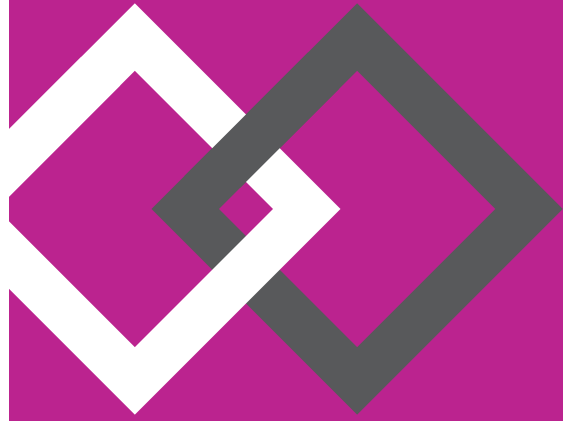


## ANNUAL REPORT 2014



**askari** Islamic Income Fund



# Vision

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

“Service to the Customer”

Askari Investment Management Limited

Good people ■ Sound advice ■ Great returns

# Contents

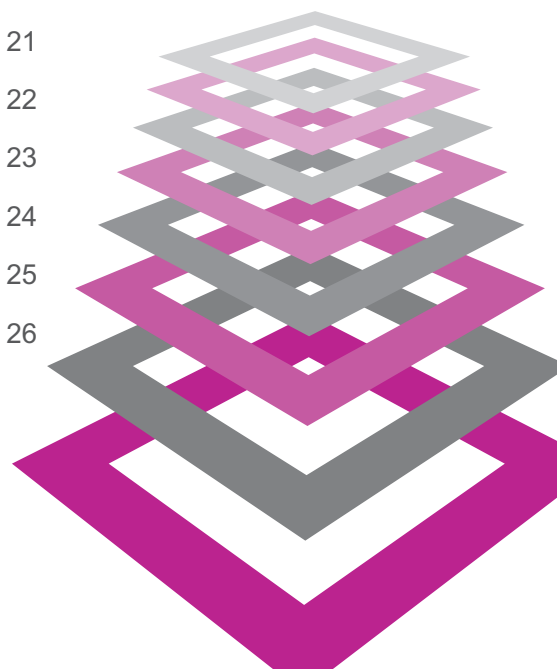
ANNUAL REPORT 2014

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## **askari Islamic Asset Allocation Fund**

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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 (Islamic Banking)
- Dubai Islamic Bank Limited
- Bank Islami Pakistan Ltd.
- UBL Ameen
- Meezan Bank Limited
- Bank Alfalah Limited (Islamic Banking)
- Burj Bank Limited
- Silk Bank Limited (Islamic Banking)
- Habib Bank Limited (Islamic Banking)

### Trustee

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

### Auditors

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

### Legal Advisors

- **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

### Shariah Advisor

- Dr. Muhammad Tahir Mansoori

# Directors' Report



## DIRECTORS' REPORT TO THE UNIT HOLDERS

On behalf of the Board of Directors of Askari Investment Management Limited ("Management Company" or "the Company"), we are pleased to present the annual report of Askari Islamic Asset Allocation Fund ("AIAAF" or "the Fund") along with the Audited Financial Statements and Auditors' report thereon 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%.

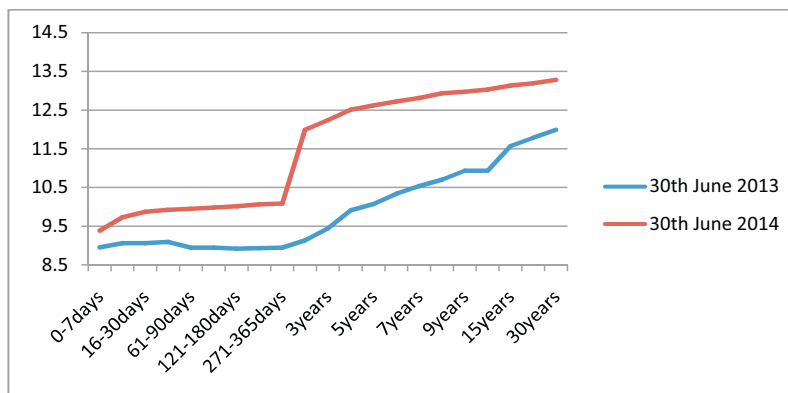
The current account balance for FY14 recorded a deficit of USD 2.9bn (or -1.2% of GDP) compared to USD 2.5bn (-1.1% of GDP) last year. The relatively higher deficit figure came mainly from 70% rise in services deficit which stood at USD 2.6bn for the year. Services deficit increased primarily on account 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.



### Equity Market Review

The KSE-100 Index gave a strong performance of 41% return to close the year at 29,652 during FY14. Following the general elections and establishment of business friendly PMLN strong government in Islamabad in May 2013; economic recovery, improved corporate results (earnings growth of ~16%) and mostly significantly strong inflows from foreign investors had led to booming stock prices during the year. Average volumes for the year picked up to 146mn shares as compared 125mn shares during FY13. Foreign investors were net buyers amounting to USD 253mn during the year despite outflow of USD 144mn from KAPCO transaction in Jul-13. This is attributable to Pakistan's equity market discount to regional peers coupled with increase in Pakistan's weight in MSCI Frontier Market Index 7.39% from 4.16% earlier.

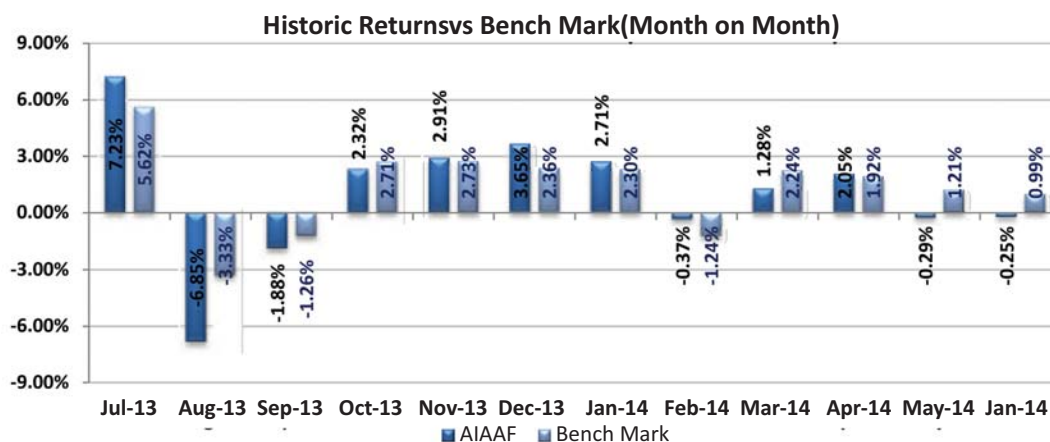
Amongst the major sectors Auto Assemblers, Construction & Materials and Banks, remained the top performing sectors during FY14, whereas oil & gas were the major underperformers on the news of SPO of both OGDC and PPL. Auto sector, remained upbeat, on the back of improving fundamentals, Punjab Government unveiled a new taxi scheme coupled with the optimism of INDU unveiling its new Corolla model. On individual basis, MCB and LUCK contributed 758 (9%) and LUCK 522(6%) points to the overall index performance followed by OGDC and UBL contributing 502 (5%) and 471 (5%) points. Amongst the laggards Nishat Chunian and Efoods topped the list.

