I am issuing this report in accordance with clause 9.2.5(v) of the Trust Deed of AIIF. The scope of this report is to express an opinion on the Shariah compliance of Fund's activities.

To establish and maintain a system for ensuring Shariah compliance according to the guidelines provided by the Shariah Advisor is the responsibility of the Management Company. The Shariah Advisor is responsible to form and express an opinion, based on its random checking and periodic review of the representation made by the management, to the extent where such compliance can be objectively verified.

In light of the above, as Shariah Advisor to AIIF, I have reviewed the following during the period under consideration:

- Mode of investments and placements of AIIF in light of the Shariah guidelines.
- Screening of investments and placements of AIIF in light of the Shariah guidelines.
- Provisions of the scheme and investments & placements made on account on AIIF in accordance with the Shariah criteria established.
- Amount of provision for charity made in the books of accounts of AIIF. I confirm having checked and verified the amount of said provision and having approved the same from Shariah Perspective.

In light of the above, I hereby certify that operations of AIIF and its investments & placements for the period ended June 30, 2013 have been in compliance with Shariah principles.

May ALLAH bless us with best Tawfeeq to accomplish our cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.



**Dr. Muhammad Tahir Mansoori**  
Shariah Advisor-AIIF

**September 3, 2013**

**Islamabad**

فیصل مسجد، اسلام آباد 44000، پاکستان - هاتف: +92 51 926 0241، فاكس: +92 51 926 1383  
Faisal Mosque, Islamabad 44000, Pakistan. Tel: +92 51 92 60 241, Fax: +92 51 92 61 383





## A. F. FERGUSON & CO.

### INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We have performed an independent assurance engagement of **Askari Islamic Income Fund** (the Fund) to express an opinion on the annexed Statement of compliance with the Shariah principles (the 'Statement') for the year ended June 30, 2013. Our engagement was carried out as required under clause 9.3 of the Trust Deed of the Fund.

#### Management Company's responsibility

The Management Company of the Fund is responsible for the preparation of the annexed statement (the subject matter) and for compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control to ensure that the operations of the Fund and its investments and placements have been made in compliance with the Shariah principles.

#### Responsibility of independent assurance providers

Our responsibility is to express a conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the annexed statement reflects the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor (criteria).

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliance with the Shariah principles. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Amongst others, our scope included procedures to:

- Check compliance of specific guidelines relating to charity, maintaining bank accounts and for making investments of the Fund.
- Check that the Shariah Advisor has certified that the operations of the Fund, its investments and placements made during the year ended June 30, 2013 are in compliance with the Shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

#### Conclusion

In our opinion, the annexed statement, in all material respects, present fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended June 30, 2013.

Chartered Accountants

Karachi

Dated: October 22, 2013

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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**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 Islamic Income 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. 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 Islamic Income 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 Islamic Income 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 NBFIs 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



**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 Islamic Income 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 year 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.

*A. Ferguson & Co*  
Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: October 22, 2013

Karachi

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# Financial Statements




**ASKARI ISLAMIC INCOME FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2013**

	Note	2013	2012
----- (Rupees) -----			
<b>Assets</b>			
Balances with banks	4	346,045,717	192,080,320
Investments	5	335,009,658	431,824,000
Deposits, prepayments and other receivables	6	9,240,175	13,259,344
Preliminary expenses and floatation costs	7	540,535	976,272
<b>Total assets</b>		<b>690,836,085</b>	<b>638,139,936</b>
<b>Liabilities</b>			
Payable to the Askari Investment Management Limited - Management Company	8	808,661	680,351
Payable to the MCB Financial Services Limited - Trustee	9	106,794	99,759
Payable to the Securities and Exchange Commission of Pakistan	10	595,640	447,721
Payable against redemption of units		2,708,473	3,536,859
Accrued and other liabilities	11	7,287,373	3,706,457
<b>Total liabilities</b>		<b>11,506,941</b>	<b>8,471,147</b>
<b>NET ASSETS</b>		<b>679,329,144</b>	<b>629,668,789</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>679,329,144</b>	<b>629,668,789</b>
<b>Contingencies and commitments</b>			
	12		
----- (Number of units) -----			
<b>Number of units in issue</b>		<b>6,755,973</b>	<b>6,227,440</b>
----- (Rupees) -----			
<b>NET ASSET VALUE PER UNIT</b>		<b>100.5524</b>	<b>101.1120</b>

The annexed notes 1 to 28 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 ISLAMIC INCOME FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013		2012	
		(Rupees)			
<b>Income</b>					
Profit on balances with banks		26,124,503		29,868,806	
Profit on sukuk certificates		53,971,857		42,312,163	
Capital gain on sale of investments		2,752,996		7,382,164	
Unrealised diminution in value of investments classified as 'at fair value through profit or loss' - net	5.1	(1,538,801)		(235,319)	
<b>Total income</b>		<b>81,310,555</b>		<b>79,327,814</b>	
<b>Expenses</b>					
Remuneration of Askari Investment Management Limited - Management Company	8.1	8,736,116		5,948,190	
Sindh sales tax on Management Company's Remuneration		1,407,451		951,709	
Federal Excise Duty on Management Company's remuneration	8.2	60,326		-	
Remuneration of MCB Financial Services Limited - Trustee	9	1,441,277		1,141,257	
Annual fee - Securities and Exchange Commission of Pakistan	10	595,640		447,721	
Amortisation of preliminary expenses and floatation costs	7	435,737		435,738	
Auditors' remuneration	13	521,031		442,915	
Brokerage commission		381,065		424,075	
Legal and professional charges		50,001		49,959	
Fee and Subscription		195,490		5,012	
Bank and settlement charges		41,674		40,152	
Printing charges		120,001		192,681	
Rating fee		-		300,823	
Listing fee		-		10,028	
<b>Total expenses</b>		<b>13,985,809</b>		<b>10,390,260</b>	
<b>Net income from operating activities</b>		<b>67,324,746</b>		<b>68,937,554</b>	
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		1,374,523		4,319,947	
Provision for contribution to Workers' Welfare Fund	11.1	(1,373,985)		(2,788,103)	
<b>Net income for the year before taxation</b>		<b>67,325,284</b>		<b>70,469,398</b>	
<b>Taxation</b>	14	-		-	
<b>Net income for the year after taxation</b>		<b>67,325,284</b>		<b>70,469,398</b>	
<b>Earnings per unit</b>	15				

