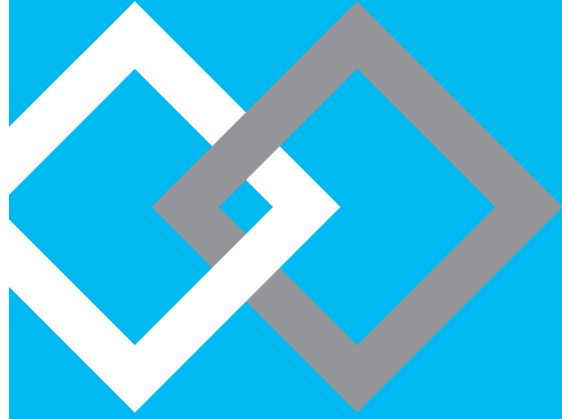


ANNUAL REPORT 2013



askari Sovereign Cash 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

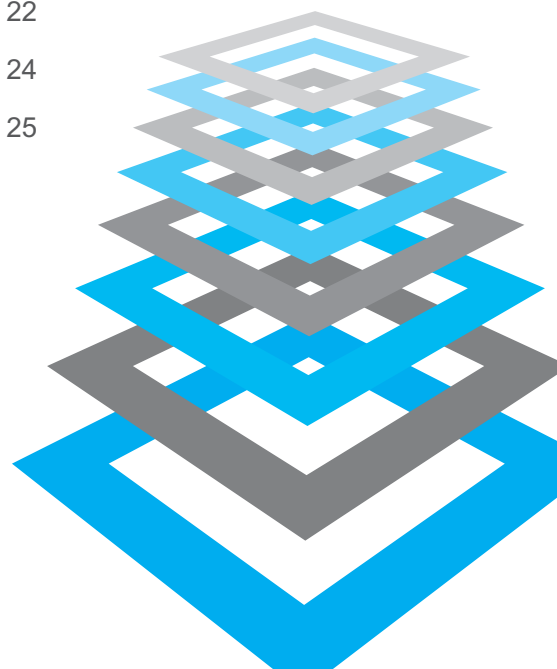
Good people ■ Sound advice ■ Great returns

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Information about the Management Company

Registered Office

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

Head Office

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

Board of Directors

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

Audit Committee

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

HR Committee

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

Chief Financial Officer & Company Secretary:

- Zainab Siddiqui

Fund's Information

Bankers

- Askari Bank Limited
- MCB Bank Limited
- Habib Metro Bank Limited
- National Bank of Pakistan
- Standard Chartered Bank Pakistan Limited (Islamic Banking)
- Faysal Bank Limited
- Bank Al-Habib Limited
- United Bank Limited
- Habib Bank Limited
- Bank Alfalah Limited
- Allied Bank Limited
- Bank Alfalah Limited (Islamic Banking)

Trustee

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

Auditors

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

Legal Advisors

- **Mohsin Tayabaly & Company**
Advocates & Legal Consultants
2nd Floor, Dine Centre, PC-4,
Block 9, Kehkashan, Clifton, Karachi.
- **Bawaney & Partners**
Advocates & Investment & Corporate Advisors
404, 4th Floor, Beaumont Plaza, 6-D-10,
Beaumont Road, Civil Lines, Karachi-75530.
- **Akhund Forbes**
Corporate and Commercial Law Firm
D-21, Block-4, Scheme 5,
Clifton, Karachi.

Registrar

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

Directors' Report



DIRECTORS' REPORT TO THE UNIT HOLDERS

On behalf of the Board of Directors of Askari Investment Management Limited ("Management Company" or "the Company"), we are pleased to present the annual report of Askari Sovereign Cash Fund ("ASCF" 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.

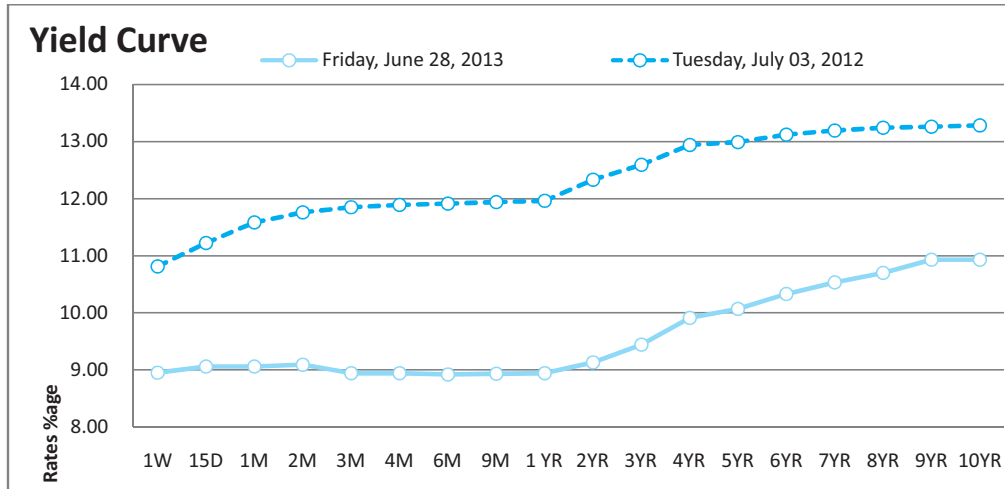
Outlook

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

Fixed Income Review

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

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



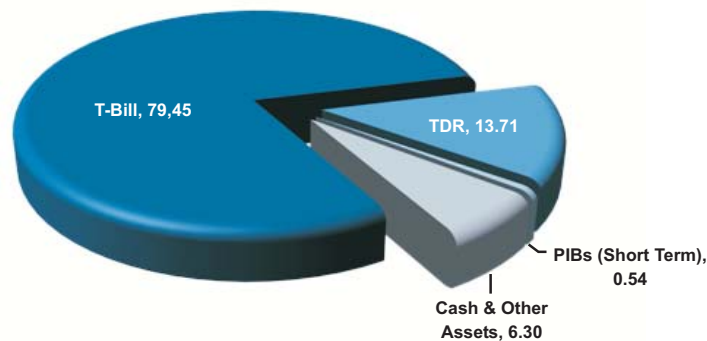
Performance Review

ASCF accomplished a return of 9.25% for the fiscal year ended June 2013, while surpassing its benchmark by 38 basis points. The outperformance can be attributable to the performance of ASCF in the months of August and October 2012, whereby fund manager's strategy of increasing portfolio duration in anticipation of an interest rate cut generated valuable capital gains and improved the fund's overall performance.

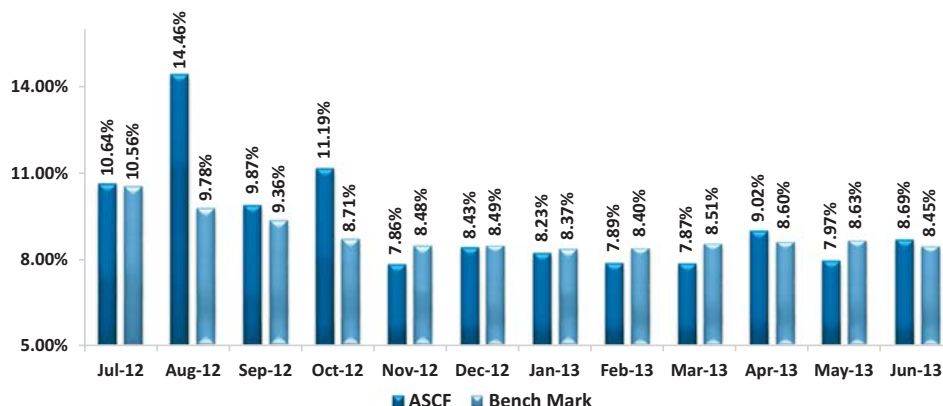
The Fund size reached PKR 4.522 billion, after an increase of 4.72% compared to the start of the quarter while touching a high of PKR 9.950 billion in the month of July 2012. On average, investment in Treasury Bills remained at 79.84%, making it still the largest contributor to Fund's returns. During the year, SBP reduced the discount rate by 300 bps to 9%, which coupled with active duration management, improved fund returns as a result of the realization of capital gains. Exposure in TDRs remained at the level of 13.71%, ensuring the overall portfolio is well diversified and promises stable returns.

