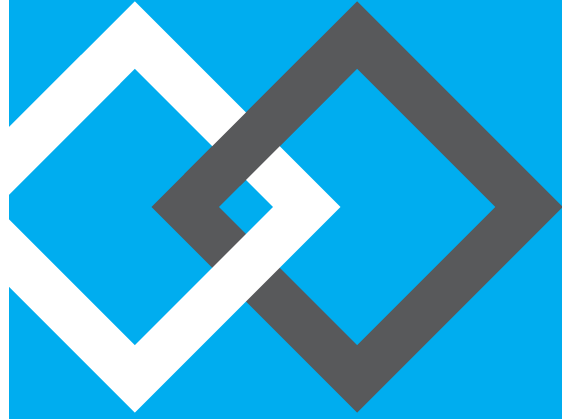


ANNUAL REPORT 2014

 **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

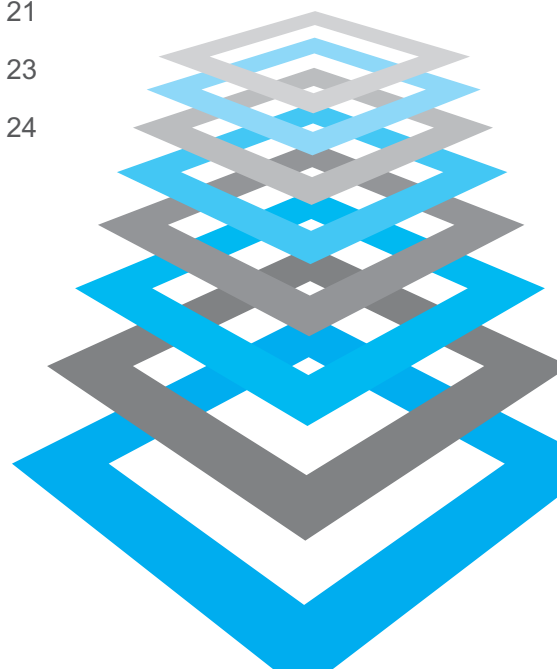
Good people ■ Sound advice ■ Great returns

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Information about the Management Company

Registered Office

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

Board of Directors

- Lt Gen Muhammad Mustafa Khan, HI (M) (Retd) - Chairman
- Syed Majeedullah Husaini
- Mr. Khurshid Zafar
- Mr. Shahid Hafeez Azmi
- Mr. Farrukh Iqbal Khan
- Mr. Amer Maqbool - CEO

Audit Committee

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

HR Committee

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

Chief Financial Officer - Acting

- Syed Adeel Shahid

Company Secretary

- Muhammad Farrukh

Fund's Information

Bankers

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

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

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

Transfer Agent

- **Askari Investment Management Ltd.**
20-C, Khayaban-e-Nishat,
Ittehad Commercial Area,
DHA Phase VI, Karachi.
UAN: (021)111-246-111
Fax: (021) 35250155-6

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 there on for the year ended June 30, 2014.

Economic Review

Real GDP growth picked at 4.14% versus the government target of 4.4% for the year. This is mainly attributable to better performance of the industrial sector, which registered a growth of 5.84% versus 4.5% in FY13, exceeding the target rate of 4.8%. On the other hand, the services and agricultural sector recorded growth of 4.3% and 2.1% respectively. However, worsening law and order situation and persistence of energy crisis has hurt investment to GDP ratio as it declined from 14.6% in FY13 to 14.0% in FY14.

Tax revenues in FY14 amounted to PKR 1,786.2bn against PKR 1,527.8bn in the previous year, thus posted a growth of 16.9%. Significant growth in tax revenues was mainly on account of considerable rise in sales tax collection by 16.3%. Tax to GDP ratio has picked up from 9.3% in FY13 to 9.9% in FY14. The government fell short of achieving its original FBR revenue collection target by 8%.

Major positives for the year included successful entry into the IMF program, Pakistan being given the GSP Plus status, successful Eurobond/3G auctions and restart of the privatization process. These measures enabled the government to achieve a below target fiscal deficit to GDP ratio of 5.8% (provisional) versus 8.8% in FY13. In the previous year, higher fiscal deficit was on account of clearance of unpaid electricity sector payments (circular debt) of Rs 480 billion, while during FY14, an approximately Rs 300 billion circular debt of power sector has not yet been cleared, which if cleared in a similar manner will push up the fiscal deficit.

On the price front, unwinding of fiscal subsidies and acceleration in food prices coupled with low base effect led to Consumer Price Index (CPI) rising by an average rate of 8.62% YoY during FY14 over an increase of 7.36% YoY in FY13. Food inflation during FY14 went up by 9.03% YoY on average versus 7.1% YoY during FY13. Meanwhile, Non-food prices saw a growth of 8.35% YoY as opposed to 7.5% YoY during FY13. As a result of this, core inflation, as measured by NFNE, recorded an 8.3% YoY rise compared to 9.6% YoY in FY13. Overall the annual average inflation figure missed the government's target of 8% for FY14.

Given the rise in inflation during the year and risks eminent on the external side, the State Bank of Pakistan opted for a relatively tighter monetary stance and increased the interest rate by 100bps (50bps each in Sep'13 and Nov'13) to 10%.

The current account balance for FY14 recorded a deficit of USD 2.9bn (or -1.2% of GDP) compared to USD 2.5bn (-1.1% of GDP) last year. The relatively higher deficit figure came mainly from 70% rise in services deficit which stood at USD 2.6bn for the year. Services deficit increased primarily on account of less CSF (Coalition Support Fund) receipts during FY14 which stood at USD 0.68bn as compared to USD 1.8bn during same period last year. Also, imports rose at a higher rate than exports, as the former grew by 3.9% to USD 41.8bn versus a mere growth in exports of 1.5% to USD 25.2bn during FY14. Resultantly, trade deficit rose to USD 16.6bn during the period (+7.7% YoY). Meanwhile, workers remittances made for some part of the deficit while showing a substantial growth of 13.7% to stand at USD 15.8bn during the year.

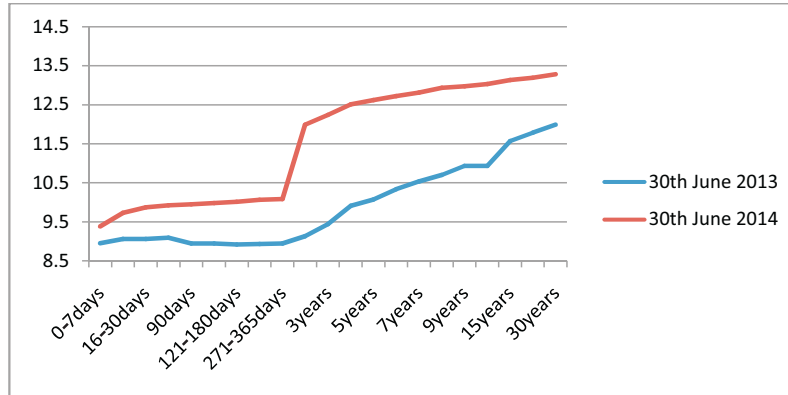
Capital account balance during the year saw an overwhelming increment to stand at USD 1,833mn versus USD 264mn in FY13, mainly on the account of grant received from Saudi Arabia worth USD 1.5bn along with various project grants. Besides, financial account witnessed an impressive inflow of USD 5,233mn versus USD 549mn in FY13. This was driven by inflows from the issue of Eurobond and project loan flows from various multilateral organizations including the World Bank and the Asian Development Bank. Subsequently, the balance of payments figure summed to USD 3.8bn for the FY14 as compared to a deficit of USD 1.9bn during FY13. As a result of the above mentioned inflows, the country's foreign exchange reserves swelled to USD 14bn by June 2014 end versus USD 11bn in June 2013. The building up of reserves compensated for the rising current account deficit pressures, and thereby helped to maintain the PKR at 98.55 against USD by June 2014 end.

Fixed Income Review

Followed by rise in topline inflation which stood at 8.62% against 7.36% in FY13, the central bank decided to raise policy rate by 100 bps in FY14. The interest rate hike by 50bps was witnessed in Sep'13 followed by another 50bps hike in Nov'13. Resultantly the yields across all tenors rose sharply. Yields on short-term paper witnessed a rise of 101bps, 109bps and 114bps to stand at 9.95%, 10.01% and 10.08% for 3m, 6m and 12m paper respectively. Similarly Yields on longer-tenor paper rose by 109bps, 255bps and 210bps ending the year at 12.24%, 12.62% and 13.03% for 3yr, 5yr and 10yr paper respectively.

During the financial year'14, SBP raised a total of PKR 6.46 trillion through T-Bill auction against the maturing amount of PKR 8.02 trillion. The last cut-off yield settling at 9.95%, 9.97% and 9.99% for 3m, 6m and 12m paper respectively. In addition to this SBP also raised a total of PKR 1.91 trillion through PIB auction with last cut-off yield settling at 12.09%, 12.55% and 12.90% for 3yr, 5yr and 10yr paper respectively. Greater activity was witnessed

in longer tenor instruments during second half of financial year. This was due to market expecting a rate cut, supported by sharp recovery in PKR, rise in forex reserves that reached to \$ 14 billion by year end. However these expectations were reversed based on SBP's decision to maintain policy rate at 10% in March MPS.