Internationally during FY14, global equity delivered positive results, with MSCI Frontier Market Index giving a return of 31%, MSCI Emerging Market Index gaining 12% and S&P 500 index gaining 22%, respectively.

### Performance of the Fund

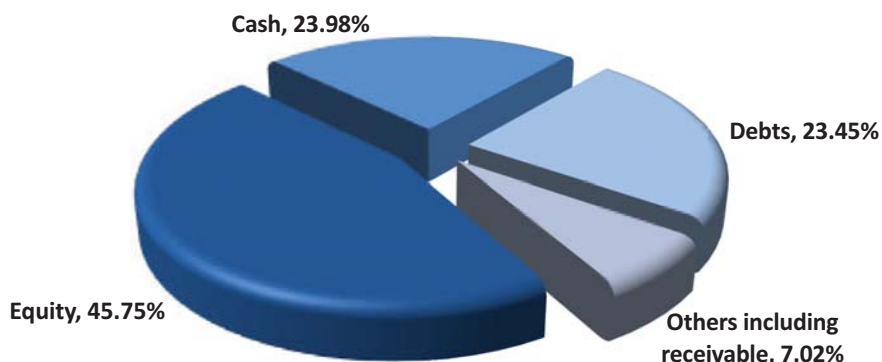
During FY14 AIAAF gave a return of 12.53% compared to benchmark return of 17.21%, underperforming the benchmark by 4.68%. In 4QFY14, the fund gave a return of 1.51% against the benchmark return of 4.17%.

The net assets of the fund stood at PKR 103 million at June '14 against PKR 181 million witnessed in June'13. The fund size decreased owing to redemption of PKR 60mn seen in the month of March 2014. During the year equities remained the major asset class with average allocation of 46% against 52% during last year. By June end, construction & materials and oil & gas sector were the top holding sectors at 18.69% and 9.59% respectively. Moreover, during the year exposure in debt instruments stood on average at 23% similar to the previous year level. Lastly, on average 24% of the funds were invested as cash with Islamic banks/ Islamic banking windows of conventional banks offering a yield of around 8%.





### Average Asset Allocation(12 month ending June-14)



#### Details required by the Code of Corporate Governance:

AIAAF was listed on the Islamabad Stock Exchange (Guarantee) Ltd on October 13, 2009 after its public 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

#### Associated companies, undertakings and related parties

Askari Bank Limited

#### Mutual Fund

#### Directors and their spouse and minor children

#### Executives

#### Public sector companies and corporations

#### Banks, DFIs, NBFCs, Insurance companies, Takafuls,

#### Modrabas and Pension funds

#### Shareholders holding five percent or more voting rights

Burj Bank Limited Employees Contribution Provident Fund

#### Others

Unit holding	Percentage of Unit holding
583,266	61.70%
-	-
-	-
1,533	0.16%
6,888	0.73%
13,867	1.47%
172,944	18.30%
166,766	17.64%
945,264	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, Company Secretary and their spouses and minor children.

Meetings of the Board of Directors were held once in every quarter. During the year six board meetings were held. Detail of Attendance at these meetings is disclosed in the Financial Statements.

Key operating and financial data of the Fund for prior years since inception is as follows:

	Jun-14	Jun-13	Jun-12	Jun-11	Jun-10
	Rupees				
Net Assets as June 30 <sup>th</sup>	103,503,207	181,036,122	129,399,419	124,487,504	112,897,341
Net Asset Value per unit as of June 30 <sup>th</sup>	109.4966	132.3074	111.0302	111.8516	103.0238
Net Income for the Year / period	12,005,556	42,863,691	12,118,420	13,109,588	12,897,340
Distribution during the period*	46,157,202	11,512,486	12,454,025	3,232,720	9,583,729

\*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 0.3848 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 Islamic Asset Allocation Fund. Additionally we would like to thank Askari Bank Limited, the Securities and Exchange Commission of Pakistan, the Trustee of the Fund and the Stock Exchange for their continued guidance and support.

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



**Chief Executive Officer**  
August 22, 2014  
Karachi

# Fund Manager's Report



## FUND MANAGER'S REPORT

Askari Islamic Asset Allocation Fund (AIAAF) is an open end Islamic asset-allocation fund. The objective of the Fund is to provide investors a unique AIM based shariah compliant Investment solution focused on a total return based philosophy. The Fund AIMS to provide "Risk Free + 3% (CAGR)" returns on rolling period of two years, targeting to capitalize on opportunities available in equity and debt markets based on in-house research and proprietary investment techniques.

### 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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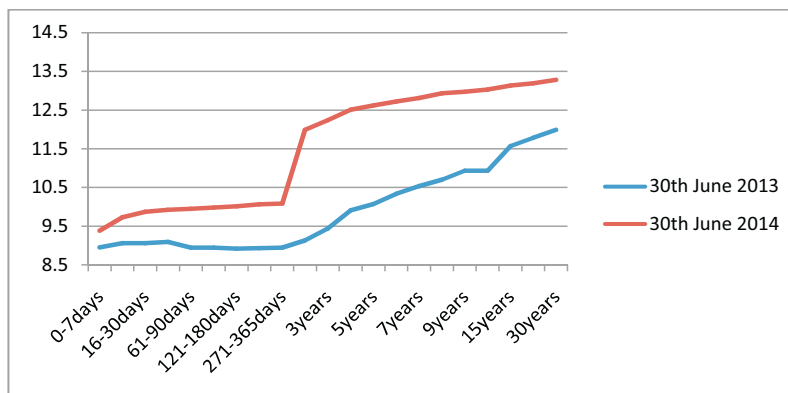
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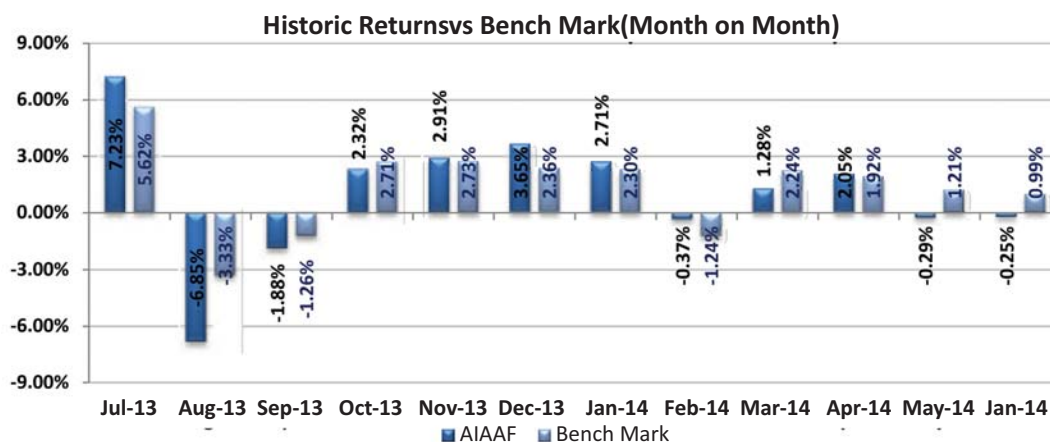
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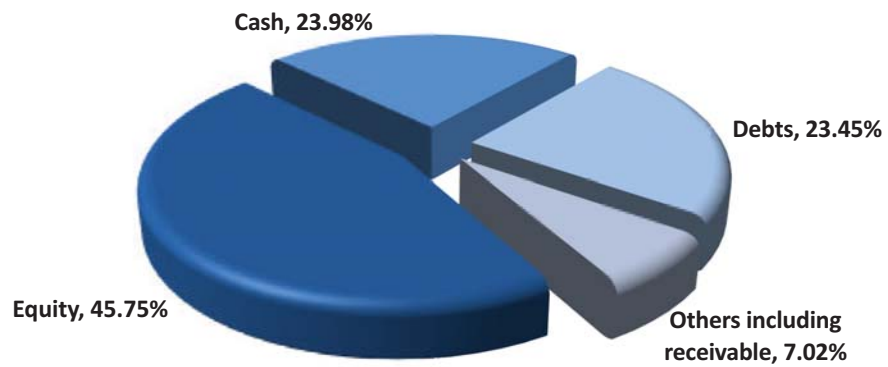
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**Average Asset Allocation(12 month ending June-14)**