The annexed notes 1 to 28 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 ISLAMIC INCOME FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Net income for the year after taxation**  
 Other comprehensive income for the year  
**Total comprehensive income for the year**

2013	2012
----- (Rupees) -----	
67,325,284	70,469,398
-	-
<u>67,325,284</u>	<u>70,469,398</u>

The annexed notes 1 to 28 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 ISLAMIC INCOME FUND**  
**DISTRIBUTION STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	2013 ----- (Rupees) -----	2012 ----- (Rupees) -----
<b>Undistributed income brought forward comprising:</b>		
Realised income	7,159,806	11,481,613
Unrealised (loss) / income	(235,319)	50,205
	6,924,487	11,531,818
<b>Net income for the year</b>	67,325,284	70,469,398
Final distribution of Rs 0.9488 per unit on July 6, 2012 (2011: Rs 2.4107 per unit on July 6, 2011)		
- Cash dividend	(3,524,659)	(5,729,007)
- Bonus units	(2,383,937)	(4,907,481)
	(5,908,596)	(10,636,488)
First interim distribution of Rs 0.6607 per unit on July 25, 2012 (2011: Rs 3.0308 per unit on October 12, 2011)		
- Cash dividend	(2,454,279)	(9,142,200)
- Bonus units	(1,626,035)	(5,470,535)
	(4,080,314)	(14,612,735)
Second interim distribution of Rs 0.9366 per unit on August 27, 2012 (2011: Rs 3.1092 per unit on December 26, 2011)		
- Cash dividend	(3,712,574)	(10,588,054)
- Bonus units	(2,694,977)	(7,190,133)
	(6,407,551)	(17,778,187)
Third interim distribution of Rs 0.8960 per unit on September 25, 2012 (2012: Rs 1.1978 per unit on January 26, 2012)		
- Cash dividend	(3,551,640)	(4,078,981)
- Bonus units	(3,240,633)	(3,672,037)
	(6,792,273)	(7,751,018)
Fourth interim distribution of Rs 0.9095 per unit on October 25, 2012 (2012: Rs 1.1967 per unit on February 27, 2012)		
- Cash dividend	(3,605,152)	(4,668,413)
- Bonus units	(4,995,902)	(4,052,530)
	(8,601,054)	(8,720,943)
Fifth interim distribution of Rs 0.7152 per unit on November 20, 2012 (2012: Rs 0.8367 per unit on March 26, 2012)		
- Cash dividend	(2,849,024)	(3,264,028)
- Bonus units	(4,061,017)	(2,873,723)
	(6,910,041)	(6,137,751)
Sixth interim distribution of Rs 0.6597 per unit on December 20, 2012 (2012: Rs 0.8510 per unit on April 25, 2012)		
- Cash dividend	(2,627,938)	(3,492,354)
- Bonus units	(3,639,136)	(2,777,114)
	(6,267,074)	(6,269,468)
Seventh interim distribution of Rs 0.7242 per unit on January 20, 2013 (2012: Rs 0.4860 per unit on May 25, 2012)		
- Cash dividend	(3,028,673)	(1,805,422)
- Bonus units	(4,084,875)	(1,364,717)
	(7,113,548)	(3,170,139)
Eighth interim distribution of Rs 0.6944 per unit on March 20, 2013		
- Cash dividend	(2,904,047)	-
- Bonus units	(2,360,649)	-
	(5,264,696)	-
Ninth interim distribution of Rs 0.6401 per unit on April 22, 2013		
- Cash dividend	(2,676,959)	-
- Bonus units	(1,972,865)	-
	(4,649,824)	-

**ASKARI ISLAMIC INCOME FUND**  
**DISTRIBUTION STATEMENT CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Tenth interim distribution of Rs 0.6193 per unit on May 20, 2013

- Cash dividend
- Bonus units

Eleventh interim distribution of Rs 0.5969 per unit on June 20, 2013

- Cash dividend
- Bonus units

Undistributed income carried forward

**Undistributed income carried forward comprising:**

- Realised Income
- Unrealised loss

2013	2012
----- (Rupees) -----	
(2,589,971)	-
(1,809,242)	-
(4,399,213)	-
(2,496,292)	-
(1,628,305)	-
(4,124,597)	-
<u>3,730,990</u>	<u>6,924,487</u>
5,269,791	7,159,806
(1,538,801)	(235,319)
<u>3,730,990</u>	<u>6,924,487</u>

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

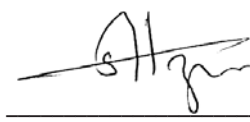
For Askari Investment Management Limited  
 (Management Company)