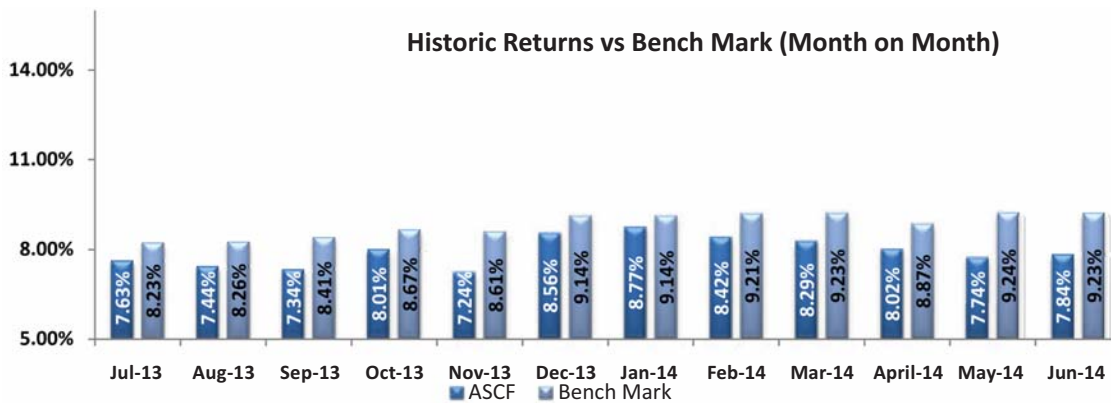


Performance Review

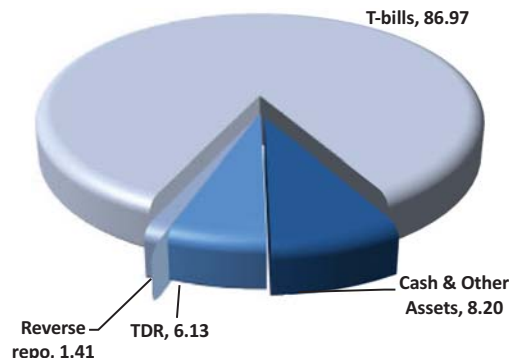
During the financial year 2014, ASCF generated an annualized yield of 7.94% in comparison to benchmark return of 8.85%.

The asset under management of the fund saw a decline of approximately 10% by year end and stood at PKR 4.09 billion as of June 30th 2014, after reaching a high of PKR 6.2 billion in the month of February 2014. During the last quarter, institutional investors mostly corporates have pulled money out from mutual funds following the changes in taxation on mutual funds' investments effective from July 2014.

Short term T-bills remained the major asset class during the year averaging at 86.97% of the fund size against 81.92% in the previous year. During FY14, average allocation in money market placements remained at 1.14%. By year end average allocation in TDR closed at 6.13% of the fund size on the back of attractive deposit rates offered by commercial banks in each quarter. The rest was invested as cash in AA and above rated banks.



Average Asset Allocation (year ended June '14)



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.

The details as required by the Code of Corporate Governance regarding the pattern of unit holding of the Fund as on June 30, 2014 is as follows:

Category	Unit holding	Percentage of Unit holding
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
Askari Investment Management Limited	12,485	0.03%
Askari Bank Limited	1,156,198	2.84%
Fauji Fertilizers Bin Qasim Limited	5,132,225	12.61%
Fauji Oil Terminal & Distribution Company Limited	2,175,378	5.35%
Fauji Kabirwala Power Company Limited	968,032	2.38%
MUTUAL FUND	-	-
DIRECTORS AND THEIR SPOUSE AND MINOR CHILDREN	-	-
EXECUTIVES	5,265	0.01%
PUBLIC SECTOR COMPANIES AND CORPORATIONS	5,874,333	14.44%
BANKS, DFIS, NBFCS, INSURANCE COMPANIES, TAKAFULS, MODARABAS AND PENSION FUNDS	4,162,157	10.23%
SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING RIGHTS	-	-
Habib Metro Bank Limited	4,322,563	10.62%
Pakistan Petroleum Limited	5,306,745	13.04%
EFU General Insurance Limited	2,909,324	7.15%
Jubilee General Insurance Company Limited	2,503,833	6.15%
Others	6,167,493	15.15%
Total	40,696,031	100.00%

The Board of Directors of the Management Company state that:

1. The financial statements, prepared by the Management Company, present fairly the statement of affairs, the results of operations, cash flows and the changes in unit holders' fund.
2. Proper books of accounts have been maintained by the Fund.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003, Non-Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations, 2008), requirements of the trust deed and directives issued by the Securities and Exchange Commission of Pakistan have been followed in the preparation of the financial statement and any deviation there from has been disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

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

No of Units

Investment 12,117

Redemption 12,117

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 -14	Jun-13	Jun-12	Jun-11	Jun-10
	-----Rupees-----				
Net Assets as on June 30th	4,093,120,332	4,522,077,608	9,940,581,779	6,389,900,643	1,165,983,375
Net Asset Value per unit as on June 30th	100.5779	100.6166	101.1188	100.6900	108.3262
Net income for the year/period	463,771,690	475,156,406	1,268,193,072	488,568,560	91,612,042
Dividend Distribution during the Year/period*	466,751,425	557,435,517	1,201,995,267	534,398,679	1,991,887

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

On July 04, 2014, the Board of Directors of the Management Company approved a final distribution at the rate of Re 0.0563 per unit (Par value of Rs. 100 per Unit) out of the accounting income for the year ended June 30, 2014. 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, 2015.

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
August 22, 2014
Karachi

Fund Manager's Report



FUND MANAGER'S REPORT

Askari Sovereign Cash Fund (ASCF) is an open-end money market Fund. The objective of the Fund is to provide investors a money market instrument with high level of liquidity, stability in earning and very high level of credit. The Fund targets to deliver rolling returns closer to a mix of Treasury Bills (70%) + Bank Deposits (30%) - fund expenses on short term basis.

Economic Review

Real GDP growth picked at 4.14% versus the government target of 4.4% for the year. This is mainly attributable to better performance of the industrial sector, which registered a growth of 5.84% versus 4.5% in FY13, exceeding the target rate of 4.8%. On the other hand, the services and agricultural sector recorded growth of 4.3% and 2.1% respectively. However, worsening law and order situation and persistence of energy crisis has hurt investment to GDP ratio as it declined from 14.6% in FY13 to 14.0% in FY14.

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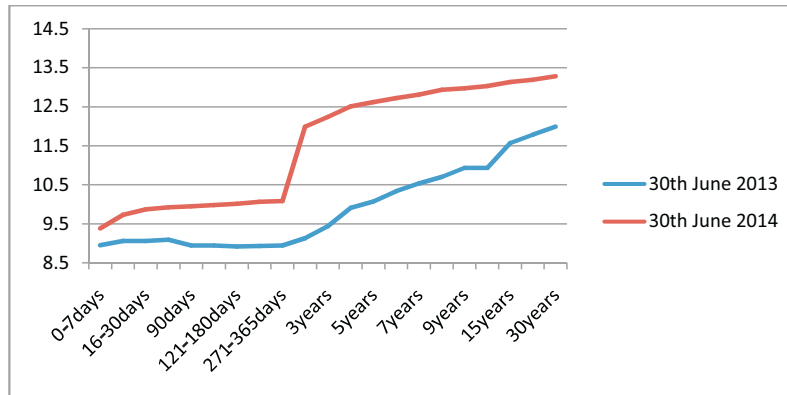
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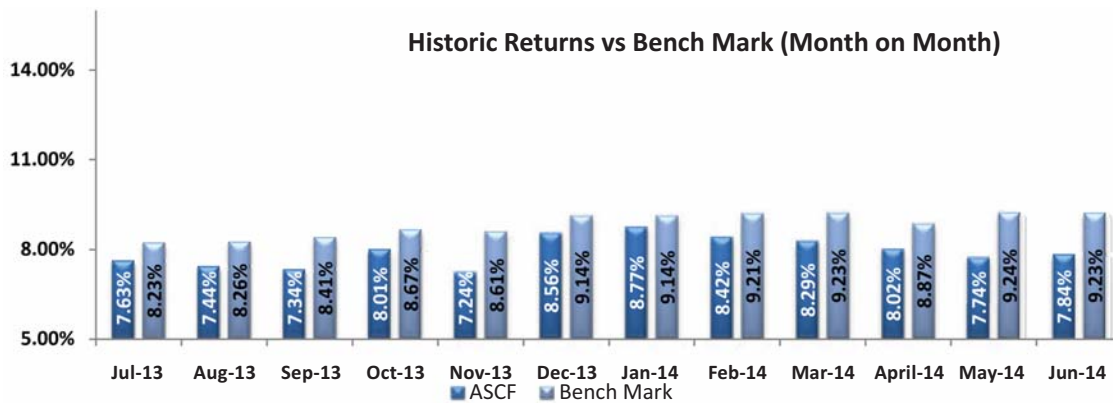


Performance Review

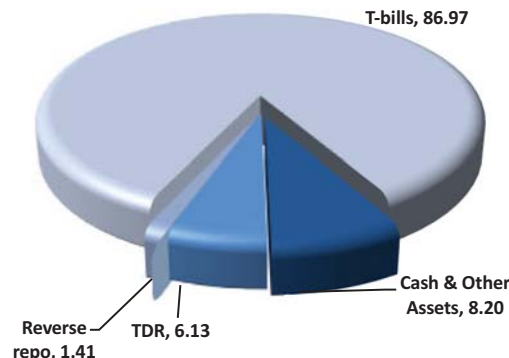
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Average Asset Allocation (year ended June'14)



**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 Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2014 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 09, 2014





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 enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Askari Investment Management Limited, the Management Company of **Askari Sovereign Cash Fund** (the Fund), for the year ended June 30, 2014 to comply with the requirements of Listing Regulation no. 35 (Chapter XI) of the Islamabad Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Fund. 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.