## MCB FINANCIAL SERVICES LIMITED

### REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

#### ASKARI ISLAMIC ASSET ALLOCATION FUND

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

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

- I. Askari Investment Management Limited, the Management Company of Askari Islamic Asset Allocation Fund, has in all material respects, managed Askari Islamic Asset Allocation Fund during the year ended June 30, 2014 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: September 26, 2014

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





**A. F. FERGUSON & CO.**

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

We have performed an independent assurance engagement of **Askari Islamic Asset Allocation Fund** (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2014. Our engagement was carried out as required under clause 6.3 of the Trust Deed of the Fund.

#### **Management Company's responsibility**

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

#### **Responsibility of independent assurance provider**


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

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

- check compliance of the specific guidelines relating to charity, maintaining bank accounts and for making investments of the Fund; and
- check that the Shariah Advisor has certified that the operations of the Fund, investments and placements made by the Fund during the year ended June 30, 2014 are in compliance with the Shariah Principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

#### **Conclusion**

In our opinion, the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended June 30, 2014.

  
Chartered Accountants  
Dated: October 1, 2014  
Karachi

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

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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 SHARIAH PRINCIPLES

Askari Islamic Asset Allocation Fund (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its operations, investments and placements made during the year ended June 30, 2014. This has been duly confirmed by the Shariah Advisor of the Fund.

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



**Amer Maqbool**

Dated: September 15, 2014  
Karachi

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



أكاديمية الشريعة  
الجامعة الإسلامية العالمية بإسلام آباد  
باكستان

**Director General**

### **REPORT OF THE SHARIAH ADVISOR ASKARI ISLAMIC ASSET ALLOCATION FUND**

*Alhamdulillah*, Askari Islamic Asset Allocation Fund (AIAAF or the "Fund") has successfully completed its Fifth year operations for the period from July 01, 2013 to June 30, 2014 and I thank ALLAH Almighty on this occasion. In the capacity of being the Shariah Advisor of AIAAF, I am issuing this report in accordance with clause 6.2(c)(v) of the Trust Deed of AIAAF. The scope of this report is to express an opinion on the Shariah compliance of Fund's activities.

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

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

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

In light of the above, I hereby certify that operations of AIAAF and its investments & placements for the period ended June 30, 2014 have been in compliance with Shariah principles.

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

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

**September 01, 2014**  
Islamabad

*P.o. Box 1243, Telephone, 9260241, Fax: 9261383, E-mail: [drmansoori55@yahoo.com](mailto:drmansoori55@yahoo.com)*



**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 Islamic Asset Allocation** (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.

*A. F. Ferguson & Co.*  
Chartered Accountants  
Karachi  
Dated: October 1, 2014

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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## 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 Islamic Asset Allocation Fund ("the Fund") to comply with the Code of Corporate Governance contained in Regulation no. 35 of Listing Regulations of Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent 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 NBFIs 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 with in 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**  
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 Islamic Asset Allocation 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.

*Salman Hussain*  
Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: October 1, 2014

Karachi

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# Financial Statements





**ASKARI ISLAMIC ASSET ALLOCATION FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2014**

**ASSETS**

Cash and bank balances  
Investments  
Receivable against sale of investments  
Advances, deposits, prepayment and other receivables  
Preliminary expenses and floatation costs

**Total assets**

**LIABILITIES**

Payable to Askari Investment Management Limited - Management Company  
Payable to MCB Financial Services Limited - Trustee  
Payable to the Securities and Exchange Commission of Pakistan  
Accrued expenses and other liabilities

**Total liabilities**

**NET ASSETS**

**UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)**

**CONTINGENCIES AND COMMITMENTS**

**NUMBER OF UNITS IN ISSUE**

**NET ASSET VALUE PER UNIT**

Note	2014	2013
	----- Rupees -----	
4	11,222,601	58,351,105
5	91,528,114	120,439,675
	2,812,796	2,047,423
6	4,954,361	3,140,838
7	-	272,590
	110,517,872	184,251,631
8	867,309	565,393
9	57,535	57,534
10	134,252	133,835
11	5,955,569	2,458,747
	7,014,665	3,215,509
	103,503,207	181,036,122
	103,503,207	181,036,122
12		
	----- Number of units -----	
	945,264	1,368,299
	----- Rupees -----	
3.7	109.4966	132.3074

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

For Askari Investment Management Limited  
(Management Company)

  
Chief Executive Officer

  
Director

**ASKARI ISLAMIC ASSET ALLOCATION FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014	2013
		Rupees	
<b>Income</b>			
Profit on bank deposits		2,418,072	1,546,719
Income from government securities		2,402,791	3,305,093
Income on debt securities		857,357	596,362
Dividend income		3,903,442	4,943,275
Capital gain on sale of investments - net		10,922,876	20,156,170
Unrealised appreciation on remeasurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.1, 5.2 & 5.3	6,205,085	15,992,464
<b>Total income</b>		<b>26,709,623</b>	<b>46,540,083</b>
<b>Expenses</b>			
Remuneration of Askari Investment Management Limited - Management Company	8.1	4,225,323	4,238,355
Federal Excise Duty on Management Company's remuneration	8.2	676,052	42,984
Sindh sales tax on Management Company's remuneration	8.3	784,220	684,823
Remuneration of MCB Financial Services Limited - Trustee	9	700,000	700,000
Annual fee to the Securities and Exchange Commission of Pakistan	10	134,252	133,835
Auditors' remuneration	13	503,217	518,059
Fees and subscription		139,002	120,000
Amortisation of preliminary expenses and floatation costs	7	272,590	219,795
Legal and professional charges		690,000	50,000
Securities transaction costs		396,262	326,691
Settlement and bank charges		278,887	217,156
Printing charges		120,001	137,672
Charity expense		124,325	101,175
<b>Total expenses</b>		<b>9,044,131</b>	<b>7,490,545</b>
<b>Net income from operating activities</b>		<b>17,665,492</b>	<b>39,049,538</b>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net		(5,414,925)	4,688,922
Provision for Workers' Welfare Fund	11.2	(245,011)	(874,769)
<b>Net income for the year before taxation</b>		<b>12,005,556</b>	<b>42,863,691</b>
Taxation	14	-	-
<b>Net income for the year after taxation</b>		<b>12,005,556</b>	<b>42,863,691</b>
<b>Earnings per unit</b>	15		

