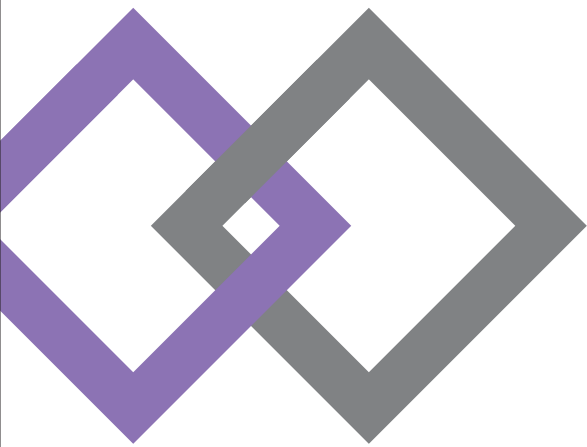




 askari High Yield Scheme



# Vision

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

“Service to the Customer”

Askari Investment Management Limited

Good people ■ Sound advice ■ Great returns

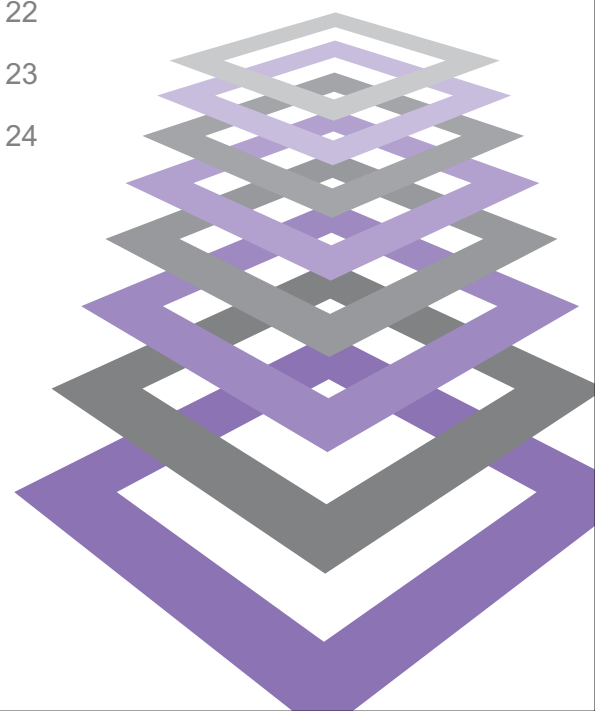
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## **askari High Yield Scheme**

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## Information about the Management Company

### Registered Office

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

### Head Office

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

### Board of Directors

- Lt. Gen. (R.) Tahir Mehmood – Chairman
- Mr. Shahid Hafeez Azmi
- Mr. Muhammad Naseem- FCA
- Mr. Muhammad Rafiquddin Mekhari
- Maj Gen (R) Mukhtar Ahmed
- Mr. Sufian Mazhar
- Mr. Tahir Aziz
- Mr. Adnan Ahmed Siddiqui – CEO

### Executive Committee

- Mr. Muhammad Rafiq Uddin Mekhari - Chairman
- Mr. Shahid Hafeez Azmi
- Mr. Tahir Aziz
- Mr. Adnan Ahmed Siddiqui – CEO

### Audit Committee

- Mr. Muhammad Naseem- FCA (Chairman)
- Mr. Shahid Hafeez Azmi
- Mr. Muhammad Rafiq Uddin Mekhari
- Mr. Tahir Aziz

### HR Committee

- Maj Gen (R) Mukhtar Ahmed (Chairman)
- Mr. Muhammad Naseem- FCA
- Mr. Tahir Aziz

### Chief Financial Officer:

- Zeeshan

### Company Secretary:

- Zeeshan

## Fund's Information

### Bankers

- Askari Bank Limited
- Bank Alfalah Limited
- Bank Alfalah Limited (Islamic Banking)
- Bank of Khyber Limited (Islamic Banking)
- Bank of Khyber Limited
- Faysal Bank Limited
- Burj Bank Limited
- Habib Metropolitan Bank Limited

### Trustee

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

### Auditors

- **A.F. Ferguson & Co.**  
Chartered Accountants  
State Life Building No. 1-C , I.I Chundrigar Road,  
P.O. Box 4716, Karachi-74000, Pakistan.  
Tel: (021) 3246682-6