As a 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval the Fund's 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price 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 as applicable to the Fund for the year ended June 30, 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph reference	Description
4	As required by the Code, the casual vacancy occurring on the Board of Directors is required to be filled up within 90 days. However, in case of two instances, casual vacancies occurring on the Board were not filled within the time frame as stipulated in the Code.
9	At least two directors on the Board of Directors should have obtained the certification as required under the Code by the year ended June 30, 2014. However, only one director has obtained the required certification. Further, no orientation course has been conducted by the Management Company for its directors during the year ended June 30, 2014 to acquaint them with the applicable laws and statutes.
17	The Terms of Reference of the Human Resource and Remuneration Committee have not been approved by the Board of Directors.
24	The Board of Directors has not placed a mechanism for annual evaluation of the Board's own performance.


Chartered Accountants
Karachi
Dated: October 1, 2014

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, 2014

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 Director	1. Mr. Shahid Hafeez Azmi
Executive Director	1. Mr. Amer Maqbool (CEO)
Non – Executive Directors	1. Mr. Majeedullah Husaini 2. Mr. Farrukh Iqbal Khan 3. Mr. Khurshid Zafar 4. Lt Gen Muhammad Mustafa Khan (Retd)

The independent director 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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, four casual vacancies arose on the board. Three of these vacancies were filled up by the directors within 90 days whereas one casual vacancy was not filled within 90 days. The casual vacancy (exceeding 90 days) existing at the beginning of the year due to appointment not approved by SECP has also not been filled to date.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the management 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. The whistle blowing policy has been prepared by the management and is in the approval process of the Board of Directors.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of the CEO and non-executive directors, have been taken by the Board.
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 except for an emergency meeting. 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 have certification under the director's training program by the year 2016 and at least one director shall have certification under the training program each year during the period from June 30, 2012 to June 30, 2016. As per this requirement at least two directors on the board should have obtained the certification as required under the code by the year ended June 30, 2014. However, only one of the non-executive directors has obtained the required certification. Further, the management intends to conduct orientation course for its directors during the year ending June 30, 2015 to acquaint them with the applicable laws and statutes.
10. The board has approved the appointment of Head of Internal Audit & Company Secretary. Currently, the position of Chief Financial Officer (CFO) is vacant.
11. The Directors' Report relating to the Fund for the year ended June 30, 2014 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 Chief Executive Officer and Financial Controller (as currently the post of Chief Financial Officer is vacant) 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 a non-executive director. The Company Secretary acted as the secretary to the Audit Committee for all the Board Audit Committee meetings held after his appointment.
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 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 an independent director. The Terms of Reference (TORs) of the HR and Remuneration Committee have not been approved by the Board. However, they are expected to be approved shortly.
18. 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 the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
19. The Board has set up an internal audit function within the entity after December 31, 2013. Uptil December 31, 2013 the internal audit function was outsourced to M. Yousuf Adil Saleem & Co. Chartered Accountants.
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 Net Assets Value (NAV) 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 except the following, towards which progress is being made by the Management Company to seek compliance by the end of next accounting year:

The Board of Directors have not placed mechanism for annual evaluation of Board's own performance.

On behalf of the Board



Chief Executive Officer

Dated: August 22, 2014

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, 2014, 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 (**Askari Investment Management Limited**) 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial position of the Fund as at June 30, 2014 and of its financial performance, cash flows and its transactions for the year then ended in accordance with the 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.


Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: October 1, 2014

Karachi

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Financial Statements




ASKARI SOVEREIGN CASH FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2014

	Note	2014	2013
		----- (Rupees) -----	
ASSETS			
Cash and bank balances	4	46,117,542	427,794,063
Investments	5	2,962,947,944	3,183,911,837
Term deposits	6	1,150,000,000	1,200,000,000
Prepayments and other receivables	7	9,073,231	17,256,853
Preliminary expenses and floatation costs	8	-	501,914
Total assets		4,168,138,717	4,829,464,667
LIABILITIES			
Payable to Askari Investment Management Limited - Management Company	9	12,094,370	5,136,465
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	370,210	413,339
Payable to the Securities and Exchange Commission of Pakistan	11	4,436,294	4,203,177
Payable against redemption of units		27,984	408,087
Accrued expenses and other liabilities	12	58,089,527	297,225,991
Total liabilities		75,018,385	307,387,059
NET ASSETS		4,093,120,332	4,522,077,608
UNIT HOLDERS' FUND (as per statement attached)		4,093,120,332	4,522,077,608
CONTINGENCIES AND COMMITMENTS			
	13		
		----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE		40,696,031	44,943,643
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT	3.11	100.5779	100.6166

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

For Askari Investment Management Limited
(Management Company)


Chief Executive Officer


Director

ASKARI SOVEREIGN CASH FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

Income

Profit on bank deposits, term deposits and money market placements
Income from government securities
Capital gain on sale of investments - net
Income on reverse repurchase transactions

Unrealised (diminution) / appreciation on re-measurement of investments
classified as 'financial assets at fair value through profit or loss' - net

Expenses

Remuneration of Askari Investment Management Limited
- Management Company
Sindh sales tax on Management Company's remuneration
Federal Excise Duty on Management Company's remuneration
Remuneration of the Central Depository Company of Pakistan Limited - Trustee
Annual fee to the Securities and Exchange Commission of Pakistan
Auditors' remuneration
Legal and professional charges
Securities transaction costs
Settlement and bank charges
Fee and subscriptions
Printing and stationery expenses
Amortisation of preliminary expenses and floatation costs

Net income from operating activities

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

Provision for Workers' Welfare Fund

Net income for the year before taxation

Taxation

Net income for the year after taxation**Earnings per unit**

Note	2014	2013
	(Rupees)	
	77,646,420	109,941,077
	483,223,182	452,922,464
	1,930,286	32,029,810
	2,816,475	5,001,276
	565,616,363	599,894,627
5.1	(2,469)	531,973
	565,613,894	600,426,600
9.1	59,150,618	56,042,396
9.2	10,978,377	9,028,175
9.3	9,464,099	383,704
10.1	5,042,291	5,499,863
11.1	4,436,294	4,203,169
14	537,778	576,333
	3,559,998	50,001
	1,482,866	2,524,618
	633,338	811,822
	180,432	235,593
	200,002	200,002
8.1	501,914	404,602
	96,168,007	79,960,278
	469,445,887	520,466,322
	3,790,449	(35,612,847)
12.1	(9,464,727)	(9,697,069)
	463,771,609	475,156,406
15	-	-
	463,771,609	475,156,406
16		

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

For Askari Investment Management Limited
(Management Company)



Chief Executive Officer



Director

ASKARI SOVEREIGN CASH FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

Net income for the year after taxation

Other comprehensive income

Total comprehensive income for the year

2014	2013
------(Rupees)-----	
463,771,609	475,156,406
-	-
<u>463,771,609</u>	<u>475,156,406</u>

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

For Askari Investment Management Limited
 (Management Company)



Chief Executive Officer



Director

ASKARI SOVEREIGN CASH FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

Undistributed income brought forward comprising:

- Realized income
- Unrealized income / (loss)

Net income for the year after taxation

Final distribution of Re 0.0950 per unit on July 5, 2013 for the year ended June 30, 2013 (2013 : Re 0.8827 per unit on July 6, 2012)

- Cash distribution
- Issue of bonus units

First interim distribution of Re 0.4241 per unit on July 22, 2013 for the year ended June 30, 2014 (2013 : Re 0.5804 per unit on July 25, 2012)

- Cash distribution
- Issue of bonus units

Second interim distribution of Re 0.5784 per unit on August 20, 2013 for the year ended June 30, 2014 (2013 : Rs 1.0995 per unit on August 27, 2012)

- Cash distribution
- Issue of bonus units

Third interim distribution of Re 0.5977 per unit on September 20, 2013 for the year ended June 30, 2014 (2013 : Re 0.8532 per unit on September 25, 2012)

- Cash distribution
- Issue of bonus units

Fourth interim distribution of Re 0.5788 per unit on October 21, 2013 for the year ended June 30, 2014 (2013 : Re 0.7837 per unit on October 25, 2012)

- Cash distribution
- Issue of bonus units

Fifth interim distribution of Re 0.6408 per unit on November 20, 2013 for the year ended June 30, 2014 (2013 : Re 0.6443 per unit on November 20, 2012)

- Cash distribution
- Issue of bonus units

Sixth interim distribution of Re 0.6202 per unit on December 20, 2013 for the year ended June 30, 2014 (2013 : Re 0.7219 per unit on December 20, 2012)

- Cash distribution
- Issue of bonus units

Seventh interim distribution of Re 0.6840 per unit on January 20, 2014 for the year ended June 30, 2014 (2013 : Re 0.6816 per unit on January 21, 2013)

- Cash distribution
- Issue of bonus units

Eight interim distribution of Re 0.7010 per unit on February 20, 2014 for the year ended June 30, 2014 (2013 : Re 0.6817 per unit on February 20, 2013)

- Cash distribution
- Issue of bonus units

Ninth interim distribution of Re 0.5792 per unit on March 20, 2014 for the year ended June 30, 2014 (2013 : Re 0.5771 per unit on March 20, 2013)