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

For Askari Investment Management Limited  
(Management Company)



Chief Executive Officer



Director

**ASKARI ISLAMIC ASSET ALLOCATION 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	
12,005,556	42,863,691
-	-
<u>12,005,556</u>	<u>42,863,691</u>

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

For Askari Investment Management Limited  
 (Management Company)



Chief Executive Officer



Director

**ASKARI ISLAMIC ASSET ALLOCATION FUND**  
**DISTRIBUTION STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Undistributed income brought forward**

Realised income  
 Unrealised income / (loss)

Net income for the year after taxation

Final distribution of Rs 29.7599 per unit on July 5, 2013 for the year ended  
 June 30, 2013 (2013: Rs 9.8782 per unit declared on July 6, 2012)

- Cash distribution  
 - Issue of bonus units

Interim distribution of Rs 5.8664 per unit on June 27, 2014 for the year ended  
 June 30, 2014

- Cash distribution  
 - Issue of bonus units

**Undistributed income carried forward**

**Undistributed income carried forward comprising:**

Realised income  
 Unrealised income

2014	2013
Rupees	
28,213,615	15,792,712
15,992,464	(2,937,838)
44,206,079	12,854,874
12,005,556	42,863,691
(32,613,524)	(10,825,403)
(8,106,924)	(687,083)
(40,720,448)	(11,512,486)
(3,421,970)	-
(2,014,784)	-
(5,436,754)	-
10,054,433	44,206,079
3,849,348	28,213,615
6,205,085	15,992,464
10,054,433	44,206,079

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

For Askari Investment Management Limited  
 (Management Company)

  
 Chief Executive

  
 Director

**ASKARI ISLAMIC ASSET ALLOCATION FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	2014	2013
	Rupees	
<b>Net assets at the beginning of the year</b>	181,036,122	129,399,419
Issue of 175,048 units (2013: 245,795 units)	19,464,609	30,075,747
Redemption of 695,641 units (2013: 49,732 units)	(78,382,511)	(5,788,410)
Issue of 97,558 bonus units (2013: 6,793 units)	10,121,708	687,083
	(48,796,194)	24,974,420
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net	5,414,925	(4,688,922)
Capital gain on sale of investments - net	10,922,876	20,156,170
Unrealised appreciation on remeasurement of investments classified as 'financial assets at fair value through profit or loss' - net	6,205,085	15,992,464
Other income (net of expenses) for the year	(5,122,405)	6,715,057
	12,005,556	42,863,691
Final distribution of Rs 29.7599 per unit on July 5, 2013 for the year ended June 30, 2013 (2013: Rs 9.8782 per unit declared on July 6, 2012)		
- Cash distribution	(32,613,524)	(10,825,403)
- Issue of bonus units	(8,106,924)	(687,083)
	(40,720,448)	(11,512,486)
Interim distribution of Rs 5.8664 per unit on June 27, 2014 for the year ended June 30, 2014		
- Cash distribution	(3,421,970)	-
- Issue of bonus units	(2,014,784)	-
	(5,436,754)	-
<b>Net assets at the end of the year</b>	<b>103,503,207</b>	<b>181,036,122</b>
<b>Net asset value per unit at the beginning of the year</b>	<b>132.3074</b>	<b>111.0302</b>
<b>Net asset value per unit at the end of the year</b>	<b>109.4966</b>	<b>132.3074</b>

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

For Askari Investment Management Limited  
(Management Company)

  
Chief Executive

  
Director

**ASKARI ISLAMIC ASSET ALLOCATION FUND**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Note	2014	2013
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	12,005,556	42,863,691
<b>Adjustments for:</b>		
Unrealised appreciation on remeasurement of investments classified as 'financial assets at fair value through profit or loss' - net	(6,205,085)	(15,992,464)
Amortisation of preliminary expenses and floatation costs	272,590	219,795
Provision for Workers' Welfare Fund	245,011	874,769
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net	5,414,925	(4,688,922)
	(272,559)	(19,586,822)
<b>Decrease / (increase) in assets</b>		
Investments - net	35,116,646	8,576,817
Receivable against sale of investments	(765,373)	(2,037,303)
Advances, deposits, prepayment and other receivables	(1,813,523)	894,085
	32,537,750	7,433,599
<b>(Decrease) / increase in liabilities</b>		
Payable to Askari Investment Management Limited - Management Company	301,916	182,653
Payable to MCB Financial Services Limited - Trustee	1	157
Payable to the Securities and Exchange Commission of Pakistan	417	17,482
Accrued expenses and other liabilities	(170,159)	(144,562)
	132,175	55,730
<b>Net cash generated from operating activities</b>	44,402,922	30,766,198
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	19,464,609	30,075,747
Payments against redemption of units	(78,382,511)	(5,788,410)
Cash distribution made	(32,613,524)	(10,825,403)
<b>Net cash (used in) / generated from financing activities</b>	(91,531,426)	13,461,934
<b>Net (decrease) / increase in cash and cash equivalents</b>	(47,128,504)	44,228,132
Cash and cash equivalents at the beginning of the year	58,351,105	14,122,973
<b>Cash and cash equivalents at the end of the year</b>	11,222,601	58,351,105

3.1

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

For Askari Investment Management Limited  
(Management Company)

  
Chief Executive

  
Director

**ASKARI ISLAMIC ASSET ALLOCATION 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 Islamic Asset Allocation 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 MCB Financial Services Limited as the Trustee on August 26, 2008. The Fund was registered by the Securities and Exchange Commission of Pakistan (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 NBFC Rules through a certificate of registration issued by the Securities and Exchange Commission of Pakistan (SECP). The registered office and the 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 an 'shariah compliant islamic asset allocation scheme' by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 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.

As stated in the offering document, the Fund shall invest in shariah compliant securities such as equity and debt securities, placements under Mudaraba, Murabaha and Musharaka arrangements, government securities and other shariah compliant instruments including shariah compliant securities available outside Pakistan as approved by the Shariah Advisor and the SECP from time to time.

The Pakistan Credit Rating Agency Limited (PACRA) has maintained an asset manager rating of 'AM3+' to the Management Company. The rating, announced on April 17, 2014, 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 also assigned a (short-term) performance rating of "4 - Star" to the Fund on November 28, 2013.

Title to the assets of the Fund is held in the name of MCB Financial Services Limited as the Trustee of the Fund.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (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 the directives issued by the SECP differ with the requirements of the 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 current accounting year:

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:



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

**Standard, interpretation or amendment**

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 01, 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.

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

**Standard**

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 conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgement in the application of the Fund's accounting policies. The estimates, judgements and associated assumptions are based on historical experience (including expectation of future events) and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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

## 2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments have been carried at fair values in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

## 2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani 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 applied consistently to all the years presented unless otherwise stated.

### 3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Assets and Liabilities at cost. These 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 management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are categorised as follows:

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

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

#### b) Loans and receivables

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

#### c) Available-for-sale financial assets

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

### 3.2.2 Regular way contracts

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

### 3.2.3 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These 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 values and transaction costs associated with these financial assets are taken directly to the Income Statement.