ASCF promises the safest investment in its category by allocating greater funds to AAA quality T-Bills that exhibit highest liquidity. Alongside, the fund also offers the opportunity to shift 30% of its assets to AA (and above) rated banks to benefit from better rates and to stay liquid with.

Average Asset Allocation (12month ending June 13)



Historic Returns vs Bench Mark (Month on Month)



Details required by the Code of Corporate Governance:

ASCF 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.

Category	Unit holding	Percentage of Unit holding
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
Askari Investment Management Ltd	121	0.00%
Askari General Insurance Co. Ltd.	572,911	1.27%
Askari Bank Employee Provident Fund	336,395	0.75%
Askari Securities Limited	38,886	0.09%
Fauji Oil Terminal & Co Limited	2,610,609	5.81%
Fauji Kabirwala Power Company Limited	62	0.00%
MUTUAL FUND		
DIRECTORS AND THEIR SPOUSE AND MINOR CHILDREN	10,965	0.20%
EXECUTIVES	2,384	0.01%
PUBLIC SECTOR COMPANIES AND CORPORATIONS	9,705,963	21.60%
BANKS, DFIS, NBFCs, INSURANCE COMPANIES, TAKAFULS, MODARABAS AND PENSION FUNDS	12,178,087	27.10%
SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING RIGHTS		
Habib Metro Bank Limited	4,895,922	10.89%
Pakistan Petroleum Limited	4,128,917	9.19%
Cyan Limited (formerly: Central Insurance Limited)	3,513,016	7.82%
Al-Ghazir Tractors Limited	2,580,657	5.74%
Other Individual Shareholders	4,368,747	9.72%
Total	44,943,643	100.00%

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:

The Board of Directors of the Management Company state that:

1. The financial statements, prepared by the Management Company, present fairly the statement of affairs, the results of operations, cash flows and the changes in unit holders' fund.
2. Proper books of accounts have been maintained by the Fund.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

4. Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003, Non-Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations, 2008), requirements of the trust deed and directives issued by the Securities and Exchange Commission of Pakistan have been followed in the preparation of the financial statement and any deviation there from has been disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

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

No of Units	
Investment	64,741
Redemption	53,776

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

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

Key operating and financial data of the Fund for the current and prior periods is as follows:

	Jun -13	Jun -12	Jun -11	Jun -10
	-----Rupees-----			
Net Assets as on June 30 th	4,522,077,608	9,940,581,779	6,389,900,643	1,165,983,375
Net Asset Value per unit as on June 30 th	100.6166	101.1188	100.6900	108.3262
Net income for the year/period	475,156,406	1,268,193,072	488,568,560	91,612,042
Dividend Distribution during the Year/period*	55,7435,517	1,201,995,267	534,398,679	1,991,887

On July 05, 2013, the Board of Directors of the Management Company approved a final distribution at the rate of Re 0.095 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, 2013.

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 Sovereign Cash Fund. Additionally we would like to thank Askari Bank Limited, the Securities and Exchange Commission of Pakistan, the Trustee of the Fund and the Stock Exchange for their continued guidance and support.

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



Chief Executive Officer (Acting)

August 30, 2013

Karachi

Fund Manager's Report



FUND MANAGER'S REPORT

On behalf of the Board of Directors of Askari Investment Management Limited ("Management Company" or "the Company"), we are pleased to present the annual report of Askari Sovereign Cash Fund("ASCF" 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.

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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.

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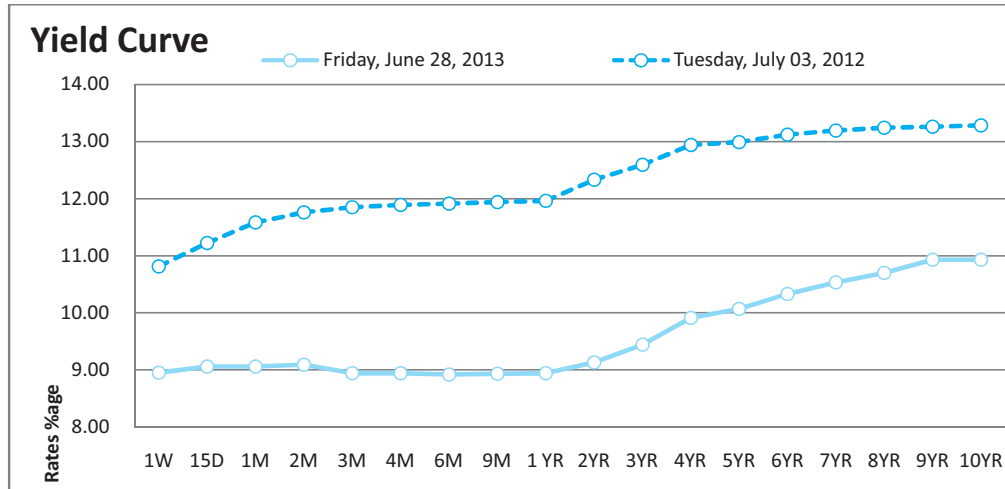
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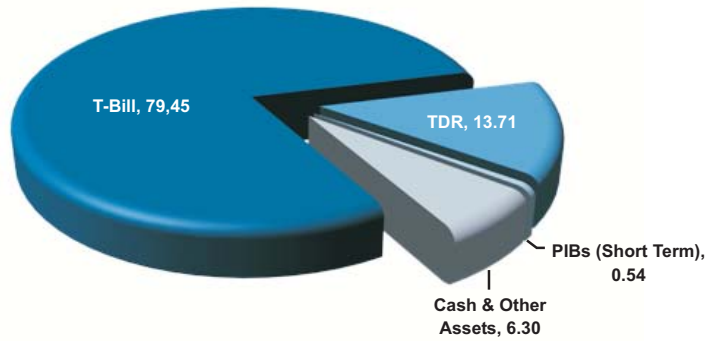
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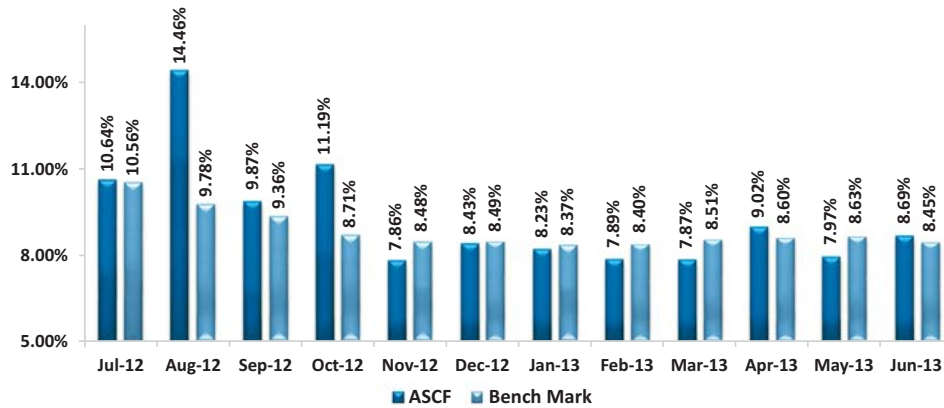
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ASCF promises the safest investment in its category by allocating greater funds to AAA quality T-Bills that exhibit highest liquidity. Alongside, the fund also offers the opportunity to shift 30% of its assets to AA (and above) rated banks to benefit from better rates and to stay liquid with.