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 ISLAMIC INCOME FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	2013 ----- (Rupees) -----	2012 ----- (Rupees) -----
<b>Net assets at beginning of the year</b>	629,668,789	452,751,707
Issued 8,571,444 (2012: 5,812,187) units	862,746,995	589,504,474
Redemption of 8,386,591 (2012: 4,318,123) units	(843,016,193)	(435,968,385)
	19,730,802	153,536,089
Issue of 343,680 bonus (2012: 321,177) units	34,497,573	32,308,269
	683,897,164	638,596,065
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(1,374,523)	(4,319,947)
Capital gain on sale of investments	2,752,996	7,382,164
Unrealised diminution in value of investments classified as 'at fair value through profit or loss' - net	(1,538,801)	(235,319)
Other income for the year	66,111,089	63,322,553
Other Comprehensive income	-	-
<b>Net Income</b>	67,325,284	70,469,398
Final distribution of Rs 0.9488 per unit on July 6, 2012 (2011: Rs 2.4107 per unit on July 6, 2011)		
- Cash dividend	(3,524,659)	(5,729,007)
- Bonus units	(2,383,937)	(4,907,481)
	(5,908,596)	(10,636,488)
First interim distribution of Rs 0.6607 per unit on July 25, 2012 (2011: Rs 3.0308 per unit on October 12, 2011)		
- Cash dividend	(2,454,279)	(9,142,200)
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	(4,080,314)	(14,612,735)
Second interim distribution of Rs 0.9366 per unit on August 27, 2012 (2011: Rs 3.1092 per unit on December 26, 2011)		
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	(6,407,551)	(17,778,187)
Third interim distribution of Rs 0.8960 per unit on September 25, 2012 (2012: Rs 1.1978 per unit on January 26, 2012)		
- Cash dividend	(3,551,640)	(4,078,981)
- Bonus units	(3,240,633)	(3,672,037)
	(6,792,273)	(7,751,018)
Fourth interim distribution of Rs 0.9095 per unit on October 25, 2012 (2012: Rs 1.1967 per unit on February 27, 2012)		
- Cash dividend	(3,605,152)	(4,668,413)
- Bonus units	(4,995,902)	(4,052,530)
	(8,601,054)	(8,720,943)
Fifth interim distribution of Rs 0.7152 per unit on November 20, 2012 (2012: Rs 0.8367 per unit on March 26, 2012)		
- Cash dividend	(2,849,024)	(3,264,028)
- Bonus units	(4,061,017)	(2,873,722)
	(6,910,041)	(6,137,750)
Sixth interim distribution of Rs 0.6597 per unit on December 20, 2012 (2012: Rs 0.8510 per unit on April 25, 2012)		
- Cash dividend	(2,627,938)	(3,492,354)
- Bonus units	(3,639,136)	(2,777,114)
	(6,267,074)	(6,269,468)

**ASKARI ISLAMIC INCOME FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Seventh interim distribution of Rs 0.7242 per unit on January 20, 2013  
 (2012: Rs 0.4860 per unit on May 25, 2012)

- Cash dividend
- Bonus units

Eighth interim distribution of Rs 0.6944 per unit on March 20, 2013

- Cash dividend
- Bonus units

Ninth interim distribution of Rs 0.6401 per unit on April 22, 2013

- Cash dividend
- Bonus units

Tenth interim distribution of Rs 0.6193 per unit on May 20, 2013

- Cash dividend
- Bonus units

Eleventh interim distribution of Rs 0.5969 per unit on June 20, 2013


- Cash dividend
- Bonus units

**Net assets as at the end of the year**

2013	2012
----- (Rupees) -----	
(3,028,673)	(1,805,421)
(4,084,875)	(1,364,717)
(7,113,548)	(3,170,138)
(2,904,047)	-
(2,360,649)	-
(5,264,696)	-
(2,676,959)	-
(1,972,865)	-
(4,649,824)	-
(2,589,971)	-
(1,809,242)	-
(4,399,213)	-
(2,496,292)	-
(1,628,305)	-
(4,124,597)	-
<b>679,329,144</b>	<b>629,668,789</b>

The annexed notes 1 to 28 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 ISLAMIC INCOME FUND**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Note	2013	2012
	----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	67,325,284	70,469,398
<b>Adjustment for:</b>		
Unrealised diminution in value of investments classified as 'at fair value through profit or loss' - net	1,538,801	235,319
Amortisation of preliminary expenses and floatation costs	435,737	435,738
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(1,374,523)	(4,319,947)
	600,015	(3,648,890)
<b>Decrease/ (Increase) in assets:</b>		
Investments - net	95,275,541	(271,724,114)
Deposits, prepayments and other receivables	4,019,169	(7,388,417)
	99,294,710	(279,112,531)
<b>Increase in liabilities</b>		
Payable to the Askari Investment Management Limited - Management Company	128,310	328,908
Payable to the MCB Financial Services Limited - Trustee	7,035	42,224
Payable to the Securities and Exchange Commission of Pakistan	147,919	275,568
Accrued and other liabilities	2,752,530	5,806,994
	3,035,794	6,453,694
<b>Net cash generated from / (used in) operating activities</b>	<u>170,255,803</u>	<u>205,838,329</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	862,746,995	589,504,474
Payment against redemption of units	(843,016,193)	(435,968,385)
Distributions paid	(36,021,208)	(42,768,458)
<b>Net cash generated from / (used in) financing activities</b>	(16,290,406)	110,767,631
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	<u>153,965,397</u>	<u>95,070,698</u>
Cash and cash equivalents at the beginning of the year	192,080,320	287,151,018
<b>Cash and cash equivalents at the end of the year</b>	<u>16</u> <u>346,045,717</u>	<u>19,080,320</u>

The annexed notes 1 to 28 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 ISLAMIC INCOME 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 Islamic Income Fund (the Fund) was established under a Trust Deed executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited), as Management Company and MCB Financial Services (Pvt) Limited as Trustee on August 26, 2008 and was approved by the Securities and Exchange Commission of Pakistan (the SECP) as Notified Entity on June 25, 2009 in accordance with Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). 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-Nisat, Phase VI, DHA, Karachi.
- 1.2** The Fund is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund except for the core units which are subject to certain restrictions as per the NBFC Regulations and the constitutive documents of the Fund. The units are listed on the Islamabad Stock Exchange Limited.
- 1.3** As per the offering document, the Fund shall invest in shariah compliant income instruments, such as debt securities, placements under Mudarabah, Murabaha and Musharaka arrangements and other shariah compliant instruments including shariah compliant instruments outside Pakistan.
- 1.4** 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 industry standards and benchmarks. Further, PACRA has assigned the stability rating of the Fund to 'AA-(f)' on January 30, 2013. The rating of the Fund denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.
- 1.5** Title to the assets of the Fund are held in the name of MCB Financial Services Limited as 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 Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

**2.2 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.

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, valuation and impairment of assets (notes 3.2 and 5).

## 2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain 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 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 comprises of balances with banks and other short term highly liquid shariah compliant investments with original maturities of three months or less.