### 3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows :

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

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 investments of the Fund in debt securities are 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 vide its various circulars issued from time to time. 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 circulars also specify 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 equity securities

The investments of the Fund in equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

##### - Basis of valuation of government securities

The investments of the Fund in ijara sukuks issued by the Government of Pakistan (GoP ijara sukuks) are valued on the basis of latest weighted average Reuter's rate.

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

Net gains and losses arising from changes in fair value of 'available-for-sale financial assets' are taken to the Statement of Comprehensive Income' as 'other comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to the Income Statement as capital gain / (loss).

#### **b) Loans and receivables**

These are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement through the amortisation process or when financial assets carried at amortised cost are derecognised or impaired.

### **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. For available-for-sale financial assets, 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 Statement of Comprehensive Income to the Income Statement.

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.

Provision against non-performing debt securities is made in accordance with the provisioning criteria for non-performing debt securities specified by the SECP. As allowed by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circulars, in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company.

### **3.2.6 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the 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 values and subsequent to initial measurement, each derivative instrument is re-measured to its fair value and the resultant gain or loss is recognised in the Income Statement.

### **3.3 Financial liabilities**

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value or 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 have been 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 Non-Banking Finance Companies and Notified Entities Regulations, 2008

### 3.6 Provisions

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

### 3.7 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 year end.

### 3.8 Taxation

#### Current

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

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

#### Deferred

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

### 3.9 Proposed distributions

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

### 3.10 Issue and redemption of units

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

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

### 3.11 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 year:

- net assets value of the Fund would have been higher by Rs 21,553 (Re 0.0228 per unit);
- provision maintained with respect to Workers' Welfare Fund as at June 30, 2014 would have been lower by Rs 21,553; and
- profit for the year after taxation would have been lower by Rs 1,056,105. However, as noted above, the Unit Holders' Fund would have been higher by only Rs 21,553.

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.

### 3.12 Revenue recognition

- Profit on bank deposits and income from debt and government securities is recognised on an accrual basis.
- Dividend income is recognised when the right to receive dividend is established.
- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains/ (losses) on remeasurement of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which these arise.

### 3.13 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised in the Income Statement on an accrual basis.

### 3.14 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

## 4 CASH AND BANK BALANCES

In savings accounts  
Pay orders in hand

Note	2014	2013
	Rupees	
4.1	10,340,243	58,351,105
	882,358	-
	<u>11,222,601</u>	<u>58,351,105</u>

- 4.1 These carry profit at the rates ranging between 3.50% and 9.25% (2013: 3.50% and 9.25%) per annum and include an aggregate amount of Rs 1,358 (2013: Rs 610,149) maintained with Askari Bank Limited, a connected person, which carries profit at the rate of 6.00% per annum (2013: 5.00% per annum).

## 5 INVESTMENTS

At fair value through profit or loss - held for trading

- Listed equity securities
- Government securities
- Listed debt securities

Note	2014	2013
	Rupees	
5.1	45,618,114	95,387,175
5.2	25,320,000	25,052,500
5.3	20,590,000	-
	<u>91,528,114</u>	<u>120,439,675</u>

### 5.1 Investments in listed equity securities - 'at fair value through profit or loss'

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

Name of the Investee Company	As at July 01, 2013	Purchases during the year	Bonus / right issues during the year	Sales during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments	Paid-up value of shares held as a percentage of total paid- up capital of the Investee
	----- Number of shares -----					----- Rupees -----					
OIL AND GAS											
National Refinery Limited	-	44,000	-	44,000	-	-	-	-	-	-	-
Oil and Gas Development Company Limited	-	5,000	-	-	5,000	1,292,350	1,306,400	14,050	1.26%	1.43%	0.00%
Pakistan Oilfields Limited	42,700	18,800	-	42,940	18,560	9,204,812	10,659,008	1,454,196	10.30%	11.65%	0.01%
Pakistan Petroleum Limited	59,000	68,500	6,900	130,300	4,100	841,232	919,794	78,562	0.89%	1.00%	0.00%
Pakistan State Oil Company Limited	37,700	110,400	597	128,725	19,972	8,142,150	7,766,112	(376,038)	7.50%	8.48%	0.01%
						19,480,544	20,651,314	1,170,770	19.95%	22.56%	
CHEMICALS											
Lotte Pakistan PTA Limited	-	100,000	-	-	100,000	767,860	719,000	(48,860)	0.69%	0.79%	0.01%
						767,860	719,000	(48,860)	0.69%	0.79%	
CONSTRUCTION AND MATERIALS (CEMENT)											
Attock Cement Limited	52,500	-	-	52,500	-	-	-	-	-	-	-
Cherat Cement Company Limited	165,000	60,000	-	225,000	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited	151,000	149,500	-	241,000	59,500	4,754,667	5,233,620	478,953	5.06%	5.72%	0.01%
Lafarge Pakistan Cement Limited	-	975,000	-	850,000	125,000	1,834,190	1,997,500	163,310	1.93%	2.18%	0.01%
Lucky Cement Limited	34,697	31,500	-	58,000	8,197	1,867,975	3,363,232	1,495,257	3.25%	3.67%	0.00%
Maple Leaf Cement Factory Limited	-	150,000	-	150,000	-	-	-	-	-	-	-
						8,456,832	10,594,352	2,137,520	10.24%	11.57%	
GENERAL INDUSTRIALS											
Packages Limited	-	1,400	-	-	1,400	322,000	702,198	380,198	0.68%	0.77%	0.00%
						322,000	702,198	380,198	0.68%	0.77%	
FOOD PRODUCERS											
Engro Foods Limited	-	65,500	-	65,500	-	-	-	-	-	-	-
						-	-	-	-	-	
PERSONAL GOODS (TEXTILE)											
Nishat Mills Limited	106,000	168,500	-	202,500	72,000	7,904,216	8,058,240	154,024	7.79%	8.80%	0.02%
						7,904,216	8,058,240	154,024	7.79%	8.80%	
TECHNOLOGY HARDWARE AND EQUIPMENT											
Avanceon Limited	-	198,000	6,150	104,150	100,000	1,333,333	2,428,000	1,094,667	2.35%	2.65%	0.09%
						1,333,333	2,428,000	1,094,667	2.35%	2.65%	
HOUSEHOLD GOODS											
Tariq Glass Industries Limited	143,500	35,000	-	178,500	-	-	-	-	-	-	-
						-	-	-	-	-	
AUTOMOBILE AND PARTS											
Pak Suzuki Motors Company Limited	-	9,000	-	-	9,000	2,005,744	2,465,010	459,266	2.38%	2.69%	0.01%
						2,005,744	2,465,010	459,266	2.38%	2.69%	
Total - June 30, 2014						40,270,529	45,618,114	5,347,585	44.07%	49.84%	
Total - June 30, 2013						79,432,209	95,387,175	15,954,966	52.69%	79.20%	

**5.1.1** Investments include shares with market value aggregating to Rs 9,630,800 (2013: Rs 7,182,760) of the following Companies which have been pledged with the National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the SECP:

- Nishat Mills Limited (45,000 shares); and

- Pakistan Oilfields Limited (8,000 shares).