Average Asset Allocation (12month ending June 13)



Historic Returns vs Bench Mark (Month on Month)




**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**
Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com

TRUSTEE REPORT TO THE UNIT HOLDERS
ASKARI SOVEREIGN CASH FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Askari Sovereign Cash Fund (the Fund) are of the opinion that Askari Investments Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 in accordance with the provisions of the following:

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

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

Karachi: October 24, 2013





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 Sovereign Cash 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

Chartered Accountants

Karachi

Dated: October 22, 2013

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>*

*Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: Apartment No. 3, 3rd Floor, Dost Tower, Haji Yaqub Square, Sher-e-Nau, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320*

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 Sovereign Cash 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 Sovereign Cash 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 Sovereign Cash 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

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

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Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: Apartment No. 3, 3rd Floor, Dost Tower, Haji Yaqub Square, Sher-e-Nau, Kabul, Afghanistan; Tel: +93 (799) 315320, +93 (799) 315320

Financial Statements




ASKARI SOVEREIGN CASH FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2013


	Note	2013	2012
----- (Rupees) -----			
ASSETS			
Balances with banks	4	427,794,063	176,432,663
Investments	5	3,183,911,837	8,321,569,813
Term deposits and money market placements	6	1,200,000,000	1,500,000,000
Prepayments and other receivables	7	17,256,853	2,675,710
Preliminary expenses and floatation costs	8	501,914	906,516
Total assets		4,829,464,667	10,001,584,702
LIABILITIES			
Payable to Askari Investment Management Limited - Management Company	9	5,136,465	10,079,421
Payable to Central Depository Company of Pakistan Limited - Trustee	10	413,339	739,381
Payable to Securities and Exchange Commission of Pakistan	11	4,203,177	8,595,752
Payable against redemption of units	12	408,087	2,319,577
Accrued and other liabilities		297,225,991	39,268,792
Total liabilities		307,387,059	61,002,923
NET ASSETS		4,522,077,608	9,940,581,779
UNIT HOLDERS' FUND (as per statement attached)		4,522,077,608	9,940,581,779
Contingencies and commitments			
----- (Number of units) -----			
Number of units in issue	13	44,943,643	98,305,942
----- (Rupees) -----			
NET ASSET VALUE PER UNIT		100.6166	101.1188

The annexed notes 1 to 30 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 SOVEREIGN CASH FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
------(Rupees)-----			
Income			
Income from government securities		452,922,464	1,154,987,442
Capital gain on sale of investments		32,029,810	11,920,367
Profit on balances with banks and term deposits		109,941,077	213,225,474
Income on reverse repurchase transactions		5,001,276	11,728,389
		599,894,627	1,391,861,672
Net unrealised gain / (loss) on revaluation of investments classified as ' fair value through profit or loss' - net	5.1	531,973	(1,640,815)
		600,426,600	1,390,220,857
Expenses			
Remuneration of Askari Investment Management Limited- Management Company	9.1	56,042,396	114,610,603
Sindh Sales tax on Management Company's Remuneration		9,028,175	18,337,647
Federal Excise Duty on Management Company's Remuneration	9.2	383,704	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	5,499,863	9,622,727
Annual fee - Securities and Exchange Commission of Pakistan	11.1	4,203,169	8,595,752
Amortisation of preliminary expenses and floatation costs	8	404,602	404,602
Securities transaction costs		2,524,618	2,066,690
Auditors' remuneration	14	576,333	435,057
Printing and stationery charges		200,002	287,048
Legal and professional charges		50,001	50,000
Settlement and Bank charges		811,822	1,043,396
Fees and subscriptions		235,593	184,976
		79,960,278	155,638,498
		520,466,322	1,234,582,359
Net income from operating activities			
Element of (loss) / income and capital (loss) / gains included in prices of units issued less those in units redeemed - net		(35,612,847)	71,332,322
Provision for contribution to the Workers' Welfare Fund	12.1	(9,697,069)	(37,721,609)
Net income for the year before taxation	15	475,156,406	1,268,193,072
Taxation			
		-	-
Net income for the year after taxation		475,156,406	1,268,193,072
Earnings per unit			
	16		

The annexed notes 1 to 30 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 SOVEREIGN CASH FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

Net income for the year after taxation


Other comprehensive income

Total comprehensive income for the year

	2013	2012
	----- (Rupees) -----	
Net income for the year after taxation	475,156,406	1,268,193,072
Other comprehensive income	-	-
Total comprehensive income for the year	<u>475,156,406</u>	<u>1,268,193,072</u>

The annexed notes 1 to 30 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 SOVEREIGN CASH FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

Undistributed income brought forward comprising:

	2013	2012
	-----Rupees-----	
Realized Income	111,628,656	43,873,448
Unrealized loss	(1,640,815)	(83,412)
	<u>109,987,841</u>	<u>43,790,036</u>
Net income for the year after taxation	475,156,406	1,268,193,072
Final Distribution of Rs 0.8827 per unit on July 6, 2012 for the year ended June 30, 2012 (2011 : Rs 0.3522 per unit on July 6, 2011)		
- Cash Distribution	(14,020,722)	(4,910,160)
- Bonus Units	(72,753,933)	(17,440,843)
	(86,774,655)	(22,351,003)
First Interim Distribution of Rs 0.5804 per unit on July 25, 2012 for the year ending June 30, 2013 (2012 : Rs 2.7726 per unit on September 26, 2011)		
- Cash Distribution	(2,277,109)	(51,390,965)
- Bonus Units	(45,597,786)	(139,227,133)
	(47,874,895)	(190,618,098)
Second Interim Distribution of Rs 1.0995 per unit on August 27, 2012 for the year ending June 30, 2013 (2012 : Rs 1.0576 per unit on October 27, 2011)		
- Cash Distribution	(1,652,417)	(18,567,516)
- Bonus Units	(75,380,686)	(51,561,199)
	(77,033,103)	(70,128,715)
Third Interim Distribution of Rs 0.8532 per unit on September 25, 2012 for the year ending June 30, 2013 (2012 : Rs 2.0030 per unit on December 26, 2011)		
- Cash Distribution	(1,280,859)	(39,885,060)
- Bonus Units	(50,127,044)	(99,926,165)
	(51,407,903)	(139,811,225)
Fourth Interim Distribution of Rs 0.7837 per unit on October 25, 2012 for the year ending June 30, 2013 (2012 : Rs 1.0234 per unit on January 25, 2012)		
- Cash Distribution	(1,174,206)	(93,307,842)
- Bonus Units	(40,742,172)	(60,973,941)
	(41,916,378)	(154,281,783)
Fifth Interim Distribution of Rs 0.6443 per unit on November 20, 2012 for the year ending June 30, 2013 (2012 : Rs 1.0221 per unit on February 27, 2012)		
- Cash Distribution	(965,345)	(113,558,770)
- Bonus Units	(34,773,870)	(67,650,613)
	(35,739,215)	(181,209,383)
Sixth Interim Distribution of Rs 0.7219 per unit on December 20, 2012 for the year ending June 30, 2013 (2012 : Rs 0.8755 per unit on March 25, 2012)		
- Cash Distribution	(1,081,647)	(103,362,213)
- Bonus Units	(30,962,214)	(58,057,729)
	(32,043,861)	(161,419,942)
Seventh interim Distribution of Rs 0.6816 per unit on January 21, 2013 for the year ending June 30, 2013 (2012 : Rs 0.8075 per unit on April 25, 2012)		
- Cash Distribution	(1,020,693)	(101,399,698)
- Bonus Units	(33,057,856)	(58,770,204)
	(34,078,549)	(160,169,902)
Eight interim Distribution of Rs 0.6817 per unit on February 20, 2013 for the year ending June 30, 2013 (2012 : Rs 0.6678 per unit on May 25, 2012)		
- Cash Distribution	(18,560)	(82,993,060)
- Bonus Units	(30,965,742)	(39,012,156)
	(30,984,302)	(122,005,216)
Ninth interim distribution of Rs 0.5771 per unit on March 20, 2013 for the year ending June 30, 2013 (2012 : Nil units)		
- Cash Distribution	(15,713)	-
- Bonus Units	(27,046,535)	-
	(27,062,248)	-

ASKARI SOVEREIGN CASH FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

Tenth interim distribution of Rs 0.6193 per unit on April 22, 2013 for the year ending June 30, 2013 (2012 : Nil units)

- Cash Distribution
- Bonus Units

Eleventh interim distribution of Rs 0.6138 per unit on May 20, 2013 for the year ending June 30, 2013 (2012 : Nil units)

- Cash Distribution
- Bonus Units

Twelfth interim distribution of Rs 0.6858 per unit on June 20, 2013 for the year ending June 30, 2013 (2012 : Nil units)

- Cash Distribution
- Bonus Units

Undistributed income carried forward comprising:


Undistributed income comprising:

- Realized Income
- Unrealized income / (Loss)

2013	2012
-----Rupees-----	
(15,939)	-
(28,157,606)	-
(28,173,545)	-
(16,540)	-
(30,752,474)	-
(30,769,014)	-
(18,232)	-
(33,559,617)	-
(33,577,849)	-
<u>27,708,730</u>	<u>109,987,841</u>
27,176,757	111,628,656
531,973	(1,640,815)
<u>27,708,730</u>	<u>109,987,841</u>