### 3.2 Financial assets

#### 3.2.1 Classification

The Fund classifies its financial assets in the following categories: Financial assets 'at fair value through profit or loss', 'available-for-sale' and 'loans and receivables'. 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 'at fair value through profit or loss'

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

#### b) Loans and receivables

These are non-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 classified as 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are expensed in the Income Statement.

Financial assets classified as 'available for sale' and 'loans and receivables' are initially recognised at fair value plus transaction cost that are directly attributable to the acquisition of such investments.



### 3.2.4 Subsequent measurement

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

#### Basis of valuation of debt securities

The investment of the Fund in shariah compliant debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its various circulars. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

#### Basis of valuation of government securities

Ijara sukuk issued by the Government of Pakistan (GoP Ijara Sukuk) are valued on the basis of latest weighted average Reuter's rates. The investment of the Fund in government securities other than GoP Ijara Sukuks are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

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. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

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

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

### 3.2.5 Impairment of financial assets

The Fund assesses at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

#### Financial assets classified as 'available for sale'

##### Debt securities

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization.

Impairment / provision for non-performing debt securities is made on the basis of criteria specified by the SECP. Impairment losses recognised on debt securities can be reversed through the 'Income Statement'. As allowed by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors.

#### Financial assets classified as 'loans and receivable'

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. Provision is made in accordance with the criteria specified by the SECP.

### 3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where 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 Preliminary expenses and floatation costs

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

### 3.5 Provisions

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

### 3.6 Taxation

#### Current

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 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 no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

### 3.7 Issue and redemption of units

Units are issued at the offer price determined at the close of business when the funds in respect of purchase of units are realised. The offer price represents the net asset value per units at the end of the day plus the allowable front end load. The front end 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 prevalent during the day on which the units are redeemed. The redemption price represents the net asset value per unit as of the close of the business day less any back end load. Redemption of units is recorded on acceptance of application for redemption.

### 3.8 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 price of units issued less those in units redeemed" account is credited with the amount representing the 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 an accounting period is transferred to the income statement.

### 3.9 Net Asset Value per unit

NAV per unit as disclosed in Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at year end.

### 3.10 Proposed distributions

Distributions made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared by the approval of the Board of Directors of the Management Company.

### 3.11 Revenue recognition

- Gains/ (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains/ (losses) on revaluation of investments classified as 'Financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Profit on balances and placements with banks is recognised on an accrual basis.
- Profit on sukuk certificate is recognised using the effective interest rate method.

## 4 BALANCES WITH BANKS

Saving accounts

Note	2013	2012
	----- (Rupees) -----	
4.1	<u>346,045,717</u>	<u>192,080,320</u>

- 4.1 These carry profit at the rates ranging from 6% to 9.25% (2012: 5% to 12.25%) per annum. Deposits in savings accounts include Rs. 9,844,610 (2012: Rs. 1,139,995 ) and Rs. 10,560,320 (2012: Rs. 63,844,665) maintained with Askari Bank Limited and Burj Bank Limited respectively, being connected persons, which carry profit at the rate of 8.75% and 8.5% per annum respectively.

## 5 INVESTMENTS

Financial assets 'at fair value through profit or loss'

Sukuks

Note	2013	2012
	----- (Rupees) -----	
5.1	<u>335,009,658</u>	<u>431,824,000</u>

## 5.1 Ijara Sukuks

Name of Investee Company	Number of certificates			Rupees			Market value as percentage of net assets	Market value as percentage of total investment	
	As at July 1, 2012	Purchases during the year	Sales during the year	As at June 30, 2013	Carrying value as at June 30, 2013	Market Value as at June 30, 2013			Appreciation / (Diminution)
<b>GoP Ijara Sukuk (face value of Rs 100,000 each)</b>									
GoP Ijara Sukuk V	170	-	100	70	7,004,200	7,010,500	6,300	1.03%	2.09%
GoP Ijara Sukuk VI	360	1,000	350	1,010	101,869,419	101,141,400	(728,019)	14.89%	30.19%
GoP Ijara Sukuk VII	35	1,300	150	1,185	119,299,498	118,713,300	(586,198)	17.48%	35.44%
GoP Ijara Sukuk X	-	900	900	-	-	-	-	-	-
GoP Ijara Sukuk XIV	450	-	450	-	-	-	-	-	-
GoP Ijara Sukuk IX	1,060	3,271	4,000	331	33,375,342	33,144,458	(230,884)	4.88%	9.89%
GoP Ijara Sukuk XVI	400	3,500	3,900	-	-	-	-	-	-
GoP Ijara Sukuk XV	750	250	1,000	-	-	-	-	-	-
GoP Ijara Sukuk XIII	-	5,250	5,250	-	-	-	-	-	-
<b>Privately placed sukuk (face value of Rs 5,000 each)</b>									
Hub Power Company Limited (13-03-12)	-	12,000	12,000	-	-	-	-	-	-
Kot Addu Power Company Limited (28-12-12)	-	10,200	10,200	-	-	-	-	-	-
Hub Power Company Limited ( 01-02-12)	12,000	-	12,000	-	-	-	-	-	-
Hub Power Company Limited ( 14-02-13)	-	15,000	-	15,000	75,000,000	75,000,000	-	11.04%	22.39%
Engro Fertilizer Limited (01-03-12)	9,840	-	9,840	-	-	-	-	-	-
<b>Total as at June 30, 2013</b>					<b>336,548,459</b>	<b>335,009,658</b>	<b>(1,538,801)</b>	<b>49%</b>	<b>100%</b>
<b>Total as at June 30, 2012</b>					<b>432,059,319</b>	<b>431,824,000</b>	<b>(235,319)</b>	<b>69%</b>	<b>100%</b>