## 5.2 Investments in government securities - 'at fair value through profit or loss'

Government of Pakistan (GoP) ijara sukuks - having a face value of Rs 100,000

Particulars	Effective rate of interest / mark-up	As at July 01, 2013	Purchased during the year	Sold / matured during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments
		----- Number of certificates -----			----- Rupees -----					
GoP ijara Sukuk IX (note 5.2.1)	9.9763%	250	-	-	250	25,052,500	25,320,000	267,500	24.46%	27.66%
<b>Total - June 30, 2014</b>						<b>25,052,500</b>	<b>25,320,000</b>	<b>267,500</b>	<b>24.46%</b>	<b>27.66%</b>
<b>Total - June 30, 2013</b>						<b>25,015,000</b>	<b>25,052,500</b>	<b>37,500</b>	<b>13.84%</b>	<b>20.80%</b>

### 5.2.1 Significant terms and conditions of GoP ijara sukuks held as at June 30, 2014 are as follows:

Particulars	Issue date	Maturity date	Security
GoP ijara Sukuk IX	December 26, 2011	December 26, 2014	GoP guaranteed

## 5.3 Investments in listed debt securities - 'at fair value through profit or loss'

Sukuks certificates - having a face value of Rs 5,000

Particulars	Effective rate of interest / mark-up	As at July 01, 2013	Purchased during the year	Sold / matured during the year	As at June 30, 2014	Carrying value as at June 30, 2014	Market value as at June 30, 2014	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
		----- Number of certificates -----			----- Rupees -----						
K-Electric Limited Sukuk 2 (note 5.3.1)	12.42%	-	4,000	-	4,000	20,000,000	20,590,000	590,000	19.89%	22.50%	0.53%
<b>Total - June 30, 2014</b>						<b>20,000,000</b>	<b>20,590,000</b>	<b>590,000</b>	<b>19.89%</b>	<b>22.50%</b>	
<b>Total - June 30, 2013</b>						<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

### 5.3.1 Significant terms and conditions of sukuk certificates held as at June 30, 2014 are as follows:

Description	Markup rate	Issue date	Maturity date	Secured / unsecured	Instrument rating
K-Electric Limited Sukuk 2	3 months KIBOR +2.25%	March 19, 2014	March 19, 2017	Secured	A+



**6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	Note	2014	2013
		Rupees	
Dividend receivable		11,250	-
Profit receivable on bank deposits		27,289	459,246
Prepaid rating fee		49,998	50,000
Profit receivable on sukuk certificates		115,824	31,592
Advance against book building of equity securities	6.1	2,150,000	-
Security deposits	6.2	2,600,000	2,600,000
		<u>4,954,361</u>	<u>3,140,838</u>

**6.1** This represents 25% advance against book building of ordinary shares of Pakistan Petroleum Limited (40,000 shares at a limit price of Rs 215 per share).

**6.2** These represent deposits maintained with the Central Depository Company of Pakistan Limited and the National Clearing Company of Pakistan Limited of Rs 100,000 (2013: Rs 100,000) and Rs 2,500,000 (2013: Rs 2,500,000) respectively.

**7 PRELIMINARY EXPENSES AND FLOATATION COSTS**

	Note	2014	2013
		Rupees	
Opening balance		272,590	492,385
Less: amortisation during the year	3.5	(272,590)	(219,795)
Closing balance		<u>-</u>	<u>272,590</u>

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

Remuneration of Askari Investment Management Limited - Management Company	8.1	28,481	444,348
Federal Excise Duty on Management Company's remuneration	8.2	719,036	42,984
Sindh Sales Tax on Management Company's remuneration	8.3	119,604	77,973
Sales load payable		188	88
		<u>867,309</u>	<u>565,393</u>

**8.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations), the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and, thereafter, of an amount equal to two percent of such assets of the Fund. Accordingly, the fee was charged at the rate of three percent of the average annual net assets of the Fund till June 25, 2014 when the Fund completed its five years. Thereafter, the fee is being charged at two percent of the net assets of the Fund and is paid to the Management Company monthly in arrears.

**8.2** 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 (as explained in note 8.3 below), 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 maintained in the books of account.

**8.3** 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 PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE**

Trustee fee

Note	2014	2013
	----- Rupees -----	
9.1	57,535	57,534

- 9.1** 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 average daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2014 is as follows:

**Amount of Funds Under Management  
(Average NAV)****Tariff per annum**

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

The remuneration is paid to the Trustee monthly in arrears.

**10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Annual fee

Note	2014	2013
	----- Rupees -----	
10.1	134,252	133,835

- 10.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as an asset allocation scheme is required to pay an annual fee to the SECP of an amount equal to 0.095% of the average annual net assets of the scheme. The fee is payable to the SECP within three months of the close of the financial year.

**11 ACCRUED EXPENSES AND OTHER LIABILITIES**

Legal and professional charges payable  
Charity payable  
Other payable  
Payable against printing expenses  
Auditors' remuneration payable  
Provision for Workers' Welfare Fund  
Dividend payable

Note	2014	2013
	----- Rupees -----	
11.1	-	135,000
	41,500	101,175
	99,831	91,035
	114,619	98,900
	375,001	375,000
11.2	1,902,648	1,657,637
	3,421,970	-
	5,955,569	2,458,747

**11.1 Charity payable**

This represents the portion of income determined as non-compliant with shariah guidelines as per the advice of the Shariah Advisor. This amount is to be paid to charity organisations with the approval of the Shariah Advisor in accordance with the provisions contained in the constitutive documents of the Fund.

	Note	2014	2013
		Rupees	
Amount outstanding at the beginning of the year		101,175	236,280
Expense for the year		124,325	101,175
Paid to authorised charitable organisations	11.1.1	(184,000)	(236,280)
Amount outstanding at the end of the year		41,500	101,175

#### 11.1.1 The authorised charitable organisations are:

- Al-Shifa Trust Eye Hospital, Rawalpindi;
- Abdul Sattar Edhi Foundation, Karachi;
- Fatimid Foundation, Karachi; and
- Sindh Institute of Urology and Transplantation.

#### 11.2 Provision For Workers' Welfare Fund

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (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 1,902,648 (including Rs 245,011 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 2.0128 per unit.

## 12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2014 and June 30, 2013.

## 13 AUDITORS' REMUNERATION

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

	2014	2013
	Rupees	
Annual audit fee	225,000	225,000
Half yearly review fee	75,000	75,000
Fee for the review of compliance with the Code of Corporate Governance	50,000	50,000
Fee for income certification and shariah compliance	100,000	125,000
Out of pocket expenses	53,217	43,059
	503,217	518,059

## 14 TAXATION

- 14.1** 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.

- 14.2** During the current year, the Additional Commissioner Inland Revenue has issued show cause notices to the Fund under section 122(9) of the Income Tax Ordinance, 2001 for assessment years 2010, 2011, 2012 and 2013 contending 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 has expressed intention to raise an aggregate demand amounting to Rs 28.908 million for those years. Returns of several other Funds in the industry were amended by the tax authorities on this matter.

This industry issue has been examined by legal experts and tax advisors and there is a 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 are being adopted to resolve the matter.

The Fund submitted detailed responses to the tax authorities, whereafter there was no further pursuance of the matter by them. It may also be mentioned that 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.

## 15 EARNINGS PER UNIT

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.