The annexed notes 1 to 30 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 SOVEREIGN CASH FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2013


	2013	2012
	----- (Rupees) -----	
Net assets at the beginning of the year	9,940,581,779	6,389,900,643
Issue of 85,557,701 units (2012: 343,078,380 units)	8,611,512,769	34,566,931,189
Redemption of 144,239,753 units (2012: 314,139,612 units)	(14,517,228,211)	(31,603,735,519)
Issue of 5,319,753 bonus units (2012: 5,906,065 units)	533,877,535	592,619,983
	(5,371,837,907)	3,555,815,653
Element of income / (loss) and capital gains / (losses) included in prices of units in units redeemed - net - transferred to income statement	35,612,847	(71,332,322)
Net Realized gain on sale of Investments	32,029,810	11,920,367
Net unrealized gain / (losses) on revaluation of investments classified as 'at fair value through profit or loss'	531,973	(1,640,815)
Other net income for the year	442,594,623	1,257,913,520
Total comprehensive income for the year	475,156,406	1,268,193,072
Final Distribution of Rs 0.8827 per unit on July 6, 2012 for the year ended June 30, 2012 (2011 : Rs 0.3522 per unit on July 6, 2011)		
- Cash Distribution	(14,020,722)	(4,910,160)
- Bonus Units	(72,753,933)	(17,440,843)
	(86,774,655)	(22,351,003)
First Interim Distribution of Rs 0.5804 per unit on July 25, 2012 for the year ending June 30, 2013 (2012 : Rs 2.7726 per unit on September 26, 2011)		
- Cash Distribution	(2,277,109)	(51,390,965)
- Bonus Units	(45,597,786)	(139,227,133)
	(47,874,895)	(190,618,098)
Second Interim Distribution of Rs 1.0995 per unit on August 27, 2012 for the year ending June 30, 2013 (2012 : Rs 1.0576 per unit on October 27, 2011)		
- Cash Distribution	(1,652,417)	(18,567,516)
- Bonus Units	(75,380,686)	(51,561,199)
	(77,033,103)	(70,128,715)
Third Interim Distribution of Rs 0.8532 per unit on September 25, 2012 for the year ending June 30, 2013 (2012 : Rs 2.0030 per unit on December 26, 2011)		
- Cash Distribution	(1,280,859)	(39,885,060)
- Bonus Units	(50,127,044)	(99,926,165)
	(51,407,903)	(139,811,225)
Fourth Interim Distribution of Rs 0.7837 per unit on October 25, 2012 for the year ending June 30, 2013 (2012 : Rs 1.0234 per unit on January 25, 2012)		
- Cash Distribution	(1,174,206)	(93,307,842)
- Bonus Units	(40,742,172)	(60,973,941)
	(41,916,378)	(154,281,783)
Fifth Interim Distribution of Rs 0.6443 per unit on November 20, 2012 for the year ending June 30, 2013 (2012 : Rs 1.0221 per unit on February 27, 2012)		
- Cash Distribution	(965,345)	(113,558,770)
- Bonus Units	(34,773,870)	(67,650,613)
	(35,739,215)	(181,209,383)
Sixth Interim Distribution of Rs 0.7219 per unit on December 20, 2012 for the year ending June 30, 2013 (2012 : Rs 0.8755 per unit on March 25, 2012)		
- Cash Distribution	(1,081,647)	(103,362,213)
- Bonus Units	(30,962,214)	(58,057,729)
	(32,043,861)	(161,419,942)
Seventh interim Distribution of Rs 0.6816 per unit on January 21, 2013 for the year ending June 30, 2013 (2012 : Rs 0.8075 per unit on April 25, 2012)		
- Cash Distribution	(1,020,693)	(101,399,698)
- Bonus Units	(33,057,856)	(58,770,204)
	(34,078,549)	(160,169,902)

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

	2013	2012
	------(Rupees)-----	
Eight interim Distribution of Rs 0.6817 per unit on February 20, 2013 for the year ending June 30, 2013 (2012 : Rs 0.6678 per unit on May 25, 2012)		
- Cash Distribution	(18,560)	(82,993,060)
- Bonus Units	(30,965,742)	(39,012,156)
	(30,984,302)	(122,005,216)
Ninth interim distribution of Rs 0.5771 per unit on March 20, 2013 for the year ending June 30, 2013 (2012 : Nil units)		
- Cash Distribution	(15,713)	-
- Bonus Units	(27,046,535)	-
	(27,062,248)	-
Tenth interim distribution of Rs 0.6193 per unit on April 22, 2013 for the year ending June 30, 2013 (2012 : Nil units)		
- Cash Distribution	(15,939)	-
- Bonus Units	(28,157,606)	-
	(28,173,545)	-
Eleventh interim distribution of Rs 0.6138 per unit on May 20, 2013 for the year ending June 30, 2013 (2012 : Nil units)		
- Cash Distribution	(16,540)	-
- Bonus Units	(30,752,474)	-
	(30,769,014)	-
Twelfth interim distribution of Rs 0.6858 per unit on June 20, 2013 for the year ending June 30, 2013 (2012 : Nil units)		
- Cash Distribution	(18,232)	-
- Bonus Units	(33,559,617)	-
	(33,577,849)	-
Net assets at the end of the year	4,522,077,608	9,940,581,779

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

For Askari Investment Management Limited
(Management Company)


Acting Chief Executive


Director


Director

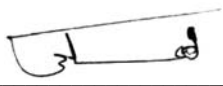
As the office of the Chief Executive is currently vacant, these financial statements have been signed by the Acting Chief Executive Officer and two directors authorised in this behalf by the Board of Directors of the Management Company.

ASKARI SOVEREIGN CASH FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

Note	2013	2012
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	475,156,406	1,268,193,072
Adjustments for :		
Net unrealised (gains) / loss on revaluation of investments classified as 'at fair value through profit or loss'	(531,973)	1,640,815
Amortisation of preliminary expenses and floatation costs	404,602	404,602
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net	35,612,847	(71,332,322)
	<u>35,485,476</u>	<u>(69,286,905)</u>
	510,641,882	1,198,906,167
Decrease / (Increase) in assets		
Investments - net	1,582,395,236	(726,454,889)
Receivables against term deposit and money market placements	-	337,833,253
Prepayments and other receivables	(14,581,143)	1,661,721
	1,567,814,093	(386,959,915)
(Decrease) / Increase in liabilities		
Payable to Askari Investment Management Limited - Management Company	(4,942,956)	4,530,406
Payable to Central Depository Company of Pakistan Limited - Trustee	(326,042)	221,586
Payable to Securities and Exchange Commission of Pakistan of Pakistan	(4,392,575)	6,188,808
Accrued and other liabilities	257,957,199	37,862,045
	248,295,626	48,802,845
Net cash inflow from operating activities	2,326,751,601	860,749,097
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	8,611,512,769	34,566,931,189
Payments against redemption of units	(14,519,139,701)	(31,614,777,071)
Dividends paid	(23,557,982)	(649,831,583)
Net cash (outflow on) / inflow from financing activities	(5,931,184,914)	2,302,322,535
Net (decrease) / increase in cash and cash equivalents during the year	(3,604,433,313)	3,163,071,632
Cash and cash equivalents at the beginning of the year	6,475,752,376	3,312,680,744
Cash and cash equivalents at the end of the year	17 <u>2,871,319,063</u>	<u>6,475,752,376</u>

The annexed notes 1 to 30 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 SOVEREIGN CASH 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 Sovereign Cash Fund (the Fund) was established under the Non Banking Finance Companies (Establishment and Regulation) Rules 2003 (the NBFC Rules). It was registered under a Trust Deed executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited), as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee on June 11, 2009 and was approved by the Securities and Exchange Commission of Pakistan (the SECP) on June 25, 2009. in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at Office No: 2/W, Kashmir Plaza, Jinnah Avenue Blue Area, Islamabad with its Head Office situated at 20 - C, Khayaban-e-Nishat, Phase VI, DHA, Karachi.
- 1.3** The Fund is an open end mutual fund. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is listed on the Islamabad Stock Exchange Limited.
- 1.4** The objective of the Fund is to provide the investors with a high level of liquidity along with extremely low credit and price volatility. The Fund primarily invests in government securities and other authorized investments enabling the investors to manage their liquidity efficiently.
- 1.5** The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM3+' to the Management Company in May 2013. As per the rating scale of PACRA, this rating denotes that the asset manager meets high investment industry standards and benchmarks.
- 1.6** The Fund has been assigned a stability rating of 'AAA(f)' by PACRA in January 2013. The rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.
- 1.7** Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with 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 (IASB) 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 the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or 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 these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendments do not have any effect on the Fund's financial statements as currently no items are being reported in other comprehensive income.