- Cash distribution
- Issue of bonus units

	2014	2013
	-----Rupees-----	
	27,176,757	111,628,656
	531,973	(1,640,815)
	<u>27,708,730</u>	<u>109,987,841</u>
Net income for the year after taxation	463,771,609	475,156,406
Final distribution of Re 0.0950 per unit on July 5, 2013 for the year ended June 30, 2013 (2013 : Re 0.8827 per unit on July 6, 2012)		
- Cash distribution	(2,539)	(14,020,722)
- Issue of bonus units	(4,267,107)	(72,753,933)
	(4,269,646)	(86,774,655)
First interim distribution of Re 0.4241 per unit on July 22, 2013 for the year ended June 30, 2014 (2013 : Re 0.5804 per unit on July 25, 2012)		
- Cash distribution	(11,336)	(2,277,109)
- Issue of bonus units	(22,538,875)	(45,597,786)
	(22,550,211)	(47,874,895)
Second interim distribution of Re 0.5784 per unit on August 20, 2013 for the year ended June 30, 2014 (2013 : Rs 1.0995 per unit on August 27, 2012)		
- Cash distribution	(15,460)	(1,652,417)
- Issue of bonus units	(30,886,777)	(75,380,686)
	(30,902,237)	(77,033,103)
Third interim distribution of Re 0.5977 per unit on September 20, 2013 for the year ended June 30, 2014 (2013 : Re 0.8532 per unit on September 25, 2012)		
- Cash distribution	(15,976)	(1,280,859)
- Issue of bonus units	(39,974,341)	(50,127,044)
	(39,990,317)	(51,407,903)
Fourth interim distribution of Re 0.5788 per unit on October 21, 2013 for the year ended June 30, 2014 (2013 : Re 0.7837 per unit on October 25, 2012)		
- Cash distribution	(15,471)	(1,174,206)
- Issue of bonus units	(36,005,728)	(40,742,172)
	(36,021,199)	(41,916,378)
Fifth interim distribution of Re 0.6408 per unit on November 20, 2013 for the year ended June 30, 2014 (2013 : Re 0.6443 per unit on November 20, 2012)		
- Cash distribution	(17,128)	(965,345)
- Issue of bonus units	(40,326,969)	(34,773,870)
	(40,344,097)	(35,739,215)
Sixth interim distribution of Re 0.6202 per unit on December 20, 2013 for the year ended June 30, 2014 (2013 : Re 0.7219 per unit on December 20, 2012)		
- Cash distribution	(16,578)	(1,081,647)
- Issue of bonus units	(39,036,072)	(30,962,214)
	(39,052,650)	(32,043,861)
Seventh interim distribution of Re 0.6840 per unit on January 20, 2014 for the year ended June 30, 2014 (2013 : Re 0.6816 per unit on January 21, 2013)		
- Cash distribution	(18,283)	(1,020,693)
- Issue of bonus units	(39,931,634)	(33,057,856)
	(39,949,917)	(34,078,549)
Eight interim distribution of Re 0.7010 per unit on February 20, 2014 for the year ended June 30, 2014 (2013 : Re 0.6817 per unit on February 20, 2013)		
- Cash distribution	(18,737)	(18,560)
- Issue of bonus units	(46,711,602)	(30,965,742)
	(46,730,339)	(30,984,302)
Ninth interim distribution of Re 0.5792 per unit on March 20, 2014 for the year ended June 30, 2014 (2013 : Re 0.5771 per unit on March 20, 2013)		
- Cash distribution	(15,482)	(15,713)
- Issue of bonus units	(36,456,616)	(27,046,535)
	(36,472,098)	(27,062,248)

ASKARI SOVEREIGN CASH FUND
DISTRIBUTION STATEMENT (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

Tenth interim distribution of Re 0.7484 per unit on April 21, 2014
for the year ended June 30, 2014 (2013 : Re 0.6193 per unit on April 22, 2013)

- Cash distribution
- Issue of bonus units

(885,303)	(15,939)
(45,631,940)	(28,157,606)
(46,517,243)	(28,173,545)

Eleventh interim distribution of Re 0.6207 per unit on May 20, 2014
for the year ended June 30, 2014 (2013 : Re 0.6138 per unit on May 20, 2013)

- Cash distribution
- Issue of bonus units

(734,243)	(16,540)
(34,495,810)	(30,752,474)
(35,230,053)	(30,769,014)

Twelfth interim distribution of Rs 1.0005 per unit on June 20, 2014
for the year ended June 30, 2014 (2013 : Re 0.6858 per unit on June 20, 2013)

- Cash distribution
- Issue of bonus units

(1,183,519)	(18,232)
(47,537,899)	(33,559,617)
(48,721,418)	(33,577,849)

Undistributed income carried forward

24,728,914	27,708,730
------------	------------

Undistributed income carried forward comprising:

- Realized income
- Unrealized (loss) / income

24,731,383	27,176,757
(2,469)	531,973
24,728,914	27,708,730

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

For Askari Investment Management Limited
(Management Company)



Chief Executive Officer



Director

ASKARI SOVEREIGN CASH FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2014

FOR THE YEAR ENDED JUNE 30, 2014

Net assets at the beginning of the year

Issue of 141,230,451 units (2013: 85,557,701 units)
 Redemption of 150,077,727 units (2013: 144,239,753 units)
 Issue of 4,599,664 bonus units (2013: 5,319,753 units)

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

Capital gain on sale of investments - net
 Unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net
 Other income for the year
 Total comprehensive income for the year

Final distribution of Re 0.0950 per unit on July 5, 2013 for the year ended June 30, 2013 (2013 : Re 0.8827 per unit on July 6, 2012)

- Cash distribution
 - Issue of bonus units

First interim distribution of Re 0.4241 per unit on July 22, 2013 for the year ended June 30, 2014 (2013 : Re 0.5804 per unit on July 25, 2012)

- Cash distribution
 - Issue of bonus units

Second interim distribution of Re 0.5784 per unit on August 20, 2013 for the year ended June 30, 2014 (2013 : Rs 1.0995 per unit on August 27, 2012)

- Cash distribution
 - Issue of bonus units

Third interim distribution of Re 0.5977 per unit on September 20, 2013 for the year ended June 30, 2014 (2013 : Re 0.8532 per unit on September 25, 2012)

- Cash distribution
 - Issue of bonus units

Fourth interim distribution of Re 0.5788 per unit on October 21, 2013 for the year ended June 30, 2014 (2013 : Re 0.7837 per unit on October 25, 2012)

- Cash distribution
 - Issue of bonus units

Fifth interim distribution of Re 0.6408 per unit on November 20, 2013 for the year ended June 30, 2014 (2013 : Re 0.6443 per unit on November 20, 2012)

- Cash distribution
 - Issue of bonus units

Sixth interim distribution of Re 0.6202 per unit on December 20, 2013 for the year ended June 30, 2014 (2013 : Re 0.7219 per unit on December 20, 2012)

- Cash distribution
 - Issue of bonus units

Seventh interim distribution of Re 0.6840 per unit on January 20, 2014 for the year ended June 30, 2014 (2013 : Re 0.6816 per unit on January 21, 2013)

- Cash distribution
 - Issue of bonus units

	2014	2013
	----- (Rupees) -----	
Net assets at the beginning of the year	4,522,077,608	9,940,581,779
Issue of 141,230,451 units (2013: 85,557,701 units)	14,248,306,884	8,611,512,769
Redemption of 150,077,727 units (2013: 144,239,753 units)	(15,134,295,265)	(14,517,228,211)
Issue of 4,599,664 bonus units (2013: 5,319,753 units)	463,801,370	533,877,535
	(422,187,011)	(5,371,837,907)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(3,790,449)	35,612,847
Capital gain on sale of investments - net	1,930,286	32,029,810
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(2,469)	531,973
Other income for the year	461,843,792	442,594,623
Total comprehensive income for the year	463,771,609	475,156,406
Final distribution of Re 0.0950 per unit on July 5, 2013 for the year ended June 30, 2013 (2013 : Re 0.8827 per unit on July 6, 2012)		
- Cash distribution	(2,539)	(14,020,722)
- Issue of bonus units	(4,267,107)	(72,753,933)
	(4,269,646)	(86,774,655)
First interim distribution of Re 0.4241 per unit on July 22, 2013 for the year ended June 30, 2014 (2013 : Re 0.5804 per unit on July 25, 2012)		
- Cash distribution	(11,336)	(2,277,109)
- Issue of bonus units	(22,538,875)	(45,597,786)
	(22,550,211)	(47,874,895)
Second interim distribution of Re 0.5784 per unit on August 20, 2013 for the year ended June 30, 2014 (2013 : Rs 1.0995 per unit on August 27, 2012)		
- Cash distribution	(15,460)	(1,652,417)
- Issue of bonus units	(30,886,777)	(75,380,686)
	(30,902,237)	(77,033,103)
Third interim distribution of Re 0.5977 per unit on September 20, 2013 for the year ended June 30, 2014 (2013 : Re 0.8532 per unit on September 25, 2012)		
- Cash distribution	(15,976)	(1,280,859)
- Issue of bonus units	(39,974,341)	(50,127,044)
	(39,990,317)	(51,407,903)
Fourth interim distribution of Re 0.5788 per unit on October 21, 2013 for the year ended June 30, 2014 (2013 : Re 0.7837 per unit on October 25, 2012)		
- Cash distribution	(15,471)	(1,174,206)
- Issue of bonus units	(36,005,728)	(40,742,172)
	(36,021,199)	(41,916,378)
Fifth interim distribution of Re 0.6408 per unit on November 20, 2013 for the year ended June 30, 2014 (2013 : Re 0.6443 per unit on November 20, 2012)		
- Cash distribution	(17,128)	(965,345)
- Issue of bonus units	(40,326,969)	(34,773,870)
	(40,344,097)	(35,739,215)
Sixth interim distribution of Re 0.6202 per unit on December 20, 2013 for the year ended June 30, 2014 (2013 : Re 0.7219 per unit on December 20, 2012)		
- Cash distribution	(16,578)	(1,081,647)
- Issue of bonus units	(39,036,072)	(30,962,214)
	(39,052,650)	(32,043,861)
Seventh interim distribution of Re 0.6840 per unit on January 20, 2014 for the year ended June 30, 2014 (2013 : Re 0.6816 per unit on January 21, 2013)		
- Cash distribution	(18,283)	(1,020,693)
- Issue of bonus units	(39,931,634)	(33,057,856)
	(39,949,917)	(34,078,549)