### Legal Advisors

- **Mohsin Tayabaly & Company**  
**Advocates & Legal Consultants**  
2nd Floor, Dine Centre, PC-4, Block 9,  
Kehkashan, Clifton, Karachi
- **Bawaney & Partners**  
**Advocates & Investment & Corporate Advisers**  
404, 4th Floor Beaumont Plaza, 6-D-10,  
Beaumont Road, Civil Lines, Karachi-75530

### Registrar

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

# Directors' Report



## DIRECTORS' REPORT TO THE UNIT HOLDERS

On behalf of the Board of Directors of Askari Investment Management Limited ("the Management Company" or "the Company"), we are pleased to present the annual report of Askari High Yield Scheme ("the Fund" or "AHYS") along with the Audited Financial Statements and Auditors' report thereon for the year ended June 30, 2012.

### Economic Overview

Pakistan economy in FY12 was engulfed by many challenges. GDP growth in FY12 rebounded to 3.7% from 3.0% in FY11 but was less than the target of 4.2%. Primary drivers for this growth were Agricultural and Service sectors, which recorded a 3.1% and 4.0% growth respectively. Whereas, impeding power shortages, poor domestic law & order situation and lack of investments resulted in a dismissal growth in Large-Scale Manufacturing sector of 1.1%.

The country marked significant improvement on the price front. The headline Consumer Price Index (CPI) based inflation declined to 11% in FY12 from 13.7% in FY11, lower than SBP target of 12%. This decline in inflation was in part due to relatively improved crop production in the country, leading towards a better supply situation and subdued international commodity prices, helping taming food inflation to 11% on average compared to 18% on average in FY11. In addition to this, high base impact and reshuffling of CPI weights supported the price softening. Whereas at the same time the core inflation as measured by Non-Food, Non-energy registered a 10.6% growth on average compared to 9.4% on average in FY11.

Nevertheless, this price easing prompted the SBP to cut the policy rate by 200 bps to 12% in the 1HFY12, in a bid to rejuvenate country's ailing private sector investments, but the objective was far less achieved. As per the National Accounts, the provisional numbers indicate that the private sector investments fell to 7.9% of the GDP during the FY12. Overall real investments declined to 12.5% of the GDP in FY12 from 13.1% of GDP previous year.

The fall in investments not just owes to poor domestic situation but it also reflects the global funding risk. The sovereign debt crisis in EU and growth fragilities in US, emerging economies and elsewhere, meant the overall global real growth slowdown to 3.5% in 2012 compared to 5.3% in 2010 as per the IMF. Hence the effect of this benign global growth can also be traced in country's deteriorating external accounts. The balance of payment which posted a deficit of USD 3.3bn in FY12 compared to a surplus of USD of 2.5bn in FY11.

This deterioration in country's balance of payment, in part, could be explained by widening current account deficit, which posted a deficit of USD ~4.5bn (1.9% of the GDP) in FY12 compared to a surplus of USD 214mn in FY11. Attributed to rising oil prices and a cumulative increase in consumption of the commodity, country's import bill reached USD 40bn in FY12, up 12% YoY. Whereas the slowdown in cotton prices, resulted in limited growth in textile sector exports, which eventually was reflected in contracting export receipts to USD 25bn, showing a decline of ~3%. The total trade deficit reached USD 15.4bn, which alone explains the 70% deterioration in current account balance. On a positive note rising workers remittance to USD 13.2bn, (+18%Y/Y) helped restrict further erosion.

Moreover, capital and financial inflows to finance the balance of payment also dried up. The financial accounts declined 36% to USD 1.4bn as the foreign direct investment fell to USD 810mn from 1,635mn last year and the Portfolio Investment posted a net outflow of USD 159mn compared to a net inflow of USD 338mn in FY11. Furthermore non-materialization 3G auction proceeds, Collation Support Fund (CSF) and outgoing foreign debt repayments - including USD ~900mn made to IMF during the FY12 - further complicated the situation. Country's Foreign exchange reserve depleted to USD ~15bn by Jun-12 from USD 18bn in the Jun-11, exerting a considerable pressure on Pakistani rupee which breached the 94 mark by Jun-12 against USD (~9% depreciation during the year).