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

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

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

2.4 Critical accounting estimates and judgments

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

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for 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 and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 Financial assets

3.2.1 Classification

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

a) Financial assets at fair value through profit or loss

These are acquired principally for the purpose of generating profit from short-term fluctuations in prices.

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 and (b) loans and receivables.

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

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

3.2.4 Subsequent measurement

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

- Basis of valuation of government securities

Subsequent to initial recognition, the investment of the Fund in government securities designated by the management as 'at fair value through profit or loss' and 'available for sale' 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. Upon derecognition, 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 as 'at fair value through profit or loss' are taken to the Income Statement.

3.2.4.2 Loans and receivables

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

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

3.2.5 Impairment

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

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 Financial liabilities

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

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

3.4 Derivatives

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

3.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from September 30, 2010 in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

3.6 Securities under repurchase / resale agreements

Transactions of purchase under resale arrangement (reverse-repo) of marketable and government securities, including the securities purchased under continuous funding system, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the Statement of Assets and Liabilities. Amount paid under these agreements are included as receivable balances. The difference between purchase and resale price is treated as income and accrued over the life of the reverse-repo agreement.

All reverse repo transactions are accounted for on the settlement date.

3.7 Provisions

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

3.8 Taxation

Current

The income of the Fund is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of part IV of the Second Schedule to the Income Tax Ordinance, 2001.

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is 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.

3.9 Issue and redemption of units

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

Units redeemed are recorded at the redemption price, applicable to units for which the redemption applications are received during business hours of that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

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

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

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

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

3.11 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the period end.

3.12 Proposed distribution

Distributions declared subsequent to the period end reporting 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.

3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealized gains / (losses) arising 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 with banks and term deposits is recognised on an accrual basis.
- Income on government securities is accrued using the effective interest method.

4 BALANCES WITH BANKS

Saving accounts

Note	2013	2012
	----- (Rupees) -----	
4.1	427,794,063	176,432,663

- 4.1 These carry profit at the rates ranging from 6.00% to 9.25% (2012: 5.00% to 11.90%) per annum. Deposits in savings accounts include Rs 130,762,414 (2012: Rs 151,521,031) and Rs 29,818,638 (2012: Rs 2,497,785) maintained with Askari Bank Limited and Habib Metropolitan Bank Limited respectively, being connected persons, which carry profits at the rates of 8.75% and 7% per annum respectively.

5 INVESTMENTS

At fair value through profit or loss - held for trading
Government securities - Market Treasury Bills

Note	2013	2012
	----- (Rupees) -----	
5.1	3,183,911,837	8,321,569,813

5.1 Investment in government securities - 'at fair value through profit or loss'

Issue date	Tenor	Face Value			Balance as at June 30, 2013			Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at July 1, 2012	Purchases during the year	Sales/matured during the year	As at June 30, 2013	Carrying Value	Market value			Appreciation / (diminution)
Rupees										
Market Treasury Bills										
July 28, 2011	1 Year	500,000,000	-	500,000,000	-	-	-	-	-	
August 11, 2011	1 Year	2,150,000,000	295,000,000	2,445,000,000	-	-	-	-	-	
September 8, 2011	1 Year	-	40,000,000	40,000,000	-	-	-	-	-	
September 22, 2011	6 Month	-	-	-	-	-	-	-	-	
September 22, 2011	1 Year	-	577,500,000	577,500,000	-	-	-	-	-	
October 20, 2011	1 Year	-	5,000,000	5,000,000	-	-	-	-	-	
November 3, 2011	1 Year	-	4,098,000,000	4,098,000,000	-	-	-	-	-	
November 17, 2011	1 Year	-	2,051,200,000	2,051,200,000	-	-	-	-	-	
December 1, 2011	1 Year	-	1,733,000,000	1,733,000,000	-	-	-	-	-	
January 12, 2012	1 Year	-	193,200,000	193,200,000	-	-	-	-	-	
January 12, 2012	6 Month	85,000,000	-	85,000,000	-	-	-	-	-	
January 26, 2012	6 Month	462,000,000	-	462,000,000	-	-	-	-	-	
January 26, 2012	1 Year	-	402,800,000	402,800,000	-	-	-	-	-	
February 9, 2012	6 Month	365,000,000	-	365,000,000	-	-	-	-	-	
February 9, 2012	1 Year	-	882,700,000	882,700,000	-	-	-	-	-	
March 8, 2012	1 Year	-	20,100,000	20,100,000	-	-	-	-	-	
May 3, 2012	3 Month	1,962,000,000	-	1,962,000,000	-	-	-	-	-	
May 3, 2012	6 Month	-	43,000,000	43,000,000	-	-	-	-	-	
May 17, 2012	3 Month	1,467,895,000	666,000,000	2,133,895,000	-	-	-	-	-	
May 17, 2012	6 Month	-	180,000,000	180,000,000	-	-	-	-	-	
May 31, 2012	3 Month	1,000,000,000	-	1,000,000,000	-	-	-	-	-	
May 31, 2012	6 Month	-	293,000,000	293,000,000	-	-	-	-	-	
June 14, 2012	3 Month	100,000,000	375,000,000	475,000,000	-	-	-	-	-	
June 14, 2012	12 Month	-	33,500,000	33,500,000	-	-	-	-	-	
June 28, 2012	3 Month	331,500,000	2,600,000,000	2,931,500,000	-	-	-	-	-	
July 12, 2012	6 Month	-	1,336,200,000	1,336,200,000	-	-	-	-	-	
July 12, 2012	3 Month	-	985,250,000	985,250,000	-	-	-	-	-	
July 12, 2012	12 Month	-	820,000,000	-	820,000,000	817,910,274	817,985,260	74,986	18.09%	
July 26, 2012	3 Month	-	1,563,500,000	1,563,500,000	-	-	-	-	-	
July 26, 2012	6 Month	-	8,016,300,000	8,016,300,000	-	-	-	-	-	
July 26, 2012	12 Month	-	3,322,150,000	3,259,370,000	62,780,000	62,387,922	62,408,217	20,295	1.38%	
August 9, 2012	3 Month	-	1,300,000,000	1,300,000,000	-	-	-	-	-	
August 9, 2012	6 Month	-	9,043,000,000	9,043,000,000	-	-	-	-	-	
August 9, 2012	12 Month	-	2,800,000,000	1,730,000,000	1,070,000,000	1,059,697,605	1,059,993,360	295,755	23.44%	
August 23, 2012	6 Month	-	4,727,885,000	4,727,885,000	-	-	-	-	-	
August 23, 2012	3 Month	-	1,518,000,000	1,518,000,000	-	-	-	-	-	
September 6, 2012	3 Month	-	975,000,000	975,000,000	-	-	-	-	-	
September 6, 2012	6 Month	-	3,738,150,000	3,738,150,000	-	-	-	-	-	
September 20, 2012	3 Month	-	250,000,000	250,000,000	-	-	-	-	-	
September 20, 2012	6 Month	-	4,865,220,000	4,865,220,000	-	-	-	-	-	
October 4, 2012	3 Month	-	250,000,000	250,000,000	-	-	-	-	-	
October 4, 2012	6 Month	-	6,981,000,000	6,981,000,000	-	-	-	-	-	
October 18, 2012	3 Month	-	790,000,000	790,000,000	-	-	-	-	-	
October 18, 2012	6 Month	-	2,435,000,000	2,435,000,000	-	-	-	-	-	
November 1, 2012	3 Month	-	1,100,000,000	1,100,000,000	-	-	-	-	-	
November 1, 2012	6 Month	-	2,030,000,000	2,030,000,000	-	-	-	-	-	
November 15, 2012	3 Month	-	1,593,000,000	1,593,000,000	-	-	-	-	-	
November 15, 2012	6 Month	-	950,000,000	950,000,000	-	-	-	-	-	
November 29, 2012	3 Month	-	1,710,500,000	1,710,500,000	-	-	-	-	-	
November 29, 2012	6 Month	-	850,000,000	850,000,000	-	-	-	-	-	
December 13, 2012	6 Month	-	1,685,000,000	1,685,000,000	-	-	-	-	-	
January 10, 2013	3 Month	-	2,250,000,000	2,250,000,000	-	-	-	-	-	
January 10, 2013	6 Month	-	900,000,000	900,000,000	-	-	-	-	-	
January 24, 2013	3 Month	-	265,000,000	265,000,000	-	-	-	-	-	
January 24, 2013	6 Month	-	700,000,000	700,000,000	-	-	-	-	-	
February 7, 2013	3 Month	-	521,000,000	521,000,000	-	-	-	-	-	
February 7, 2013	6 Month	-	250,000,000	250,000,000	-	-	-	-	-	
February 21, 2013	3 Month	-	1,080,000,000	1,080,000,000	-	-	-	-	-	
March 7, 2013	3 Month	-	1,104,600,000	1,104,600,000	-	-	-	-	-	
March 21, 2013	3 Month	-	2,750,000,000	2,750,000,000	-	-	-	-	-	
April 4, 2013	3 Month	-	250,000,000	250,000,000	-	-	-	-	-	
April 4, 2013	6 Month	-	250,000,000	250,000,000	-	-	-	-	-	
May 2, 2013	3 Month	-	1,990,000,000	990,000,000	1,000,000,000	994,050,313	994,139,250	88,937	21.98%	
April 18, 2013	3 Month	-	500,000,000	250,000,000	250,000,000	249,333,750	249,385,750	52,000	5.51%	
June 13, 2013	6 Month	-	250,000,000	250,000,000	-	-	-	-	-	
Total - June 30, 2013						3,183,379,864	3,183,911,837	531,973	70.41%	100.00%
Total - June 30, 2012						8,323,210,628	8,321,569,813	(1,640,815)	83.71%	100.00%