## 5.2 Significant terms and conditions of sukuk certificates held as at June 30, 2013 are as follows:

Name	Issue	Expected profit	Maturity	Security
GoP Ijara Sukuk V	November 15, 2010	9.4291%	November 15, 2013	GoP Guaranteed
GoP Ijara Sukuk VI	December 20, 2010	9.2247%	December 20, 2013	GoP Guaranteed
GoP Ijara Sukuk VII	March 7, 2011	9.3374%	March 7, 2014	GoP Guaranteed
GoP Ijara Sukuk IX	December 26, 2011	9.2840 %	December 26, 2014	GoP Guaranteed
Hub Power Company Limited	February 14, 2013	10.8000 %	August 14, 2013	Un Secured

## 6 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Profit receivable on balances with banks  
Security deposit  
Prepaid rating fee  
Profit receivable on sukuk certificates

	2013 (Rupees)	2012
Profit receivable on balances with banks	2,726,358	3,551,911
Security deposit	100,000	100,000
Prepaid rating fee	48,660	-
Profit receivable on sukuk certificates	6,365,157	9,607,433
	<b>9,240,175</b>	<b>13,259,344</b>

## 7 PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance  
Less: Amortisation during the year (note 3.4)  
Closing balance

Opening balance	976,272	1,412,010
Less: Amortisation during the year (note 3.4)	(435,737)	(435,738)
Closing balance	<b>540,535</b>	<b>976,272</b>

## 8 PAYABLE TO ASKARI INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY

Remuneration of Askari Investment Management Limited  
- Management Company  
Sindh sales tax on Management Company's remuneration  
Federal Excise Duty on Management Company's remuneration  
Sales load payable

Note	2013 (Rupees)	2012
8.1	632,485	581,294
	110,850	93,008
8.2	60,326	-
	5,000	6,049
	<u>808,661</u>	<u>680,351</u>

- 8.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. Management fee is currently being charged at the rate of three percent of the average annual net assets of the Fund. 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.

## 9 PAYABLE TO THE MCB FINANCIAL SERVICES LIMITED - TRUSTEE

### Trustee Fee

2013 (Rupees)	2012
<u>106,794</u>	<u>99,759</u>

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 daily Net Assets Value (NAV) of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2013 is as follows:

### Amount of Fund under Management (Average NAV)

- Upto Rs. 500 million
- From Rs. 500 to Rs. 1 billion
- From Rs. 1 billion to Rs. 2 billion
- Over Rs. 2 billion

### Tariff Per Annum

- Rs. 0.7 million or 0.20% per annum of net assets computed on a daily basis, which ever is higher.
- Rs. 1 million plus 0.15% per annum of the net assets of the Fund exceeding Rs. 500 million computed on a daily basis.
- Rs. 1.75 million plus 0.08% per annum of the net assets of the Fund exceeding Rs. 1 billion computed on a daily basis.
- Rs. 2.55 million plus 0.05% per annum of the net assets of the Fund exceeding Rs. 2 billion computed on a daily basis.

The remuneration is paid to the Trustee monthly in arrears.

## 10 ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Annual fee

2013 (Rupees)	2012
<u>595,640</u>	<u>447,721</u>

Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, a collective investment scheme categorized as income scheme is required to pay an annual fee to the SECP, an amount equal to 0.075% (June 30, 2012: 0.075%) of the average net assets of the Scheme. The Fund has been categorized as Shariah compliant income scheme by the Management Company.

**11 ACCRUED EXPENSES AND OTHER LIABILITIES**

Payable against printing expenses  
 Auditors' remuneration  
 Legal and professional charges payable  
 Provision for contribution to Worker's Welfare Fund  
 Distribution payable  
 Other payable

Note	2013	2012
	(Rupees)	
	104,403	85,114
	338,874	433,804
	134,960	84,959
11.1	4,162,089	2,788,103
	2,510,231	-
	36,816	314,477
	<u>7,287,373</u>	<u>3,706,457</u>

**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 for WWF amounting to Rs 4,162,089 (including Rs 1,373,985 for the current year) in these financial statements. 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 Rs 0.6160 per unit.

**12 CONTINGENCES AND COMMITMENTS**

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

**13 AUDITORS' REMUNERATION**

Annual audit fee  
 Half yearly review fee  
 Review of compliance with Code of Corporate Governance  
 Other certification  
 Fee for income certification  
 Out of pocket expenses

2013	2012
(Rupees)	
200,000	200,000
100,000	100,000
50,000	50,000
75,000	75,000
50,000	-
46,031	17,915
<u>521,031</u>	<u>442,915</u>

**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 outstanding units is not practicable.

**16 CASH AND CASH EQUIVALENTS**

Saving accounts

2013	2012
----- (Rupees) -----	
346,045,717	192,080,320
<u>346,045,717</u>	<u>192,080,320</u>

**17 FINANCIAL INSTRUMENTS BY CATEGORY****Financial assets**

Balances with banks  
Investments  
Deposits and other receivables

-----As at June 30, 2013-----		
Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
----- (Rupees) -----		
346,045,717	-	346,045,717
-	335,009,658	335,009,658
9,191,515	-	9,191,515
<u>355,237,232</u>	<u>335,009,658</u>	<u>690,246,890</u>

**Financial liabilities**

Payable to the Askari Investment Management Limited - Management Company  
Payable to the MCB Financial Services Limited - Trustee  
Payable against purchase of investments  
Accrued and other liabilities

-----As at June 30, 2013-----		
Financial liabilities 'at fair value through profit or loss'	Others	Total
----- (Rupees) -----		
-	808,661	808,661
-	106,794	106,794
-	2,708,473	2,708,473
-	3,125,284	3,125,284
-	<u>6,749,212</u>	<u>6,749,212</u>

**Financial assets**

Balances with banks  
Investments  
Deposits and other receivables

-----As at June 30, 2012-----		
Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
----- (Rupees) -----		
192,080,320	-	192,080,320
-	431,824,000	431,824,000
13,259,344	-	13,259,344
<u>205,339,664</u>	<u>431,824,000</u>	<u>637,163,664</u>

**Financial liabilities**

Payable to the Askari Investment Management Limited - Management Company  
Payable to the MCB Financial Services Limited - Trustee  
Payable against purchase of investments  
Accrued and other liabilities