## 16 FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets

Cash and bank balances  
Investments  
Receivable against sale of investments  
Advances, deposits and other receivables

----- As at June 30, 2014 -----		
Loans and receivables	At fair value through profit or loss	Total
----- Rupees -----		
11,222,601	-	11,222,601
-	91,528,114	91,528,114
2,812,796	-	2,812,796
4,904,363	-	4,904,363
<u>18,939,760</u>	<u>91,528,114</u>	<u>110,467,874</u>

### Financial liabilities

Payable to Askari Investment Management Limited - Management Company  
Payable to MCB Financial Services Limited - Trustee  
Accrued expenses and other liabilities

----- As at June 30, 2014 -----		
At fair value through profit or loss	At amortised cost	Total
----- Rupees -----		
-	867,309	867,309
-	57,535	57,535
-	3,994,681	3,994,681
<u>-</u>	<u>4,919,525</u>	<u>4,919,525</u>

**Financial assets**

Cash and bank balances  
Investments  
Receivable against sale of investments  
Advances, deposits and other receivables

As at June 30, 2013		
Loans and receivables	At fair value through profit or loss	Total
Rupees		
58,351,105	-	58,351,105
-	120,439,675	120,439,675
2,047,423	-	2,047,423
3,090,838	-	3,090,838
<u>63,489,366</u>	<u>120,439,675</u>	<u>183,929,041</u>

**Financial liabilities**

Payable to Askari Investment Management Limited - Management Company  
Payable to MCB Financial Services Limited - Trustee  
Accrued expenses and other liabilities

As at June 30, 2013		
At fair value through profit or loss	At amortised cost	Total
Rupees		
-	565,393	565,393
-	57,534	57,534
-	699,935	699,935
-	<u>1,322,862</u>	<u>1,322,862</u>

**17 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons / related parties include Askari Investment Management Limited being the Management Company, MCB Financial Services Limited being the Trustee, Askari Bank Limited being the holding company of the Management Company, Askari General Insurance Company Limited being an associate company of the Management Company, Askari Investment Management Employees Provident Fund, Fauji Group Companies and Askari High Yield Scheme, Askari Sovereign Cash Fund, Askari Islamic Income Fund, Askari Equity Fund, Askari Sovereign Yield Enhancer and Askari Asset Allocation Fund being collective investment schemes under management of the Management Company, entities having 10% or more of the unit holding of the Fund and the 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 determined in accordance with market norms.

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

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

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

**17.1 Transactions during the year****Askari Investment Management Limited - Management Company**

Remuneration for the year  
Federal Excise Duty on Management Company's remuneration  
Sindh sales tax on Management Company's remuneration  
Sales load charged during the year

**MCB Financial Services Limited - Trustee**

Remuneration for the year

**Askari Bank Limited - Holding Company of the Management Company**

Profit on bank deposits  
Cash dividend paid  
Redemption of 512,571 units (2013: nil units)  
Bank charges

2014	2013
Rupees	
4,225,323	4,238,355
676,052	42,984
784,220	684,823
103,306	41,145
700,000	700,000
1,069,301	83,391
36,033,680	10,824,900
58,910,331	-
23,060	1,323

2014	2013
Rupees	
400,000	-
2,083,096	300,000
350,070	126,364
4,747,912	-
112,812	620,152
380,000	25,000
28,481	444,348
719,036	42,984
119,604	77,973
188	88
57,535	57,534
1,358	610,149
-	23,890
3,421,672	-
63,865,644	144,987,344
-	1,556,332
18,936,780	16,828,443
167,858	640,632

S. No	Name	Designation	Qualification	Experience in years
1	Mr. Amer Maqbool	Chief Executive Officer	MBA	21
2	Mr. Basharat Ullah	Chief Operating Officer / Chief Investment Officer	MBA	21
3	S. Adeel Shahid	Chief Financial Officer - (Acting)	CA (Finalist)	12
4	Mr. Shahbaz Ashraf	Head of Research / Fund Manager	CFA	6.5

**18.1** Mr. Shahbaz Ashraf is the manager of the Fund. He is also the fund manager of Askari Equity Fund being managed by the Management Company.

## 19 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION EXPENSED

### 2014

1	AKD Securities Limited	16.22%
2	AL-Habib Capital Markets (Private) Limited	13.82%
3	Pearl Securities Limited	13.72%
4	Habib Metropolitan Financial Services	8.31%
5	KASB Securities Limited	6.30%
6	Elixir Securities Pakistan (Private) Limited	6.08%
7	Foundation Securities (Private) Limited	5.89%
8	Topline Securities (Private) Limited	5.23%
9	Next Capital Limited	4.84%
10	JS Global Capital Limited	3.97%

### 2013

1	Pearl Securities Limited	13.05%
2	Arif Habib Securities Limited	12.18%
3	Topline Securities (Private) Limited	9.16%
4	Aba Ali Habib Securities (Private) Limited	9.08%
5	Taurus Securities Limited	8.60%
6	Elixir Securities Pakistan (Private) Limited	7.36%
7	KASB Securities Limited	7.18%
8	Invest and Finance Securities Limited	6.86%
9	JS Global Capital Limited	6.86%
10	Fortune Securities Limited	5.92%

## 20 PATTERN OF UNIT HOLDING

----- As at June 30, 2014 -----				
Category	Number of unit holders	Number of units held	Investment amount	Percentage investment
(Rupees)				
Individuals	57	168,299	18,428,168	17.80%
Retirement funds	3	186,811	20,455,169	19.76%
Associated companies and Directors	1	583,266	63,865,644	61.70%
Others	1	6,888	754,226	0.74%
	62	945,264	103,503,207	100.00%

----- As at June 30, 2013 -----				
Category	Number of unit holders	Number of units held	Investment amount	Percentage investment
(Rupees)				
Individuals	43	117,501	15,546,422	8.59%
Retirement funds	3	133,290	17,635,122	9.74%
Associated companies and Directors	4	1,112,442	147,184,309	81.30%
Others	1	5,066	670,269	0.37%
	51	1,368,299	181,036,122	100.00%

## 21 ATTENDANCE AT MEETINGS OF THE 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

## 22 FINANCIAL RISK MANAGEMENT

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

### 22.1 Market risk

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

The Management Company manages market risk through diversification of the investment portfolio and by following the internal risk management policies and investment guidelines approved by the Investment Committee and 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.

#### 22.1.1 Currency risk

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

#### 22.1.2 Yield / interest rate risk

Yield / interest rate risk is the risk that fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Fund is mainly exposed to interest rate risk on its investments in government and debt securities and bank balances. 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 fixed rate instruments

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

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

As at June 30, 2014, the Fund holds investments in GoP ijara sukuks which are classified as 'financial assets at fair value through profit or loss', exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in the coupon rates on June 30, 2014, with all other variables held constant, the net income for the year and net assets as at June 30, 2014 would have been higher / lower by Rs 3,425 (2013: Rs 3,360).



As at June 30, 2014, the Fund holds KIBOR based interest bearing debt securities which are classified as 'financial assets at fair value through profit or loss', exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in the KIBOR on the last repricing date of these securities, with all other variables held constant, the net income for the year and net assets of the Fund as at June 30, 2014 would have been higher / lower by Rs 6,575 (2013: Rs nil).

The composition of the Fund's investment portfolio and the coupon rates are expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2014 is not necessarily indicative of the effect on the Fund's net assets due to 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.