6 TERM DEPOSITS AND MONEY MARKET PLACEMENTS

Term deposits

Note	2013	2012
----- (Rupees) -----		
6.1	1,200,000,000	1,500,000,000
	<u>1,200,000,000</u>	<u>1,500,000,000</u>

6.1 This represents term deposit with commercial banks carrying profit at rates ranging from 9.75% to 9.9% (June 30, 2012: 12.25% to 13.95%) per annum.

7 PREPAYMENTS AND OTHER RECEIVABLES

Profit receivable on balances with banks
 Profit receivable on term deposits
 Prepayments and other receivables
 Receivable against sale of units

Note	2013	2012
----- (Rupees) -----		
	873,070	662,011
	15,349,315	2,013,699
	34,432	-
	1,000,036	-
	<u>17,256,853</u>	<u>2,675,710</u>

8 PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance
 Less: amortised during the year
 Closing balance

	906,516	1,311,118
	(404,602)	(404,602)
3.5	<u>501,914</u>	<u>906,516</u>

9 PAYABLE TO ASKARI INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY

Remuneration of the Management Company
 Sindh Sales tax on Management Company's Remuneration
 Federal Excise Duty on Management Company's Remuneration

9.1	4,044,282	8,689,155
	708,479	1,390,266
9.2	383,704	-
	<u>5,136,465</u>	<u>10,079,421</u>

9.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 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. During the current year, the Management Company has charged remuneration at the rate of one percent of the average annual net assets of the Fund. The remuneration is paid to the Management Company monthly in arrears.

9.2 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

10 PAYABLE TO THE TRUSTEE

Trustee fee

Note	2013	2012
----- (Rupees) -----		
10.1	413,339	739,381

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. As per agreed terms of the Trust Deed, the Trustee was entitled to a remuneration, to be paid monthly in arrears, as per the following tariff structure:

Amounts of funds under management (Average NAV)

Up to Rs. 1,000 million
 Exceeding Rs. 1,000 million upto Rs. 5,000 million
 Exceeding Rs. 5,000 million

Tariff per annum

Rs. 0.6 million or 0.17% per annum of Net Asset Value whichever is higher
 Rs. 1.7 million plus 0.085% per annum of Net Asset Value exceeding Rs. 1,000 million
 Rs. 5.1 million plus 0.07% per annum of Net Asset Value exceeding Rs. 5,000 million

The trustee revised its fee structure vide letter number CDC/CEO/L-1128/2013. The new fee structure is applicable from April 01, 2013. The revised tariff is as follows:

Amounts of funds under management (Average NAV)

Up to Rs 1,000 million
 Rs. 1,000 million to Rs. 10,000 million
 Over 10,000 million

Tariff per annum

0.15% per annum of Net Asset Value
 Rs 1.5 million plus 0.075% per annum of Net Asset Value exceeding Rs 1,000 million
 Rs 8.25 million plus 0.06% per annum of Net Asset Value exceeding Rs 10,000 million

The remuneration is paid to the Trustee monthly in arrears.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2013	2012
		(Rupees)	
Annual fee	11.1	4,203,177	8,595,752

11.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as money market scheme is required to pay as an annual fee to the SECP, an amount equal to 0.075% of the average annual net assets of the scheme. The Fund has been classified as money market scheme by the Management Company.

12 ACCRUED AND OTHER LIABILITIES	Note	2013	2012
		(Rupees)	
Auditors' remuneration payable		215,001	350,000
Brokerage and settlement charges		174,258	476,010
Legal and professional fee		135,002	85,000
Printing charges		208,893	131,964
Withholding tax payable		98,798	221,275
Other payables		377,361	282,934
Payable against purchase of securities		248,598,000	-
Provision for contribution to Workers' Welfare Fund	12.1	47,418,678	37,721,609
		<u>297,225,991</u>	<u>39,268,792</u>

12.1 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 Honourable 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 Honourable 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 Honourable Court in this matter have concluded and the Honourable Court has reserved its decision.

During the year ended June 30, 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, had declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of the Honourable Sindh High Court (SHC) passed an order declaring that the amendments introduced in the WWF Ordinance, 1971 through the Finance Act, 2006 and Finance Act, 2008 do not suffer from any constitutional or legal infirmity. However, the Honourable High Court of Sindh has not addressed the other amendments made in the WWF Ordinance 1971 about applicability of WWF to the CISs which is still pending before the Court. Without prejudice to the above, the Management Company, as a matter of abundant caution, has decided to maintain the provision in respect of WWF and has made a provision amounting to Rs 47,418,678 (including Rs 9,697,069 for the current year) in these financial statements for the current year. Had the same not been made the net asset value per unit of the Fund as at June 30, 2013 would have been higher by Rs 1.0551 per unit.

13 CONTINGENCIES AND COMMITMENTS

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

14 AUDITORS' REMUNERATION	2013	2012
	(Rupees)	
Annual audit fee	250,000	250,000
Half yearly review fee	100,000	100,000
Fee for review of statement of compliance with the Code of Corporate Governance	50,000	50,000
Fee for income certification	100,000	-
Out of pocket expenses	76,333	35,057
	<u>576,333</u>	<u>435,057</u>

15 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 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 has distributed the required minimum percentage of the Fund's accounting income for the current year as reduced by capital gains (whether realised or unrealised) to its unit holders.

16 EARNINGS PER UNIT (EPU)

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.