Nonetheless this lack of external funding had even wider reaching consequences than initially envisaged. The financing of country's high fiscal deficit became a major challenge for the country during the FY12. High fiscal deficit of 6.6% of the GDP in FY11 was never a good starting point. The country in FY12 posted a fiscal deficit of 7.4% of the GDP, owing to sluggish tax

revenue collection of 10.3% of the GDP and high total expenditure of 20.3% of the GDP. As result the government budgetary borrowing requirement stepped up substantially. The government during FY12 borrowed nearly PKR 1.23trn to full fill its budgetary requirements. Moreover, 53% of this borrowing was met through commercial banks and the rest 47% or PKR 591.7bn were done through SBP. As result of this substantial borrowing from the commercial banks, private sector was crowded out. The credit extended to the private sector during the FY12, increased by a mere 6%, representing an addition of PKR 184bn. Not only has it crowded out private sector, but it also increased total public debt burden which as of 3QFY12 shot up by 12% from FY11 end to PKR 12.3trn. The total debt as of 3QFY12 stood at PKR 13.2trn or 68.5% of the GDP.

**Fixed Income Review**

During the first half of the year, SBP cumulatively cut the policy rate by 200bps to bring it at 12.0%. As a result, yields have fallen across all tenures. Yields on 10yrs duration came down by 81bps to 13.28% as of year-end from 14.09% at the start of the year. At the same time, rates on 3M, 6M and 12M paper fell by 135, 136 and 140bps to 11.9%, 11.93% and 11.93%, respectively. The second half of the year saw increased volatility as yields fluctuated amid changing expectations on policy rate decisions.

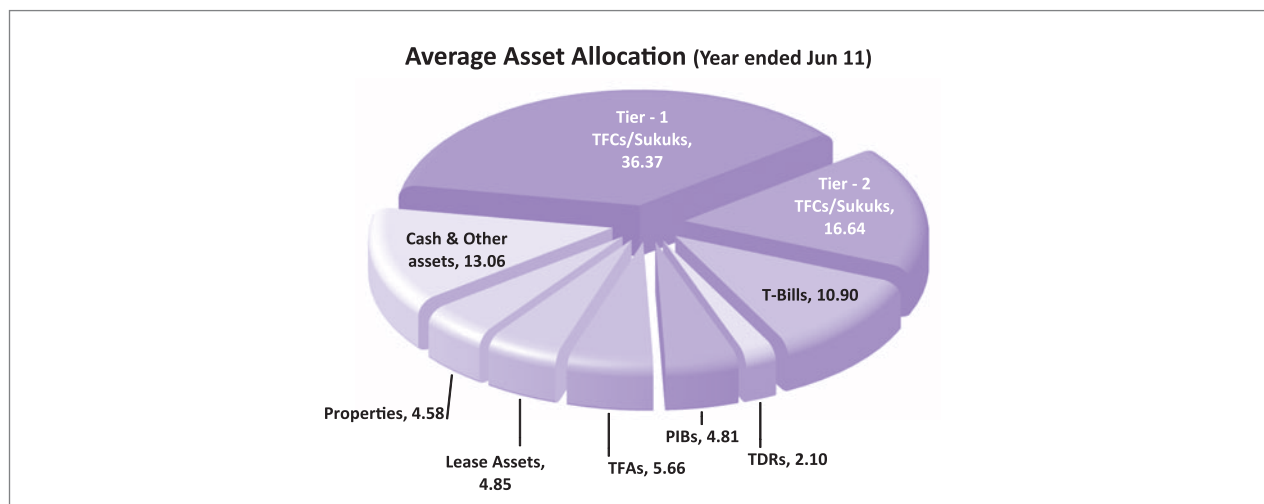
During the fiscal year 2012 the government also raised PKR 186.8bn through 4 auctions of GoP Ijarah Sukuk. The rising number of auctions and rising investor's participation is an indication of demand for this particular kind of instrument. Yield on GoP Ijarah Sukuk fell to 11.94% at year end auction held on 28-Jun-2012, owing to 6M T-bill re-pricing.