-----As at June 30, 2012-----		
Financial liabilities 'at fair value through profit or loss'	Others	Total
----- (Rupees) -----		
-	680,351	680,351
-	99,759	99,759
-	3,536,859	3,536,859
-	918,354	918,354
-	<u>5,235,323</u>	<u>5,235,323</u>

**18 TRANSACTIONS WITH CONNECTED PERSONS**

- 18.1** Connected persons include Askari Investment Management Limited being the Management Company, MCB Financial Services (Private) Limited being the Trustee of the Fund, Askari Bank Limited being the Holding Company of the Management Company, Fauji Group Companies, other collective investments schemes managed by the Management Company, any person or company beneficially owing directly or indirectly ten percent or more of the capital of the management Company or the net assets of the Fund, the directors and officers of the Management Company and the Trustee.
- 18.2** Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 18.3** Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed. Remuneration of the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 18.4** Details of the transactions with connected persons and balances with them, if not disclosed anywhere else in these financial statements, are as follows:

**18.5 Details of the transactions with connected persons are as follows:****Askari Investment Management Limited**

Remuneration of the Management Company	8,736,116	5,948,190
Sindh sales tax on Management Company's remuneration	1,407,451	951,709
Federal Excise Duty on Management Company's remuneration	60,326	-
Units issued / transferred in nil units (2012 :603,169 units)	-	60,561,449
Units redeemed / transferred out nil units (2012: 1,212,794 units)	-	122,712,455
Bonus units: nil units (2012: 23,951 units)	-	2,412,842
Sales load paid during the year	234,536	52,650

**MCB Financial Services (Private) Limited**

Remuneration of the Trustee

1,441,277 1,141,257

**Askari Bank Limited**

Profit on balances with banks and placements	386,677	128,274
Issue of nil units (2012: 493,029 units)	-	50,000,000
Cash dividend	14,391,483	19,786,018

**Askari Securities Limited Employee's Gratuity Fund Trust**

Issue of nil units (2012: 3,973 units)	-	400,000
Bonus units: nil units (2012: 135 units)	-	13,556
Redemption of nil units (2012: 4,108 units)	-	413,633

**Askari Securities Limited Employee's Provident Fund Trust**

Issue of nil units (2012: 3,973 units)	-	400,000
Bonus units: nil units (2012: 135 units)	-	13,556
Redemption of nil units (2012: 4,108 units)	-	413,633

**Burj Bank Limited**

Cash dividend on units held	132,636,054	-
Profit for the year on bank balances maintained in bank account	5,950,544	7,121,053
Bank charges	19,028	29,678

**Key Management Personnel**

Issue of 11,237 units (2012: 52,721 units)	1,129,024	5,385,326
Redemption of 11,484 units (2012: 3,627 units)	1,151,522	365,436
Issue of 77 bonus units (2012: 797 bonus units)	7,727	80,374

**AIM Employees Provident Fund**

Issue of nil units (2012: 538 units)	-	54,007
Redemption of 5,244 units (2012: 5,052 units)	528,360	519,837
Issue of 359 bonus units (2012: 693 bonus units)	36,025	69,909

	2013	2012
	----- (Rupees) -----	
<b>Askari Investment Management Limited</b>		
Remuneration of the Management Company	8,736,116	5,948,190
Sindh sales tax on Management Company's remuneration	1,407,451	951,709
Federal Excise Duty on Management Company's remuneration	60,326	-
Units issued / transferred in nil units (2012 :603,169 units)	-	60,561,449
Units redeemed / transferred out nil units (2012: 1,212,794 units)	-	122,712,455
Bonus units: nil units (2012: 23,951 units)	-	2,412,842
Sales load paid during the year	234,536	52,650
<b>MCB Financial Services (Private) Limited</b>		
Remuneration of the Trustee	1,441,277	1,141,257
<b>Askari Bank Limited</b>		
Profit on balances with banks and placements	386,677	128,274
Issue of nil units (2012: 493,029 units)	-	50,000,000
Cash dividend	14,391,483	19,786,018
<b>Askari Securities Limited Employee's Gratuity Fund Trust</b>		
Issue of nil units (2012: 3,973 units)	-	400,000
Bonus units: nil units (2012: 135 units)	-	13,556
Redemption of nil units (2012: 4,108 units)	-	413,633
<b>Askari Securities Limited Employee's Provident Fund Trust</b>		
Issue of nil units (2012: 3,973 units)	-	400,000
Bonus units: nil units (2012: 135 units)	-	13,556
Redemption of nil units (2012: 4,108 units)	-	413,633
<b>Burj Bank Limited</b>		
Cash dividend on units held	132,636,054	-
Profit for the year on bank balances maintained in bank account	5,950,544	7,121,053
Bank charges	19,028	29,678
<b>Key Management Personnel</b>		
Issue of 11,237 units (2012: 52,721 units)	1,129,024	5,385,326
Redemption of 11,484 units (2012: 3,627 units)	1,151,522	365,436
Issue of 77 bonus units (2012: 797 bonus units)	7,727	80,374
<b>AIM Employees Provident Fund</b>		
Issue of nil units (2012: 538 units)	-	54,007
Redemption of 5,244 units (2012: 5,052 units)	528,360	519,837
Issue of 359 bonus units (2012: 693 bonus units)	36,025	69,909



**18.6 Balances outstanding as at year end****Askari Investment Management Company Limited**

Management fee payable  
Sindh tax payable  
Sales load payable

**Askari Bank Limited**

Balances with bank - Islamic Banking  
Accrued Profit receivables  
Outstanding 1,598,805 units (2012: 1,598,805 units)

**MCB Financial Services (Private) Limited**

Trustee fee payable

**Hamdard Laboratories (Waqf) Pakistan**

Outstanding 1,089,696 units (2012: 642,111 units)

**Burj Bank Limited**

Outstanding 1,470,444 units (2012: 1,470,444 units)  
Profit Receivable  
Bank balance  
Cash Dividend Payable

**Key Management Personnel**

Outstanding 84 units (2012: 52,927 units)