17 CASH AND CASH EQUIVALENTS

Balances with banks
Treasury Bills - 3 Months
Term Deposit Receipts

Note	2013	2012
	----- (Rupees) -----	
4	427,794,063	176,432,663
5.1	1,243,525,000	4,799,319,713
6	1,200,000,000	1,500,000,000
	<u>2,871,319,063</u>	<u>6,475,752,376</u>

18 FINANCIAL INSTRUMENTS BY CATEGORY**Financial assets**

Balances with banks
Investments
Term deposits and money market placements
Prepayments and other receivables

As at June 30, 2013		
Financial assets at fair value through profit or loss	Loans and receivables	Total
----- (Rupees) -----		
-	427,794,063	427,794,063
3,183,911,837	-	3,183,911,837
-	1,200,000,000	1,200,000,000
-	17,256,853	17,256,853
<u>3,183,911,837</u>	<u>1,645,050,916</u>	<u>4,828,962,753</u>

Financial liabilities

Payable to Askari Investment Management Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against redemption of units
Accrued and other liabilities

As at June 30, 2013		
Financial liabilities at fair value through profit or loss	At amortised cost	Total
----- (Rupees) -----		
-	5,136,465	5,136,465
-	413,339	413,339
-	408,087	408,087
-	249,429,952	249,429,952
-	<u>255,387,843</u>	<u>255,387,843</u>

Financial assets

Balances with banks
Investments
Term deposits and money market placements
Prepayments and other receivables

As at June 30, 2012		
Financial assets at fair value through profit or loss	Loans and receivables	Total
----- (Rupees) -----		
-	176,432,663	176,432,663
8,321,569,813	-	8,321,569,813
-	1,500,000,000	1,500,000,000
-	2,675,710	2,675,710
<u>8,321,569,813</u>	<u>1,679,108,373</u>	<u>10,000,678,186</u>

Financial liabilities

Payable to Askari Investment Management Limited
- Management Company
Payable to Central Depository Company of Pakistan
Limited - Trustee
Payable against redemption of units
Accrued and other liabilities

As at June 30, 2012		
Financial liabilities at fair value through profit or loss	At amortised cost	Total
------(Rupees)-----		
-	10,079,421	10,079,421
-	739,381	739,381
-	2,319,577	2,319,577
-	1,325,908	1,325,908
-	14,464,287	14,464,287

19 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

19.2 Transactions with connected persons / related parties are in the normal course of business, at contracted rates and terms determined in accordance with market norms.

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

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

19.5 Details of transactions with connected persons are as follows:**Askari Investment Management Limited - Management Company**

Remuneration for the year
Sindh Sales tax on Management Company's Remuneration
Federal Excise Duty on Management company's remuneration
Issue of 64,451 units (2012: 494,171 units)
Redemption of 65,550 units (2012: 498,227 units)
Issue of 305 Bonus units (2012: 4,971 units)

Central Depository Company of Pakistan Limited - Trustee

Remuneration for the year

Askari Bank Limited (Holding company of the Management Company)

Issue of nil units (2012: 159,054,298 units)
Redemption of nil units (2012: 159,559,374 units)
Cash distribution paid
Profit on balances with banks
Bank charges

Askari General Insurance Company Limited (Group Company)

Issue of 173,509 units (2012: 148,638 units)
Issue of 37,649 bonus units (2012: 53,255)
Redemption of nil units (2012: 205,456 units)

Askari Investment Management Employees Provident Fund

Redemption of nil units (2012: 477 units)
Issue of nil bonus units (2012: 19 Units)

Askari Bank Limited -Employees Provident Fund

Issue of nil units (2012: 299,332 units)
Issue of Bonus 29,979 units (2012: 7,083 units)

2013	2012
------(Rupees)-----	
56,042,396	114,610,603
9,028,175	18,337,647
383,704	-
6,500,000	49,905,187
6,600,000	50,076,931
30,557	498,798
5,499,863	9,622,727
-	16,000,000,000
-	15,980,719,317
-	342,661,562
4,696,087	9,303,011
135,210	201,962
17,500,000	15,000,000
3,778,654	5,344,712
-	20,649,161
-	48,388
-	1,933
-	30,000,000
3,008,832	709,160

	2013	2012
	(Rupees)	
Habib Metropolitan Bank Limited		
Profit for the year on bank balance	4,158,528	2,354,535
Cash dividend	-	88,165,577
Bank charges	599,906	756,934
Issue of bonus units 566,542 (2012: nil units)	56,856,718	-
Key Management Personnel		
Issue of 77,853 units (2012: 62,197 units)	7,844,462	6,263,623
Redemption of 70,879 units (2012: 47,076 units)	7,135,872	4,542,403
Issue of bonus units 1,206 (2012: 2,118 units)	121,030	212,522
Askari Securities Ltd.		
Issue of nil units (2012: 109,270 units)	-	11,000,000
Redemption of 60,000 units (2012: 20,393 units)	6,049,503	2,040,897
Issue of 8,102 bonus units (2012: 1,906 units)	813,137	190,889
Askari Securities Ltd. Employee provident fund Trust		
Issue of 7,930 bonus units (2012: nil units)	800,000	-
Issue of 261 bonus units (2012: nil units)	26,177	-
Redemption of 8,191 units (2012: nil units)	825,113	-
Askari Securities Ltd. Employee Gratuity fund Trust		
Issue of 7,930 bonus units (2012: nil units)	800,000	-
Issue of 261 bonus units (2012: nil units)	26,177	-
Redemption of 8,191 units (2012: nil units)	825,113	-
Fauji Fertilizer Bin Qasim Ltd.		
Issue of 1,491,303 units (2012: nil units)	150,024,718	-
Issue of 19,312 bonus units (2012: nil units)	1,937,277	-
Redemption of 1,510,615 units (2012: nil units)	151,692,646	-
Fauji Oil Terminal & Dist Co. Ltd.		
Issue of 993,397 units (2012: 795,811 units)	100,000,000	80,000,000
Issue of 220,386 bonus units (2012: 154,346 units)	22,118,430	15,489,000
Redemption of 545,296 units (2012: 442,357 units)	55,000,000	45,000,000
Fauji Kabirwala Power Company Ltd.		
Issue of 1,940 units (2012: 8,130,197 units)	195,362	816,000,000
Issue of 38,748 bonus units (2012: 72,779 units)	3,887,688	7,289,860
Redemption of 2,191,076 units (2012: 12,106,483 units)	220,590,430	1,234,266,278
19.6 Amounts outstanding as at year end		
Askari Investment Management Limited (Management Company)		
Remuneration payable	4,044,282	8,689,155
Sindh sales tax payable to management company	708,479	1,390,265
Federal Excise Duty on Management Company's Remuneration	383,704	-
Outstanding 121 units (2012: 915 units)	12,175	92,501
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration payable	413,339	739,381
Askari Bank Limited (Holding company of the Management Company)		
Balances with banks	130,762,414	151,521,031
Profit receivable on bank deposits	95,683	340,551
Askari General Insurance Company Limited (Group Company)		
Investment held in the Fund 572,911 units (2012: 361,753 units)	57,644,357	36,580,018
Askari Bank Limited Employees Provident Fund		
Outstanding units 336,395 (2012: 306,416 units)	33,846,921	30,984,439
Fauji Oil Terminal & Dist Co. Ltd.		
Outstanding units 2,610,609 (2012: 1,942,121 units)	262,670,602	196,384,945

Fauji Kabirwala Power Company Ltd.

Outstanding units 62 (2012: 2,150,450 units)

Askari Securities Ltd.

Outstanding units 38,886 (2012: 90,784 units)

Habib Metropolitan Bank Limited

Outstanding units 4,895,922 (2012: 9,814,002 units)

Profit Receivable

Bank balance

Key Management Personnel

Outstanding units 13,349 (2012: 7,238 units)

2013	2012
------(Rupees)-----	
6,238	217,450,923
3,912,578	9,179,969
492,611,136	992,380,105
153,101	148,972
29,818,638	2,497,785
1,343,131	731,862

20 FINANCIAL RISK MANAGEMENT

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

20.1 Market risk

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

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

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

20.1.1 Currency risk

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

20.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within acceptable limits.

a) Sensitivity analysis for variable rate instruments

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

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2013, the Fund holds market treasury bills which are classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Markets Association on June 30, 2013, with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 2,135,835 (2012: Rs 8,412,640). In case of 100 basis points decrease in rates announced by Financial Markets Association on June 30, 2013, with all other variables held constant, the net income for the year and net assets would have been higher by Rs. 2,015,181 (2012: Rs. 8,431,736).