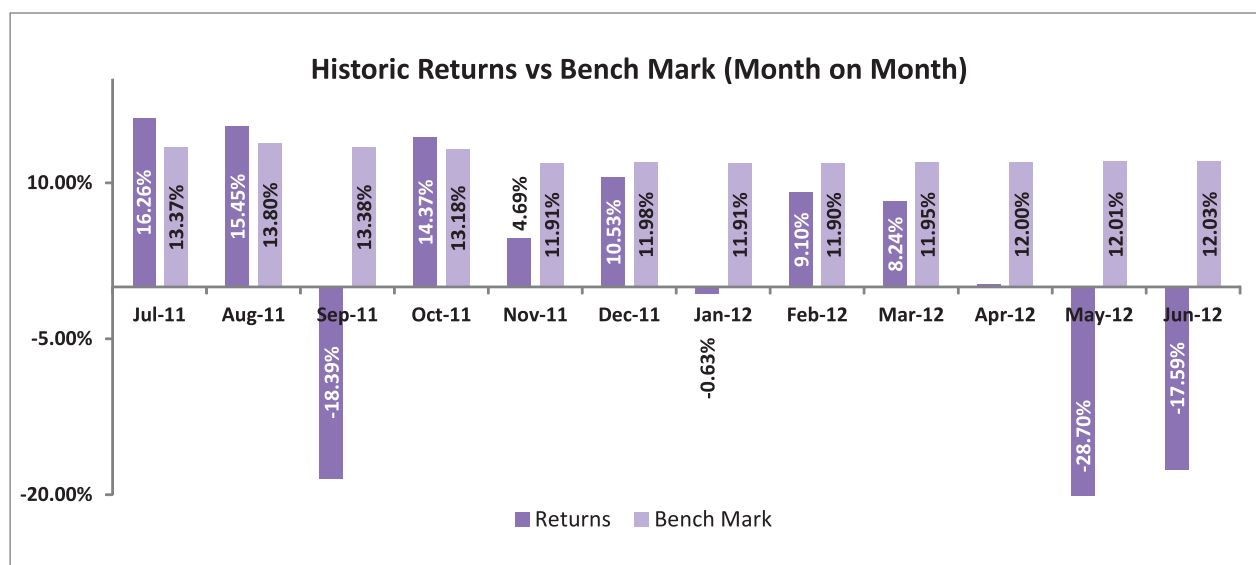
**Performance of the fund**

AHYS generated a return of 0.31% for the year ended June 2012. The reason for this underperformance was valuation adjustments and provisions against non-performing assets as shown in the disclosures. Another reason for this under performance is the provision against Workers Welfare Fund (WWF) made in the month of May 2012. We would like to mention here that we have only created a provision against this levy and any favorable verdict by the court of law would result in its immediate reversal.

During the year, AHYS had an average fund size of PKR 1.70billion. The fund increased its allocation to Tier-1 TFCs/Sukuks to 36.37% of fund size as of year-end compared to 20.55% at the start of the year, with major concentration in the banking sector. During the year, the fund availed trading opportunities and booked capital gains in the TFC secondary market. At the same time, the fund had an average allocation of 4.81% in PIBs compared to nil exposure at the start of the year, keeping in view the declining interest rate scenario. During the year, average duration of the fund was 308 days. Exposure in Non-Earning / Non Performing Assets was reduced to 21% of fund size by making adequate provisioning against these assets. This has reduced the downside risk while at the same time position the Fund to make higher returns in the future in case of revival in the fortunes/restructuring of any non-performing TFCs going forward.

AHYS being an "aggressive income Fund" gives greater flexibility & space to the Fund Manager to take directional view in order to enhance returns. The Fund will practice active Fund management (capitalizing on market opportunities/inefficiencies) while creating an optimal blend of risk and return.





### Future Outlook

AHYS continues to face headwind on account of its non-performing portfolio. Whatever return the fund makes on its performing portfolio is eaten away by new provisions made on the non-performing portfolio. This situation is likely to persist in the near term and there will continue to be uncertainty on the fund's return during this fiscal year.