ASKARI SOVEREIGN CASH FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

Eight interim distribution of Re 0.7010 per unit on February 20, 2014
for the year ended June 30, 2014 (2013 : Re 0.6817 per unit on February 20, 2013)

- Cash distribution
- Issue of bonus units

(18,737)	(18,560)
(46,711,602)	(30,965,742)
(46,730,339)	(30,984,302)

Ninth interim distribution of Re 0.5792 per unit on March 20, 2014
for the year ended June 30, 2014 (2013 : Re 0.5771 per unit on March 20, 2013)

- Cash distribution
- Issue of bonus units

(15,482)	(15,713)
(36,456,616)	(27,046,535)
(36,472,098)	(27,062,248)

Tenth interim distribution of Re 0.7484 per unit on April 21, 2014
for the year ended June 30, 2014 (2013 : Re 0.6193 per unit on April 22, 2013)

- Cash distribution
- Issue of bonus units

(885,303)	(15,939)
(45,631,940)	(28,157,606)
(46,517,243)	(28,173,545)

Eleventh interim distribution of Re 0.6207 per unit on May 20, 2014
for the year ended June 30, 2014 (2013 : Re 0.6138 per unit on May 20, 2013)

- Cash distribution
- Issue of bonus units

(734,243)	(16,540)
(34,495,810)	(30,752,474)
(35,230,053)	(30,769,014)

Twelfth interim distribution of Rs 1.0005 per unit on June 20, 2014
for the year ended June 30, 2014 (2013 : Re 0.6858 per unit on June 20, 2013)

- Cash distribution
- Issue of bonus units

(1,183,519)	(18,232)
(47,537,899)	(33,559,617)
(48,721,418)	(33,577,849)

Net assets at the end of the year

4,093,120,332	4,522,077,608
---------------	---------------

Net asset value per unit at the beginning of the year

100.6166	101.1188
----------	----------

Net asset value per unit at the end of the year

100.5779	100.6166
----------	----------

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

For Askari Investment Management Limited
(Management Company)



Chief Executive Officer



Director

ASKARI SOVEREIGN CASH FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

Note	2014	2013
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	463,771,609	475,156,406
Adjustments for :		
Unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	2,469	(531,973)
Amortisation of preliminary expenses and floatation costs	501,914	404,602
Provision for Workers' Welfare Fund	9,464,727	9,697,069
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(3,790,449)	35,612,847
	6,178,661	45,182,545
	469,950,270	520,338,951
Decrease / (increase) in assets		
Investments - net	1,465,017,818	1,582,395,236
Prepayments and other receivables	8,183,622	(14,581,143)
	1,473,201,440	1,567,814,093
Increase / (decrease) in liabilities		
Payable to Askari Investment Management Limited - Management Company	6,957,905	(4,942,956)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(43,129)	(326,042)
Payable to the Securities and Exchange Commission of Pakistan	233,117	(4,392,575)
Accrued expenses and other liabilities	(248,601,191)	248,260,130
	(241,453,298)	238,598,557
Net cash generated from operating activities	1,701,698,412	2,326,751,601
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units	14,248,306,884	8,611,512,769
Payments against redemption of units	(15,134,675,368)	(14,519,139,701)
Cash distributions	(2,950,055)	(23,557,982)
Net cash used in financing activities	(889,318,539)	(5,931,184,914)
Net increase / (decrease) in cash and cash equivalents	812,379,873	(3,604,433,313)
Cash and cash equivalents at the beginning of the year	2,871,319,063	6,475,752,376
Cash and cash equivalents at the end of the year	3,683,698,936	2,871,319,063

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

For Askari Investment Management Limited
(Management Company)



Chief Executive Officer



Director

ASKARI SOVEREIGN CASH FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

Askari Sovereign Cash Fund (the Fund) was established under a Trust deed executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee on June 11, 2009. The Fund was registered by the Securities and Exchange Commission of Pakistan (the SECP) as a Notified Entity in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) on June 25, 2009.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the Securities and Exchange Commission of Pakistan (SECP). The registered office and Head office of the Management Company is situated at 20-C, Khayaban-e-Nishat, Phase VI, DHA, Karachi.

The Fund is an open-end collective investment scheme categorised as a 'Money Market' scheme by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 issued by the SECP and is listed on the Islamabad Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs 100 per unit. Thereafter, the units are being offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

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.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM3+' (positive outlook) to the Management Company on April 17, 2014. The rating reflects the Management Company's strong capacity to manage the risk inherent in asset management and that the asset manager meets high industry standards and benchmarks. Furthermore, PACRA has maintained a rating of 'AAA(f)' on March 5, 2014 to the Fund which denotes an exceptionally strong capacity to maintain relative stability in returns and possesses negligible exposure to risks.

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 (IFRSs) 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 IFRSs, 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 amendments and improvements to approved accounting standards have been published and are mandatory for the Fund's current accounting period:

IFRS 7 – Financial Instruments : Disclosures – (Amendments)

--Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

The adoption of the above amendments and improvements to accounting standards and interpretations did not have any effect on the financial statements.

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

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretation and amendments:

Standard, interpretation or amendment**Effective date**
(accounting periods
beginning on or after)

IAS 32 - Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	January 01, 2014

The Fund expects that the adoption of the above amendments and interpretation of the standards will not affect the Fund's financial statements in the period of initial application.

There are certain new and amended standards and interpretation that are mandatory for the Fund's accounting periods beginning on or after July 1, 2014 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.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard**Effective date**
as per IASB
(accounting periods
beginning on or after)

IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. 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 and 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: Financial assets classified as 'at fair value through profit or loss', 'loans and receivables' and 'available for sale'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

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

These are acquired principally for the purpose of generating profit from short-term fluctuations in prices and are classified as financial assets at 'fair value through profit or loss'. This include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category.

b) Loans and receivables

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

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss and (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

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'

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

- Basis of valuation of debt securities

The investment of the Fund in debt securities (comprising any security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital and includes term finance certificates, bonds, debentures, sukuks and commercial papers etc.) is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP for valuation of debt securities. In the determination of the rates, the MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The methodology also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

- Basis of valuation of government securities

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

Net gains and losses arising from changes in fair values 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 unit holder's fund is transferred to the Income Statement.

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

b) Loans and receivables

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest 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 Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. 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.

a) Loans and receivables

For financial assets classified as 'loans and receivable', a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is measured as the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

b) Equity securities classified as 'available for sale'

In the case of available for sale equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If evidence of impairment exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from the unit holder's fund to the Income Statement.

Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement.

3.2.6 Derecognition

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

3.2.7 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.

3.3 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 values 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 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.

3.5 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 in accordance with the requirements set out in the Trust Deed of the Fund and the provisions contained in the NBFC Regulations.

3.6 Securities purchased under resale agreements

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 trade 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 amount of 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 the amounts used for taxation purposes. In addition, the Fund can also record deferred tax asset on unutilised tax losses to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to avail 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 any front end 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 the date on which the investment application is received.

Units redeemed are recorded at the redemption price, as per constitutive documents, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the previous day net asset value per unit as of the close of the business day less any back-end load, provision for transaction costs and any provision for duties and charges, if applicable.

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.

During the year, the Fund has revised the method of computation and recording of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. Previously, the element was recognised based on cumulative values of undistributed income and unrealised surplus / (deficit) on available-for-sale financial assets present in the net asset value of units and the entire amount was recognised in the Income Statement. As per the revised treatment, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in the Income Statement and to the extent that it is represented by unrealised appreciation / (diminution) arising during the year on available-for-sale financial assets is recognised in the Distribution Statement. The remaining portion of element forms part of the unit holders' fund and is not available for distribution.

Had the aforementioned change in estimate not been made during the current period:

- Net asset value of the Fund would have been higher by Rs 129,667 (per unit Re 0.0032);
- provision maintained with respect to Workers' Welfare Fund as at June 30, 2014 would have been lower by Rs 129,667; and
- profit for the year after taxation would have been lower by Rs 6,353,687. However, as noted above, the Unit Holders' Fund would have been higher by only Rs 129,667.

In the opinion of the management the revised method of computation will result in a more accurate presentation of element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed in the financial statements.

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.

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 appreciation / (diminution) in the value 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 CASH AND BANK BALANCES

Saving accounts
Current accounts
Pay orders in hand

Note	2014	2013
	------(Rupees)-----	
4.1	45,967,023	427,786,820
	7,243	7,243
	143,276	-
	<u>46,117,542</u>	<u>427,794,063</u>

- 4.1 These carry profit at the rates ranging from 6.00% to 9.00% (2013: 6.00% to 9.25%) per annum. Deposits in savings accounts include Rs 29,199,714 (2013: Rs 130,762,414) and Rs 14,860,173 (2013: Rs 29,818,638) maintained with Askari Bank Limited and Habib Metropolitan Bank Limited respectively, being connected persons, which carry profits at the rates of 9.00% and 6.50% per annum respectively (2013: 8.75% and 7.00% per annum).