**AIM Employees Provident Fund**

Outstanding nil units (2012: 4,885 units)

	2013	2012
	----- (Rupees) -----	
Management fee payable	632,485	581,294
Sindh tax payable	110,850	93,008
Sales load payable	5,000	6,049
<b>Askari Bank Limited</b>		
Balances with bank - Islamic Banking	9,844,610	1,139,995
Accrued Profit receivables	32,296	3,405
Outstanding 1,598,805 units (2012: 1,598,805 units)	160,763,680	161,658,338
<b>MCB Financial Services (Private) Limited</b>		
Trustee fee payable	106,794	99,759
<b>Hamdard Laboratories (Waqf) Pakistan</b>		
Outstanding 1,089,696 units (2012: 642,111 units)	109,571,548	64,925,115
<b>Burj Bank Limited</b>		
Outstanding 1,470,444 units (2012: 1,470,444 units)	147,856,673	148,679,504
Profit Receivable	941,678	2,253,138
Bank balance	10,560,320	63,844,665
Cash Dividend Payable	877,708	-
<b>Key Management Personnel</b>		
Outstanding 84 units (2012: 52,927 units)	8,446	5,351,554
<b>AIM Employees Provident Fund</b>		
Outstanding nil units (2012: 4,885 units)	-	493,932

**19 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	Adnan Siddiqui	Chairman	MBA	22
2	Basharat Ullah	Chief Investment Officer	MBA	20
3	Mustafa Kamal	Fund Manager	MBA	10
4	Zainab Siddiqui	Chief Financial Officer	ACA	7
5	Shahbaz Ashraf	Head of Research	CFA	5.5
6	M. Farrukh	VP Risk Management & Compliance	CIMA (Finalist)	13

**19.1** Mr. Mustafa Kamal is also the fund manager of Askari Sovereign Cash Fund and Askari High Yield Scheme managed by the Management Company.

**19.2** Mr. Adnan Siddiqui resigned subsequent to the year end.

## 20 TRANSACTIONS WITH TOP TEN BROKERS / DEALERS

List of top ten brokers by percentage of commission expensed during the year:

	2013
1 JS Global Limited	28.93%
2 Global Securities Pakistan Limited	17.58%
3 Elixir Securities Limited	16.14%
4 Vector Capital (Private) Limited	12.33%
5 Invest One Markets Limited	7.87%
6 Summit Capital Limited (Private) Limited	7.87%
7 Invest & Finance Securities (Private) Limited	5.25%
8 BMA Capital Management Limited	2.62%
9 Invest Capital Market Limited	1.31%
10 C&M Management Limited	0.09%
	<b>2012</b>
1 Invest One Markets Limited	21.58%
2 Global Securities Pakistan Limited	18.82%
3 Invest & Finance Securities (Private) Limited	17.69%
4 Invest Capital Market Limited	12.42%
5 JS Global Capital Limited	9.90%
6 BMA Capital Management Limited	8.25%
7 Elixir Securities Limited	7.07%
8 KASB Securities Limited	2.78%
9 Summit Capital Limited (Private) Limited	1.41%
10 Vector Capital (Private) Limited	0.08%

## 21 PATTERN OF UNIT HOLDING

Category	As at June 30, 2013			
	Number of unit holders	No of units held	Investment amount	Percentage investment
	(Rupees)			
Individuals	202	1,932,492	194,316,596	28.60%
Bank	1	1,470,444	147,856,665	21.77%
Retirement funds	1	119,713	12,037,395	1.77%
Associated companies / Key Management Personnel				
Askari Bank Limited	1	1,598,805	160,763,680	23.67%
Key Management Personnel	1	84	8,446	0.00%
Others	11	1,634,435	164,346,362	24.19%
	217	6,755,973	679,329,144	100.00%

Category	As at June 30, 2012			
	Number of unit holders	No of units held	Investment amount	Percentage investment
	(Rupees)			
Individuals	227	2,078,794	210,190,977	33.38%
Insurance companies	1	62,602	6,329,812	1.01%
Bank	1	1,470,444	148,679,504	23.61%
Retirement funds	7	245,061	24,778,603	3.94%
Associated companies / connected person				
Askari Bank Limited	1	1,598,805	161,658,339	25.67%
Retirement Funds	1	4,885	493,932	0.08%
Key Management Personnel	3	52,927	5,351,554	0.85%
Others	5	713,922	72,186,068	11.46%
	246	6,227,440	629,668,789	100.00%

## 22 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 and 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 and 49th meeting

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

## 23 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 23.1 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 market risk through diversification of the investment portfolio and by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

#### 23.1.1 Currency risk

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

#### 23.1.2 Interest Rate Risk

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

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

Presently, the Fund does not hold any fixed rate instrument which may expose it to fair value interest rate risk.

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

As at June 30, 2013, the Fund holds GoP ijarah sukuks and sukuks which are classified as 'financial assets at fair value through profit or loss', exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in the floating rate on June 30, 2013, with all other variables held constant, the net income for the year and net assets as at June 30, 2013 would have been higher / lower by Rs. 1,726,784 (2012: Rs. 111,847).

The composition of the Fund's investment portfolio, KIBOR and rates announced by Financial Markets Association of Pakistan is 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.