	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 upto one year	More than one year		
On-balance sheet financial instruments						
Financial assets						
Cash and bank balances	3.5% to 9.25%	11,222,601	-	-	-	11,222,601
Investments	9.98% to 12.42%	-	25,320,000	20,590,000	45,618,114	91,528,114
Receivable against sale of investments		-	-	-	2,812,796	2,812,796
Advances, deposits and other receivables		-	-	-	4,904,363	4,904,363
		11,222,601	25,320,000	20,590,000	53,335,273	110,467,874
Financial liabilities						
Payable to Askari Investment Management Limited - Management Company		-	-	-	867,309	867,309
Payable to MCB Financial Services Limited - Trustee		-	-	-	57,535	57,535
Accrued expenses and other liabilities		-	-	-	3,994,681	3,994,681
		-	-	-	4,919,525	4,919,525
On-balance sheet gap		11,222,601	25,320,000	20,590,000	48,415,748	105,548,349
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		11,222,601	25,320,000	20,590,000		
Cumulative interest rate sensitivity gap		11,222,601	36,542,601	57,132,601		

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 upto one year	More than one year		
Rupees					
On-balance sheet financial instruments					
Financial assets					
Cash and bank balances	3.5% to 9.25%	58,351,105	-	-	58,351,105
Investments	9.28%	-	25,052,500	-	120,439,675
Receivable against sale of investments		-	-	2,047,423	2,047,423
Advances, deposits and other receivables		-	-	3,090,838	3,090,838
		58,351,105	25,052,500	100,525,436	183,929,041
Financial liabilities					
Payable to Askari Investment Management Limited - Management Company		-	-	565,393	565,393
Payable to MCB Financial Services Limited - Trustee		-	-	57,534	57,534
Accrued expenses and other liabilities		-	-	699,935	699,935
		-	-	1,322,862	1,322,862
On-balance sheet gap		58,351,105	25,052,500	99,202,574	182,606,179
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		58,351,105	25,052,500	-	
Cumulative interest rate sensitivity gap		58,351,105	83,403,605	83,403,605	

### 22.1.3 Price risk

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

The Fund is exposed to equity price risk on investments held by the Fund and classified on the Statement of Assets and Liabilities as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. Also, the NBFC Regulations through regulation 55(6) limit investments in individual equity securities to no more than 15% of net assets and issued capital of the investee company and through regulation 55(9) limits sector exposure limit to 35% of the net assets or index weight of securities whichever is higher, subject to maximum of 40% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2014, with all other variables held constant, net income of the Fund for the year and net assets would increase / decrease by Rs 5,677,286 (2013: Rs 1,314,136).

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 index, is expected to change overtime. Accordingly, the sensitivity analysis prepared as of June 30, 2014 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 index.

### 22.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. Credit risk arises from deposits with banks, credit exposure arising as a result of dividends receivable on equity securities, receivable against sale of investments and investments in debt securities. Risk attributable to investments in government securities is limited as these are guaranteed by the Federal Government while bank balances are maintained with banks with reasonably high credit ratings. For investments in debt securities, the particulars of investments are disclosed in note 5.3.1. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed equity securities are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit rating quality of the Fund's balances with banks:

Balances with banks by rating category	Rating agency	2014	2013
		Percentage	
A1+	PACRA	0.13%	1.06%
A-1+	JCR-VIS	0.27%	0.03%
A1	PACRA	99.29%	25.94%
A-1	JCR-VIS	0.21%	72.97%
A-2	JCR-VIS	0.10%	0.00%
		<u>100.00%</u>	<u>100.00%</u>

The management, after giving due consideration to their strong financial standings, does not expect non-performance by these counter parties on their obligations towards the Fund. The maximum exposure to credit risk before any credit enhancement as at June 30, 2014 and June 30, 2013 is the carrying amount of the financial assets. None of these assets is 'impaired' or 'past due but not impaired'.

#### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial instruments is diversified into investments made in equity, debt and government securities and deposits maintained with shariah compliant banks having reasonable short-term credit ratings (as disclosed above) thereby minimising any chances of credit risk.

### 22.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation 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 and settlement of purchase transactions. 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. The Fund's 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 and are 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 borrowing would be limited to fifteen percent of the net assets of the scheme at the time of borrowing and would be payable within a period of ninety days. 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 also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemption request 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 MCB Financial Services Limited - Trustee  
Accrued expenses and other liabilities

As at June 30, 2014			
Upto three months	More than three months and upto one year	Over one year	Total
Rupees			
867,309	-	-	867,309
57,535	-	-	57,535
3,994,681	-	-	3,994,681
4,919,525	-	-	4,919,525

#### Financial liabilities

Payable to Askari Investment Management Limited  
- Management Company  
Payable to MCB Financial Services Limited - Trustee  
Accrued expenses and other liabilities

As at June 30, 2013			
Upto three months	More than three months and upto one year	Over one year	Total
Rupees			
565,393	-	-	565,393
57,534	-	-	57,534
699,935	-	-	699,935
1,322,862	-	-	1,322,862

## 23 UNITS HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. The Fund's objective when managing the unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the benefits of the unit holders to maintain a strong base of assets to support the development of the investment activities of the Fund and to meet unexpected losses or opportunities. As required under the NBFC Regulations, every open-end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of scheme and if at any time the size of the open end scheme falls below that minimum size specified by the SECP, the Asset Management Company is required to ensure compliance within three months of the close of the breach. In order to comply with the requirement and to maintain or adjust the Unit Holders' Fund, the Fund's policy is to perform the following:

- monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to unit holders; and
- redeem and issue units in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and issuance.

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.

During the current year, the size of the Fund went below the minimum size specified by the SECP. However, the Fund achieved compliance with the minimum size within the limit specified by the SECP.

## 24 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 values of all other financial assets and liabilities are considered not to be significantly different from carrying values as the items are either short-term in nature or are periodically reprised.

International Financial Reporting Standard (IFRS) 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, either 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 (i.e. unobservable inputs) (level 3).

Financial instruments of the Fund carried at fair values are categorised as follows:

### Financial assets at fair value through profit or loss

- Investment in listed equity securities
- Investment in government securities
- Investment in debt securities

As at June 30, 2014			
Level 1	Level 2	Level 3	Total
Rupees			
45,618,114	-	-	45,618,114
-	25,320,000	-	25,320,000
-	20,590,000	-	20,590,000
45,618,114	45,910,000	-	91,528,114

### Financial assets at fair value through profit or loss

- Investment in listed equity securities
- Investment in government securities

As at June 30, 2013			
Level 1	Level 2	Level 3	Total
Rupees			
95,387,175	-	-	95,387,175
-	25,052,500	-	25,052,500
95,387,175	25,052,500	-	120,439,675

**25 NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD**

The Board of Directors of the Management Company in a meeting held on July 4, 2014 have approved a final distribution of Re 0.3848 per unit (2013: Rs 29.7599 per unit) for the year ended June 30, 2014. The financial statements of the Fund for the year ended June 30, 2014 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2015.

**26 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.

**27 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

**28 GENERAL**

Figures have been rounded off to the nearest rupee.

For Askari Investment Management Limited  
(Management Company)

  
\_\_\_\_\_  
Chief Executive  
\_\_\_\_\_  
Director



**Invest with Aim!**

**Askari Investment Management Ltd.**

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