5 INVESTMENTS

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

Note	2014	2013
	------(Rupees)-----	
5.1	<u>2,962,947,944</u>	<u>3,183,911,837</u>

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

Issue date	Tenor	Face value				Balance as at June 30, 2014			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 01, 2013	Purchases during the year	Sales/matured during the year	As at June 30, 2014	Carrying value	Market value	Appreciation / (diminution)		
-----Rupees-----										
Market Treasury Bills										
July 12, 2012	12 months	820,000,000	-	820,000,000	-	-	-	-	-	
July 26, 2012	12 months	62,780,000	440,000,000	502,780,000	-	-	-	-	-	
August 9, 2012	12 months	1,070,000,000	-	1,070,000,000	-	-	-	-	-	
September 6, 2012	12 months	-	3,975,000,000	3,975,000,000	-	-	-	-	-	
September 20, 2012	12 months	-	1,825,000,000	1,825,000,000	-	-	-	-	-	
October 4, 2012	12 months	-	3,000,000,000	3,000,000,000	-	-	-	-	-	
November 1, 2012	12 months	-	645,000,000	645,000,000	-	-	-	-	-	
January 24, 2013	12 months	-	500,000,000	500,000,000	-	-	-	-	-	
January 24, 2013	6 months	-	1,800,000,000	1,800,000,000	-	-	-	-	-	
February 7, 2013	6 months	-	500,000,000	500,000,000	-	-	-	-	-	
February 21, 2013	6 months	-	500,000,000	500,000,000	-	-	-	-	-	
April 4, 2013	6 months	-	200,000,000	200,000,000	-	-	-	-	-	
April 18, 2013	3 months	250,000,000	-	250,000,000	-	-	-	-	-	
May 2, 2013	6 months	-	980,000,000	980,000,000	-	-	-	-	-	
May 2, 2013	3 months	1,000,000,000	400,000,000	1,400,000,000	-	-	-	-	-	
May 16, 2013	12 months	-	665,000,000	665,000,000	-	-	-	-	-	
May 30, 2013	6 months	-	4,700,000,000	4,700,000,000	-	-	-	-	-	
May 30, 2013	12 months	-	1,374,000,000	1,374,000,000	-	-	-	-	-	
May 30, 2013	3 months	-	250,000,000	250,000,000	-	-	-	-	-	
June 13, 2013	6 months	-	758,370,000	758,370,000	-	-	-	-	-	
June 13, 2013	3 months	-	100,000,000	100,000,000	-	-	-	-	-	
July 12, 2013	3 months	-	2,170,000,000	2,170,000,000	-	-	-	-	-	
July 12, 2013	6 months	-	1,041,000,000	1,041,000,000	-	-	-	-	-	
July 25, 2013	3 months	-	3,850,000,000	3,850,000,000	-	-	-	-	-	
July 25, 2013	6 months	-	1,144,500,000	1,144,500,000	-	-	-	-	-	
August 7, 2013	3 months	-	594,800,000	594,800,000	-	-	-	-	-	
September 5, 2013	3 months	-	3,700,000,000	3,700,000,000	-	-	-	-	-	
September 19, 2013	3 months	-	11,394,000,000	11,394,000,000	-	-	-	-	-	
October 3, 2013	3 months	-	30,300,000	30,300,000	-	-	-	-	-	
October 21, 2013	3 months	-	600,000,000	600,000,000	-	-	-	-	-	
October 31, 2013	3 months	-	2,555,535,000	2,555,535,000	-	-	-	-	-	
November 28, 2013	3 months	-	5,976,400,000	5,976,400,000	-	-	-	-	-	
December 12, 2013	3 months	-	3,710,970,000	3,710,970,000	-	-	-	-	-	
December 26, 2013	3 months	-	3,581,500,000	3,581,500,000	-	-	-	-	-	
December 30, 2013	3 months	-	695,000,000	695,000,000	-	-	-	-	-	
January 9, 2014	3 months	-	2,618,000,000	2,618,000,000	-	-	-	-	-	
January 23, 2014	3 months	-	3,065,500,000	3,065,500,000	-	-	-	-	-	
February 6, 2014	3 months	-	250,000,000	250,000,000	-	-	-	-	-	
February 6, 2014	6 months	-	65,000,000	-	65,000,000	64,352,181	64,355,330	3,149	1.57%	
February 20, 2014	3 months	-	3,640,000,000	3,640,000,000	-	-	-	-	-	
February 28, 2014	3 months	-	2,475,000,000	2,475,000,000	-	-	-	-	-	
March 6, 2014	3 months	-	3,000,000,000	3,000,000,000	-	-	-	-	-	
March 6, 2014	6 months	-	100,000,000	-	100,000,000	98,258,275	98,263,200	4,925	2.40%	
March 20, 2014	6 months	-	250,000,000	-	250,000,000	244,733,106	244,735,250	2,144	5.98%	
April 17, 2014	3 months	-	2,610,000,000	2,375,000,000	235,000,000	234,436,000	234,452,685	16,685	5.73%	
April 17, 2014	6 months	-	70,000,000	-	70,000,000	68,044,357	68,012,770	(31,587)	1.66%	
May 2, 2014	3 months	-	130,000,000	90,000,000	40,000,000	39,751,945	39,754,400	2,455	0.97%	
May 15, 2014	3 months	-	3,620,000,000	2,051,000,000	1,569,000,000	1,553,416,554	1,553,438,658	22,104	37.95%	
June 12, 2014	3 months	-	740,000,000	68,400,000	671,600,000	659,957,995	659,935,651	(22,344)	16.12%	
Total - June 30, 2014						2,962,950,413	2,962,947,944	(2,469)	72.38%	100.00%
Total - June 30, 2013						3,183,379,864	3,183,911,837	531,973	70.41%	100.00%

6	TERM DEPOSITS	Note	2014	2013
			(Rupees)	
	Term deposit receipts	6.1	1,150,000,000	1,200,000,000

6.1 This represents term deposit with commercial banks carrying profit at rates ranging from 10.30% to 10.50% (June 30, 2013: 9.75% to 9.90%) per annum and will mature latest by August 4, 2014.

7	PREPAYMENTS AND OTHER RECEIVABLES	Note	2014	2013
			(Rupees)	
	Profit receivable on balances with banks		1,200,313	873,070
	Profit receivable on term deposits		7,751,918	15,349,315
	Prepayments and other receivables		121,000	34,432
	Receivable against sale of units		-	1,000,036
			<u>9,073,231</u>	<u>17,256,853</u>

8 PRELIMINARY EXPENSES AND FLOATATION COSTS

	Opening balance		501,914	906,516
	Less: amortisation for the year	8.1	(501,914)	(404,602)
	Closing balance		-	501,914

8.1 Preliminary expenses and floatation costs represents expenditure incurred prior to the commencement of operations of the Fund. As per the requirements of the Trust Deed, these costs are being amortised over a period not exceeding five years.

9	PAYABLE TO ASKARI INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2014	2013
			(Rupees)	
	Remuneration of Askari Investment Management Limited - Management Company	9.1	578,359	4,044,282
	Sindh sales tax on Management Company's remuneration	9.2	1,668,208	708,479
	Federal Excise Duty on Management Company's remuneration	9.3	9,847,803	383,704
			<u>12,094,370</u>	<u>5,136,465</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 amount of remuneration is paid to the Management Company monthly in arrears.

9.2 The Provincial Government of Sindh has levied Sindh sales tax at the rate of 16% on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

9.3 The Finance Act, 2013 has enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED is not justified.

On September 4, 2013, a Constitutional Petition has been filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED. In this respect, the Honourable SHC has issued a stay order against recovery proceedings. The hearing of the petition is pending.

Consequently, pending the decision of the SHC, the Fund has not made any payments in respect of FED since the date it became effective although full provision is being made in the books of account.

	Note	2014	2013
(Rupees)			
10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee	10.1	370,210	413,339

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 the tariff specified therein, based on the daily net assets of the Fund. The tariff structure applicable to the Fund during the year ended June 30, 2014 was as follows:

Amounts of funds under management (Average NAV)	Tariff per annum
Upto Rs 1,000 million	0.15% per annum of Net Asset Value
Exceeding Rs 1,000 million and upto Rs 10,000 million	Rs 1.5 million plus 0.075% per annum of Net Asset Value exceeding Rs 1,000 million
Exceeding Rs 10,000 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.

	Note	2014	2013
(Rupees)			
11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	11.1	4,436,294	4,203,177

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.

	Note	2014	2013
(Rupees)			
12 ACCRUED EXPENSES AND OTHER LIABILITIES			
Legal and professional fee		-	135,002
Capital gain tax payable		15,156	-
Withholding tax payable		87,642	98,798
Brokerage and settlement charges		190,705	174,258
Printing charges		219,612	208,893
Other payables		343,007	377,361
Payable against purchase of securities		-	248,598,000
Auditors' remuneration payable		350,000	215,001
Provision for Workers' Welfare Fund	12.1	56,883,405	47,418,678
		<u>58,089,527</u>	<u>297,225,991</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 (CISs) / pension schemes 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 this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs / pension schemes, which is pending adjudication.

During the year ended June 30, 2011, a clarification was 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. However, on December 14, 2010 the Ministry filed its response against the Constitutional Petition requesting the Court to dismiss the same. Show cause notices were then issued by Federal Board of Revenue (FBR) to several CISs / pension schemes for the collection of WWF in respect to which certain CISs / pension schemes have been granted stay by Honourable SHC on the basis of the pending Constitutional Petition as referred above.