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

----- As at June 30, 2013 -----					
Effective yield / Interest rate	Exposed to Yield/Interest risk			Not exposed to Yield/ Interest risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- (Rupees) -----					
<b>Financial assets</b>					
Balances with banks	6% to 9.25%	346,045,717	-	-	346,045,717
Investments	10.03% to 11.83%	193,713,300	141,296,358	-	335,009,658
Deposits and other receivables		-	-	9,191,515	9,191,515
		539,759,017	141,296,358	9,191,515	690,246,890
<b>Financial liabilities</b>					
Payable to the Askari Investment Management Limited		-	-	808,661	808,661
Payable to the MCB Financial Services Limited - Trustee		-	-	106,794	106,794
Payable against purchase of investments		-	-	2,708,473	2,708,473
Accrued and other liabilities		-	-	3,125,284	3,125,284
		-	-	6,749,212	6,749,212
<b>On-balance sheet gap</b>		539,759,017	141,296,358	2,442,303	683,497,678
<b>Off-balance sheet financial instruments</b>					
		-	-	-	-
<b>Off-balance sheet gap</b>					
		-	-	-	-
<b>Total interest rate sensitivity gap</b>		539,759,017	141,296,358	2,442,303	683,497,678
<b>Cumulative interest rate sensitivity gap</b>		539,759,017	681,055,375	681,055,375	

As at June 30, 2012					
Effective yield / Interest rate	Exposed to Yield/Interest risk			Not exposed to Yield/ Interest risk	Total
	Up to three months	More than three months and up to one year	More than one year		
----- (Rupees) -----					
<b>Financial assets</b>					
Balances with banks	5% to 12.25%	192,080,320	-	-	192,080,320
Investments	11.81% to 11.94%	109,200,000	322,624,000	-	431,824,000
Deposits and other receivables		-	-	13,259,344	13,259,344
		301,280,320	322,624,000	13,259,344	637,163,664
<b>Financial liabilities</b>					
Payable to the Askari Investment Management Limited		-	-	680,351	680,351
Payable to the MCB Financial Services Limited - Trustee		-	-	99,759	99,759
Payable against purchase of investments		-	-	3,536,848	3,536,848
Accrued and other liabilities		-	-	918,354	918,354
		-	-	5,235,312	5,235,312
<b>On-balance sheet gap</b>		301,280,320	322,624,000	8,024,032	631,928,352
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-
<b>Total interest rate sensitivity gap</b>		301,280,320	322,624,000	8,024,032	631,928,352
<b>Cumulative interest rate sensitivity gap</b>		301,280,320	623,904,320	623,904,320	

### 23.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as at June 30, 2013.

### 23.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. Credit risk arises from deposits with banks, credit exposure arising as a result of , receivable against sale of investments and investments in debt securities. For deposits with banks, only reputed parties are accepted. The risk of default is considered minimal due to inherent systematic measures taken therein. Risk attributable to investment in GoP Ijarah Sukuks 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. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. 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 balances with banks as at June 30, 2013:

Balances with banks by rating category	Rating Agency	-----2013-----	
		Amount	Percentage
A1+	PACRA	333,453,471	96.36%
A-1+	JCR-VIS	130,296	0.04%
A1	PACRA	1,872,732	0.54%
A-1	JCR-VIS	10,589,218	3.06%
		<u>346,045,717</u>	<u>100.00%</u>

The maximum exposure of 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 Fund's portfolio of financial instruments is mostly concentrated in government securities. As noted above, these securities are guaranteed by the Federal Government.

#### Collateral

The fund does not hold any collateral against its investment in GoP ijara sukuk and balances with banks and these are unsecured.

### 23.3 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 government 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 securities are considered readily realizable.

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 period end date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows:

	As at June 30, 2013			
	Up-to-three months	More than three months and up to one year	More than one year	Total
	----- (Rupees) -----			
<b>Financial assets</b>				
Balances with banks	346,045,717	-	-	346,045,717
Investments	75,000,000	226,865,200	33,144,458	335,009,658
Deposits and other receivables	9,191,515	-	-	9,191,515
	<u>430,237,232</u>	<u>226,865,200</u>	<u>33,144,458</u>	<u>690,246,890</u>

	As at June 30, 2013			
	Up-to-three months	More than three months and up to one year	More than one year	Total
	----- (Rupees) -----			
<b>Financial liabilities</b>				
Payable to the Askari Investment Management Limited - Management Company	808,661	-	-	808,661
Payable to the MCB Financial Services Limited - Trustee	106,794	-	-	106,794
Payable against purchase of investments	2,708,472	-	-	2,708,472
Accrued and other liabilities	3,125,284	-	-	3,125,284
	<u>6,749,211</u>	<u>-</u>	<u>-</u>	<u>6,749,211</u>

**Financial assets**

Balances with banks  
Investments  
Deposits and other receivables

As at June 30, 2012			
Up-to-three months	More than three months and up to one year	More than one year	Total
----- (Rupees) -----			
192,080,320	-	-	192,080,320
109,200,000	-	322,624,000	431,824,000
13,259,344	-	-	13,259,344
<b>314,539,664</b>	<b>-</b>	<b>322,624,000</b>	<b>637,163,664</b>

**Financial liabilities**

Payable to the Askari Investment Management Limited  
- Management Company  
Payable to the MCB Financial Services Limited - Trustee  
Payable against purchase of investments  
Accrued and other liabilities

As at June 30, 2012			
Up-to-three months	More than three months and up to one year	More than one year	Total
----- (Rupees) -----			
680,351	-	-	680,351
99,759	-	-	99,759
3,536,859	-	-	3,536,859
918,354	-	-	918,354
<b>5,235,323</b>	<b>-</b>	<b>-</b>	<b>5,235,323</b>

**24 UNITS 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.

**25 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 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 price prevailing at the close of trading on the year end date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from the book values as the items are either short term in nature or periodically expired.

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, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

Assets	As at June 30, 2013			
	Level 1	Level 2	Level 3	Total
----- Rupees -----				
Financial assets 'at fair value through profit or loss' -Sukuks certificates	-	260,009,658	75,000,000	335,009,658

Assets	As at June 30, 2012			
	Level 1	Level 2	Level 3	Total
----- Rupees -----				
Financial assets 'at fair value through profit or loss' -Sukuks certificates	-	-	431,824,000	431,824,000

## 26 NON - ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in its meeting held on July 5, 2013 has proposed a final dividend distribution in respect of the year ended June 30, 2013 of Re 0.3818/- per unit (2012: Re 0.9488/- per unit). 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 DATE OF AUTHORISATION FOR ISSUE


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

## 28 GENERAL

**28.1** Figures have been rounded off to the nearest rupee.

**28.2** 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.



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**Invest with Aim!**

**Askari Investment Management Ltd.**

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