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

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

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

----- As at June 30, 2013 -----					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and up-to one year	More than one year		
----- (Rupees) -----					
On-balance sheet financial instruments					
Financial assets					
Balances with banks	6.00% to 9.25%	427,794,063	-	-	427,794,063
Investments	9.34% to 10.26%	3,183,911,837	-	-	3,183,911,837
Term deposits and money market placements	9.75% to 9.90%	1,200,000,000	-	-	1,200,000,000
Prepayments and other receivables	-	-	-	17,256,853	17,256,853
		4,811,705,900	-	17,256,853	4,828,962,753
Financial liabilities					
Payable to Askari Investment Management Limited	-	-	-	5,136,465	5,136,465
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	413,339	413,339
Payable against redemption of units	-	-	-	408,087	408,087
Accrued and other liabilities	-	-	-	249,807,313	249,807,313
		-	-	255,765,204	255,765,204
On-balance sheet gap		4,811,705,900	-	(238,508,351)	4,573,197,549
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap					
		-	-	-	-
Total interest rate sensitivity gap		4,811,705,900	-	(238,508,351)	4,573,197,549
Cumulative interest rate sensitivity gap		4,811,705,900	4,811,705,900	4,811,705,900	

----- As at June 30, 2012 -----					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and up-to one year	More than one year		
----- (Rupees) -----					
On-balance sheet financial instruments					
Financial assets					
Balances with banks	5.00% to 11.90%	176,432,663	-	-	176,432,663
Investments	11.94% to 12.64%	8,321,569,813	-	-	8,321,569,813
Term deposits and money market placements	12.05% to 13.95%	1,500,000,000	-	-	1,500,000,000
Prepayments and other receivables	-	-	-	2,675,710	2,675,710
		9,998,002,476	-	2,675,710	10,000,678,186
Financial liabilities					
Payable to Askari Investment Management Limited	-	-	-	10,079,421	10,079,421
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	739,381	739,381
Payable against redemption of units	-	-	-	2,319,577	2,319,577
Accrued and other liabilities	-	-	-	1,325,908	1,325,908
		-	-	14,464,287	14,464,287
On-balance sheet gap		9,998,002,476	-	(11,788,577)	9,986,213,899
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap					
		-	-	-	-
Total interest rate sensitivity gap		9,998,002,476	-	(11,788,577)	9,986,213,899
Cumulative interest rate sensitivity gap		9,998,002,476	9,998,002,476	9,998,002,476	

20.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as on June 30, 2013.

20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in loans and receivables, government securities and balances with banks. The credit risk of the Fund is limited as the investments are made and balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Risk attributable to investment in government securities is limited as these are guaranteed by the Federal Government.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. 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.

As at June 30, 2013, the Fund's balance in term deposit receipts and with bank have been placed with banks and Financial Institutions having following short term credit ratings as follows:

The analysis below summarises the credit quality of the Fund's financial assets:

	Rating Agency	2013	
		Amount	Percentage
Balances with banks by rating category			
A1+	PACRA	423,987,188	99.11%
A-1+	JCR-VIS	3,806,875	0.89%
		<u>427,794,063</u>	<u>100.00%</u>
Term Deposit Receipts by rating category			
A1+	PACRA	200,000,000	16.67%
A-1+	JCR-VIS	1,000,000,000	83.33%
		<u>1,200,000,000</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 counter parties 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.

20.3 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 periodic settlement of 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 investment in government securities is considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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.

Financial assets

Balances with banks
Investments
Term deposits and money market placements
Prepayments and other receivables

As at June 30, 2013			
Upto three months	More than three months and up to one year	More than one year	Total
----- Rupees -----			
427,794,063	-	-	427,794,063
3,183,911,837	-	-	3,183,911,837
1,200,000,000	-	-	1,200,000,000
17,256,853	-	-	17,256,853
4,828,962,753	-	-	4,828,962,753

Financial liabilities

Payable to Askari Investment Management Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against redemption of units
Accrued and other liabilities

As at June 30, 2013			
Upto three months	More than three months and up to one year	More than one year	Total
----- Rupees -----			
5,136,465	-	-	5,136,465
413,339	-	-	413,339
408,087	-	-	408,087
249,429,952	-	-	249,429,952
255,387,843	-	-	255,387,843

Financial assets

Balances with banks
Investments
Term deposits and money market placements
Prepayments and other receivables

As at June 30, 2012			
Upto three months	More than three months and up to one year	More than one year	Total
----- Rupees -----			
176,432,663	-	-	176,432,663
8,321,569,813	-	-	8,321,569,813
1,500,000,000	-	-	1,500,000,000
2,675,710	-	-	2,675,710
10,000,678,186	-	-	10,000,678,186

Financial liabilities

Payable to Askari Investment Management Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against redemption of units
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 -----			
10,079,421	-	-	10,079,421
739,381	-	-	739,381
2,319,577	-	-	2,319,577
1,325,908	-	-	1,325,908
14,464,287	-	-	14,464,287

21 UNIT HOLDER'S 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.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

	As at June 30, 2013			
	Level 1	Level 2	Level 3	Total
	(Rupees)			
Investment in government securities - at fair value through profit or loss	-	3,183,911,837	-	3,183,911,837

	As at June 30, 2012			
	Level 1	Level 2	Level 3	Total
	(Rupees)			
Investment in government securities - at fair value through profit or loss	-	8,321,569,813	-	8,321,569,813

23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Designation	Qualification	Experience in years
1	Mr. Adnan Siddiqui	Chairman	MBA	22
2	Mr. Basharat Ullah	Chief Investment Officer	MBA	20
3	Mr. Mustafa Kamal	Fund Manager	MBA	10
4	Mr. Shahbaz Ashraf	Head of Research	CFA	5.5
5	Ms. Zainab Siddiqui	Chief Financial Officer	ACA	7
6	Mr. M. Farrukh	VP Risk Management & Compliance	CIMA (Finalist)	12

23.1 Mr. Mustafa Kamal is also the fund manager of Askari Islamic Income Fund and Askari High Yield Scheme managed by the Management Company.

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

24 TRANSACTIONS WITH TOP TEN BROKERS / DEALERS

List of top ten brokers by percentage of commission expensed during the year: 2013

1	Global Securities Pakistan Limited	21.52%
2	Invest Capital Markets Limited	12.92%
3	Invest One Markets Limited	12.60%
4	JS Global Capital Limited	8.76%
5	Icon Securities (Private) Limited	7.11%
6	Vector Capital Management (Private) Limited	7.00%
7	Summit Capital (Private) Limited	6.57%
8	C&M Management (Private) Limited	5.72%
9	Al Falah Securities (Private) Limited	4.97%
10	BMA Capital Management Limited	4.01%

2012

1	Invest and Finance Securities Limited	16.66%
2	Global Securities Pakistan Limited	13.92%
3	JS Global Capital Limited	12.43%
4	C&M Management (Private) Limited	8.93%
5	BMA Capital Management Limited	6.92%
6	Icon Securities (Private) Limited	6.37%
7	Pearl Securities Limited	6.41%
8	Invest One Markets Limited	5.67%
9	KASB Securities Limited	4.85%
10	Invisor Securities (Private) Limited	5.20%

25 PATTERN OF UNIT HOLDINGS

Category	-----As at June 30, 2013-----			
	Number of unit holders	Number of units held	Investment amount	Percentage of total investment
			(Rupees)	
Individuals	348	4,371,131	439,808,486	9.74%
Associated companies / directors	9	3,569,950	359,196,311	7.94%
Insurance companies	5	3,404,302	342,529,369	7.57%
Banks / DFIs	3	6,426,622	646,624,999	14.30%
Retirement funds	9	2,347,163	236,163,613	5.22%
Others	62	24,824,475	2,497,754,830	55.23%
	436	44,943,643	4,522,077,608	100.00%

-----As at June 30, 2012-----				
Category	Number of unit holders	Number of units held	Investment amount	Percentage of total investment
(Rupees)				
Individuals	491	9,696,581	980,506,920	9.87%
Associated companies / directors	3	669,084	67,656,991	0.68%
Insurance companies	6	8,011,716	810,135,343	8.15%
Banks / DFIs	5	29,619,319	2,995,070,865	30.13%
Retirement funds	20	1,078,854	109,092,454	1.10%
Welfare social organisation	8	1,017,087	102,846,647	1.03%
Others	56	48,213,301	4,875,272,559	49.04%
	589	98,305,942	9,940,581,779	100.00%

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

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

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

Name of other persons

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

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

27 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in the meeting held on July 5, 2013 have approved a final distribution of Rs 0.095 per unit for the year ended June 30, 2013 (2012: Rs 0.8827 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.

28 CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements.


29 DATE OF AUTHORISATION FOR ISSUE

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

30 GENERAL

30.1 Figures have been rounded off to the nearest rupee.

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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