In March 2013, a three member bench of the Sindh High Court in its judgement on various Constitutional Petitions challenging the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008, held that WWF is a tax and consequently, the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008 respectively (Money Bills) do not suffer from any constitutional or legal infirmity. This judgement was in contrast to the July 2011 single member bench decision of the Honourable Lahore High Court which had held such amendments as unlawful and unconstitutional for the reason that they were made through the money bills.

In a recent judgement of May 2014, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the constitution. For the CISs and Pension Funds, the issue of chargeability or otherwise of WWF levy to the CISs / pension schemes is, currently, pending before the Honourable SHC.

In view of the pending decision, the Management Company of the Fund, as a matter of abundant caution, has continued to maintain the provision for WWF amounting to Rs 56,883,405 (including Rs 9,464,727 for the current year) in these financial statements. Had the same not been made the net asset value per unit of the Fund as at June 30, 2014 would have been higher by Rs 1.3978 per unit.

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2014 (June 30, 2013: Nil).

14 AUDITORS' REMUNERATION

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

	2014	2013
	----- (Rupees) -----	
	250,000	250,000
	100,000	100,000
	50,000	50,000
	100,000	100,000
	37,778	76,333
	<u>537,778</u>	<u>576,333</u>

15 TAXATION

- 15.1** 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.

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.

- 15.2** During the current year, the Additional Commissioner Inland Revenue amended the returns of income filed by the Fund in respect of tax years 2010, 2011, 2012 and 2013 under Section 120 of the Income Tax Ordinance, 2001. The tax assessing officer concluded that bonus issues declared by the Fund should not have been considered as distribution of the accounting income while claiming exemption available under the clause (99) of part 1 of the Second Schedule to the Income Tax Ordinance, 2001 as the Fund had not deducted withholding tax from bonus distributions. Consequently, the tax assessing officer raised demand amounting to Rs 842.598 million (including Workers' Welfare Fund) on the Fund. Similar amendments were made to returns filed by several mutual funds in the industry.

This industry issue was examined by legal experts and tax advisors and there is unanimity of view that under the present regulations, including the provisions of Clause 99, tax department's contentions are primarily erroneous and not tenable under the law. This view is further supported by the fact that subsequently, through the Finance Act, 2014, an amendment has been made in Clause 99, whereby issuance of bonus units shall not be considered towards distribution of 90% of income, and only cash dividend shall be taken into consideration for computation of 90% distribution to claim exemption. Introduction of this amendment, applicable on distribution to be made from July 1, 2014, essentially strengthens the stand of the mutual fund industry as it establishes the principle that previously, issuance of bonus units was valid for the purpose of claiming exemption in case of 90% distribution. Appropriate appellate and executive remedies were adopted to resolve the matter.

Subsequent to the year end, the Commissioner Inland Revenue (Appeals) has decided the matter in favour of few of the Funds against whom the demands were raised. In view of the strong legal position and the fact that matter in respect of certain funds have already been decided in their favour, the management is expecting that this matter will be decided in favour of the Fund.

16 EARNINGS PER UNIT (EPU)

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

17 CASH AND CASH EQUIVALENTS

Cash and bank balances
Treasury Bills - 3 Months
Term Deposit Receipts

Note	2014	2013
(Rupees)		
4	46,117,542	427,794,063
5.1	2,487,581,394	1,243,525,000
6	1,150,000,000	1,200,000,000
	<u>3,683,698,936</u>	<u>2,871,319,063</u>

18 FINANCIAL INSTRUMENTS BY CATEGORY**Financial assets**

Cash and bank balances
Investments
Term deposits
Accrued profit and other receivables

As at June 30, 2014		
Financial assets 'at fair value through profit or loss'	Loans and receivables	Total
(Rupees)		
-	46,117,542	46,117,542
2,962,947,944	-	2,962,947,944
-	1,150,000,000	1,150,000,000
-	8,952,231	8,952,231
<u>2,962,947,944</u>	<u>1,205,069,773</u>	<u>4,168,017,717</u>

Financial liabilities

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

As at June 30, 2014		
Financial liabilities 'at fair value through profit or loss'	At amortised cost	Total
(Rupees)		
-	12,094,370	12,094,370
-	370,210	370,210
-	27,984	27,984
-	1,103,324	1,103,324
-	<u>13,595,888</u>	<u>13,595,888</u>

Financial assets

Cash and bank balances
Investments
Term deposits
Accrued profit 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
-	17,222,421	17,222,421
<u>3,183,911,837</u>	<u>1,645,016,484</u>	<u>4,828,928,321</u>

Financial liabilities

Payable to Askari Investment Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Payable against redemption of units
Accrued expenses 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
-	249,708,515	249,708,515
-	<u>255,666,406</u>	<u>255,666,406</u>

19 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

Details of the transactions carried out by the Fund with connected person / related parties during the year and balances with them as at year end are as follows:

19.1 Transactions during the year

Askari Investment Management Limited - Management Company

	2014	2013
	(Rupees)	
Remuneration for the year	59,150,618	56,042,396
Sindh sales tax on Management Company's remuneration	10,978,377	9,028,175
Federal Excise Duty on Management company's remuneration	9,464,099	383,704
Issue of 232,581 units (2013: 64,451 units)	23,500,000	6,500,000
Redemption of 223,283 units (2013: 65,550 units)	22,500,000	6,600,000
Issue of 3,066 Bonus units (2013: 305 units)	308,446	30,557

Askari Bank Limited - Holding company of the Management Company

Issue of 1,156,198 units (2013: nil units)	116,606,958	-
Cash distribution paid	2,739,727	-
Profit on balances with banks	12,963,640	4,696,087
Bank charges	111,224	135,210

Askari General Insurance Company Limited - Group Company

Issue of nil units (2013: 173,509 units)	-	17,500,000
Redemption of 612,335 units (2013: nil units)	61,740,841	-
Issue of 39,424 bonus units (2013: 37,649)	3,967,420	3,778,654

Askari Bank Limited - Employees Provident Fund

Issue of Bonus 27,272 units (2013: 29,979 units)	2,743,844	3,008,832
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Askari Securities Limited

Redemption of 38,922 units (2013: 60,000 units)	3,925,739	6,049,503
Issue of 36 bonus units (2013: 8,102 units)	3,694	813,137

Askari Securities Limited - Employee Provident Fund Trust

Issue of nil units (2013: 7,930 units)	-	800,000
Redemption of nil units (2013: 8,191 units)	-	825,113
Issue of nil bonus units (2013: 261 units)	-	26,177

Central Depository Company of Pakistan Limited - Trustee

Remuneration for the year	5,042,291	5,499,863
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Habib Metropolitan Bank Limited

Profit for the year on bank balance	3,364,148	4,158,528
Bank charges	415,951	599,906
Issue of 3,885,688 units (2013: 2,488,682 units)	392,500,000	250,000,000
Redemption of 4,867,926 units (2013: 7,973,303 units)	490,791,660	802,545,204
Issue of 408,878 bonus units (2013: 566,542 units)	41,138,334	56,856,718
T-bills purchased	4,476,241,665	2,034,650,716
T-bills sold	618,381,875	544,195,320

	2014	2013
	----- (Rupees) -----	
Fauji Fertilizer Bin Qasim Limited		
Issue of 9,909,600 units (2013: 1,491,303 units)	1,000,000,000	150,024,718
Redemption of 5,121,640 units (2013: 1,510,615 units)	518,879,013	151,692,646
Issue of 344,265 bonus units (2013: 19,312 units)	34,636,086	1,937,277
Fauji Oil Terminal & Distribution Company Limited		
Issue of 891,727 units (2013: 993,397 units)	90,000,000	100,000,000
Redemption of 1,491,380 units (2013: 545,296 units)	150,000,000	55,000,000
Issue of 164,422 bonus units (2013: 220,386 units)	16,541,960	22,118,430
Fauji Kabirwala Power Company Limited		
Issue of 39,435,164 units (2013: 1,940 units)	3,976,640,150	195,362
Redemption of 38,838,761 units (2013: 2,191,076 units)	3,912,000,000	220,590,430
Issue of 371,567 bonus units (2013: 38,748 units)	37,387,838	3,887,688
Pakistan Petroleum Limited		
Issue of 1,982,461 units (2013: nil units)	200,000,000	-
Redemption of 1,251,933 units (2013: 3,980,664 units)	126,000,000	400,000,000
Issue of 447,300 bonus units (2013: 615,780 units)	45,004,088	61,803,241
Key Management Personnel		
Issue of 25,507 units (2013: 77,853 units)	2,573,408	7,844,462
Redemption of 22,025 units (2013: 70,879 units)	2,223,472	7,135,872
Issue of bonus units 196 (2013: 1,206 units)	19,709	121,030
19.2 Amounts / balances outstanding as at year end		
Askari Investment Management Limited - Management Company		
Remuneration payable	578,359	4,044,282
Sindh sales tax payable to management company	1,668,208	708,479
Federal Excise Duty on Management Company's Remuneration	9,847,803	383,704
Outstanding 12,485 units (2013: 121 units)	1,255,443	12,175
Askari Bank Limited - Holding company of the Management Company		
Balances with banks	29,199,714	130,762,414
Profit receivable on bank deposits	860,112	95,683
Outstanding units 1,156,198 units (2013: nil units)	116,268,423	-
Askari General Insurance Company Limited - Group Company		
Outstanding units nil (2013: 572,911 units)	-	57,644,357
Askari Bank Limited - Employees Provident Fund		
Outstanding units 363,667 (2013: 336,395 units)	36,570,785	33,846,921
Askari Securities Limited		
Outstanding units nil (2013: 38,886 units)	-	3,912,578
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	370,210	413,339
Habib Metropolitan Bank Limited		
Outstanding units 4,322,563 (2013: 4,895,923 units)	434,681,291	492,792,699
Profit Receivable	339,967	153,101
Bank balance	14,860,173	29,818,638
Fauji Fertilizer Bin Qasim Limited *		
Outstanding units 5,132,225 (2013: nil units)	516,188,320	-
Fauji Oil Terminal & Distribution Company Limited		
Outstanding units 2,175,378 (2013: 2,610,609 units)	218,758,249	262,670,602
Fauji Kabirwala Power Company Limited		
Outstanding units 968,032 (2013: 62 units)	97,346,187	6,238

*These units are pledged in favour of Askari Bank Limited - Holding company of the Management Company, which is also the connected person of the Fund.

Pakistan Petroleum Limited

Outstanding 5,306,744 units (2013: 4,128,916 units)

Key Management Personnel *

Outstanding units 5,265 (2013: 13,349 units)

2014	2013
----- (Rupees) -----	
533,651,561	415,590,724
529,582	1,343,131

The outstanding units represent balances pertaining to staff members who are considered key management personnel as at the close of the year.

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 in marketable securities by following internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises three types of risks: currency risk, yield / 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 Yield / Interest rate risk

Yield / 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, 2014, 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 of Pakistan on June 30, 2014, with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 3,746,179 (2013: Rs 2,135,835). In case of 100 basis points decrease in rates announced by Financial Markets Association on June 30, 2014, with all other variables held constant, the net income for the year and net assets would have been higher by Rs. 3,743,272 (2013: Rs. 2,015,181).

The composition of the Fund's investment portfolio and rates announced by Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2014 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, 2014 can be determined from the following:

----- As at June 30, 2014 -----					
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					
Cash and bank balances	6.00% to 9.00%	46,117,542	-	-	46,117,542
Investments	9.93% to 9.88%	2,962,947,944	-	-	2,962,947,944
Term deposits	9.75% to 10.50%	1,150,000,000	-	-	1,150,000,000
Accrued profit and other receivables	-	-	-	8,952,231	8,952,231
		4,159,065,486	-	8,952,231	4,168,017,717
Financial liabilities					
Payable to Askari Investment Management Limited	-	-	-	12,094,370	12,094,370
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	-	-	370,210	370,210
Payable against redemption of units	-	-	-	27,984	27,984
Accrued expenses and other liabilities	-	-	-	1,103,324	1,103,324
		-	-	13,595,888	13,595,888
		4,159,065,486	-	(4,643,657)	4,154,421,829
On-balance sheet gap					
		-	-	-	-
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap					
		-	-	-	-
Total interest rate sensitivity gap					
		4,159,065,486	-	(4,643,657)	4,154,421,829
Cumulative interest rate sensitivity gap					
		4,159,065,486	4,159,065,486	4,159,065,486	

----- 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					
Cash and bank balances	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	9.75% to 9.90%	1,200,000,000	-	-	1,200,000,000
Accrued profit and other receivables	-	-	-	17,222,421	17,222,421
		4,811,705,900	-	17,222,421	4,828,928,321
Financial liabilities					
Payable to Askari Investment Management Limited	-	-	-	5,136,465	5,136,465
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	-	-	413,339	413,339
Payable against redemption of units	-	-	-	408,087	408,087
Accrued expenses and other liabilities	-	-	-	249,708,515	249,708,515
		-	-	255,666,406	255,666,406
		4,811,705,900	-	(238,443,985)	4,573,261,915
On-balance sheet gap					
		-	-	-	-
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap					
		-	-	-	-
Total interest rate sensitivity gap					
		4,811,705,900	-	(238,443,985)	4,573,261,915
Cumulative interest rate sensitivity gap					
		4,811,705,900	4,811,705,900	4,811,705,900	

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 quoted debt securities are held by the Fund as on June 30, 2014.

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 investments in 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, 2014, the Fund's balance in term deposit receipts and balances placed with banks and Financial Institutions having following short term credit ratings:

Balances with banks by rating category	Rating Agency	2014	
		Amount	Percentage
A1+	PACRA	45,917,445	99.88%
A-1+	JCR-VIS	56,821	0.12%
		<u>45,974,266</u>	<u>100.00%</u>
Term Deposit Receipts by rating category			
A1+	PACRA	<u>1,150,000,000</u>	<u>100.00%</u>

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, 2014 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 daily cash redemptions at the option of the unit holders. 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. However, no borrowing was obtained by the Fund during the current year.

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

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

Financial liabilities

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

As at June 30, 2014			
Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees -----			
12,094,370	-	-	12,094,370
370,210	-	-	370,210
27,984	-	-	27,984
1,103,324	-	-	1,103,324
13,595,888	-	-	13,595,888

Financial liabilities

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

As at June 30, 2013			
Up to three months	More than three months and upto one year	More than one year	Total
----- Rupees -----			
5,136,465	-	-	5,136,465
413,339	-	-	413,339
408,087	-	-	408,087
249,708,515	-	-	249,708,515
255,666,406	-	-	255,666,406

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. 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; and
- 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. The Fund has maintained and complied with the requirements of minimum fund size throughout the year.
- 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 reporting date. The estimated fair value of all other financial assets and liabilities is not to be considered significantly different from carrying values as the items are either short term in nature or are periodically repriced.

International Financial Reporting Standard 7, 'Financial Instruments: Disclosures' 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, 2014 -----				
	Level 1	Level 2	Level 3	Total
----- (Rupees) -----				
Investment in government securities - at fair value through profit or loss	-	2,962,947,944	-	2,962,947,944
----- 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

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. Amer Maqbool	Chairman	MBA	21
2	Mr. Basharat Ullah	Chief Operating / Investment Officer	MBA	21
3	S. Adeel Shahid	Chief Financial Officer-(acting)	CA(Finalist)	12
4	Mr. Shahbaz Ashraf	Head of Research	CFA	6.5
5	Mr. Mustafa Kamal	Fund Manager	MBA	11

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

24 TRANSACTIONS WITH TOP TEN BROKERS / DEALERS

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

	2014
1 Invest Capital Markets Limited	18.77%
2 Global Securities Pakistan Limited	17.43%
3 JS Global Capital Limited	12.36%
4 Invest One Markets (Private) Limited	11.09%
5 KASB Securities Limited	6.79%
6 Pearl Securities Limited	5.49%
7 Icon Securities (Private) Limited	5.45%
8 Vector Capital Management (Private) Limited	5.33%
9 Invest & Finance Securities Limited	5.00%
10 C&M Management (Private) Limited	3.82%

	2013
1 Global Securities Pakistan Limited	21.52%
2 Invest Capital Markets Limited	12.92%
3 Invest One Markets (Private) 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%

25 PATTERN OF UNIT HOLDINGS

----- As at June 30, 2014 -----				
Category	Number of unit holders	Number of units held	Investment amount	Percentage of total investment
(Rupees)				
Individuals	312	2,710,040	272,570,132	6.66%
Associated companies and Directors	6	9,444,318	949,889,671	23.21%
Public Limited Companies	7	10,047,537	1,010,560,172	24.69%
Insurance Companies	5	6,956,194	699,639,385	17.09%
Banks and DFIs	3	6,391,019	642,795,270	15.70%
Retirement funds	14	550,664	55,384,629	1.35%
Others	33	4,596,259	462,281,073	11.29%
	380	40,696,031	4,093,120,332	100.00%

----- As at June 30, 2013 -----				
Category	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 and directors	9	3,569,950	359,196,311	7.94%
Insurance companies	5	3,404,302	342,529,369	7.57%
Banks and 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%

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

The 50th, 51st, 52nd, 53rd, 54th and 55th Board meetings were held on July 05, 2013, July 30, 2013, August 30, 2013, October 10, 2013, February 06, 2014 and April 17, 2014 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Meeting held on					
	July 5, 2013	July 30, 2013	August 30, 2013	October 10, 2013	February 6, 2014	April 17, 2014
Lt Gen (R) Muhammad Mustafa	N/A	N/A	N/A	N/A	P	P
Mr. Farrukh Iqbal Khan	N/A	P	P	P	P	P
Mr. Khurshid Zafar	N/A	P	P	P	P	P
Mr. Shahid Hafeez Azmi	P	P	P	P	P	P
Syed Majeedullah Husaini	N/A	P	P	P	P	P
Amer Maqbool	N/A	N/A	N/A	N/A	P	P
Maj. Gen (R) Mukhtar Ahmed	P	N/A	N/A	N/A	N/A	N/A
Lt Gen (R) Tahir Mehmood	P	N/A	N/A	N/A	N/A	N/A
Mr. Sufian Mazhar	P	L	L*	L*	N/A	N/A
Mr. Adnan Siddiqui	P	P	N/A	N/A	N/A	N/A
Mr. Basharat Ullah	N/A	N/A	P	P	N/A	N/A

P Present
 L Leave of absence
 L* Without Leave of absence
 N/A Not serving as director on the date of meeting

27 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in the meeting held on July 4, 2014 have approved a final distribution of Rs 0.0563 per unit for the year ended June 30, 2014 (2013: Rs 0.0950 per unit). The financial statements of the Fund for the year ended June 30, 2014 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, 2015.

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 22, 2014** by the Board of Directors of the Management Company.

30 GENERAL

Figures have been rounded off to the nearest rupee.

For Askari Investment Management Limited
(Management Company)



Chief Executive Officer



Director



Invest with Aim!

Askari Investment Management Ltd.

Head Office: 20-C, Khayaban-e-Nishat, Ittehad Commercial Area, DHA Phase VI, Karachi. UAN: (021) 111-246-111 Fax: (021) 35250155

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