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

AHYS was listed on the Lahore Stock Exchange (Guarantee) Ltd on April 13, 2006 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, 2012 is as follows:

Category	Shareholding	Percentage of Shareholding
<b>Associated companies, undertakings and related parties</b>		
ASKARI BANK LIMITED	11,642,356	93.05%
ASKARI GENERAL INSURANCE CO. LTD.	51,886	0.41%
PRESIDENT ACBL FUND	84,012	0.67%
ASKARI INVESTMENT MANAGEMENT LTD	161,004	1.29%
ASKARI BANK LIMITED EMPLOYEES PROVIDENT FUND	307,145	2.45%
<b>Mutual Fund</b>	-	0.00%
<b>Directors and their spouse and minor children</b>	-	0.00%
<b>Executives</b>	-	0.00%
<b>Public sector companies and corporations</b>	666	0.01%
<b>Banks, DFIs, NBFCs, Insurance companies, Takafuls, Modrabas and Pension funds</b>	39,070	0.31%
<b>Shareholders holding five percent or more voting rights</b>	-	0.00%
<b>Other Individual Shareholders</b>	225,217	1.80%
	<u>12,511,355</u>	<u>100.00%</u>



**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 and their spouses and minor children. Trades of CFO and Company Secretary and his spouse and minor children, of the Management Company are as under.

	<b>No of Units</b>
Investment	25,621.0583
Redemption	25,621.0583

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

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

Key operating and financial data for prior years is as follows:

	Jun-12	Jun-11	Jun-10	Jun-09	Jun-08	Jun-07	Jun-06
	----- Rupees -----						
Net Assets as on June 30th	1,231,843,143	1,731,515,674	1,312,868,229	3,049,420,048	8,346,972,640	9,399,362,925	1,163,679,611
Net Asset Value per unit as on June 30th	98.4580	100.03	94.90	102.14	103.98	111.74	104.98
Net income / (loss) for the year/ period	12,769,208	71,062,507	(134,398,403)	137,287,852	1,019,929,464	982,145,998	55,216,301
*Dividend Distribution during the year/period	32,519,121	-	-	392,798,236	1,688,176,556	49,783,007	-

On July 06, 2012, the Board of Directors of the Management Company approved a final distribution at the rate of Re 0.9492 per unit (Par value of Rs. 100 per Unit) out of the accounting income for the year ended June 30, 2012. This distribution has been made in compliance with Regulation 63 of the NBFC Regulations, 2008, and to avail the income tax exemption for the Fund as available under Clause 99 of the Second Schedule to the Income Tax Ordinance, 2001.

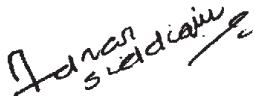
### Auditors

The Board of Directors on the recommendation of the Audit committee has approved the re-appointment of M/s A.F. Ferguson & Co. - Chartered Accountants as the auditors of the Fund for the financial year ending June 30, 2013.

### Acknowledgement

We would like to join our colleagues on the Board, management team and employees of the Company, in thanking first and foremost the investors for their vote of confidence in Askari High Yield Scheme. 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

September 26, 2012  
Karachi.

# Fund Manager's Report



## FUND MANAGER'S REPORT

Askari High Yield Scheme (AHYS) is an open-ended aggressive income Scheme. The objective of the Fund is to provide investors an opportunity to make competitive returns from fixed income securities while targeting a portfolio duration of six months. In addition to accruing benefits from fixed income securities, the Fund would target capitalizing on yield enhancing opportunities available in the market using its proprietary investment efficiency tools. The Fund aims to achieve top quartile performance in its category.

### Economic Overview

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Nevertheless, this price easing prompted the SBP to cut the policy rate by 200 bps to 12% in the 1HFY12, in a bid to rejuvenate country's ailing private sector investments, but the objective was far less achieved. As per the National Accounts, the provisional numbers indicate that the private sector investments fell to 7.9% of the GDP during the FY12. Overall real investments declined to 12.5% of the GDP in FY12 from 13.1% of GDP previous year.

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This deterioration in country's balance of payment, in part, could be explained by widening current account deficit, which posted a deficit of USD ~4.5bn (1.9% of the GDP) in FY12 compared to a surplus of USD 214mn in FY11. Attributed to rising oil prices and a cumulative increase in consumption of the commodity, country's import bill reached USD 40bn in FY12, up 12% YoY. Whereas the slowdown in cotton prices, resulted in limited growth in textile sector exports, which eventually was reflected in contracting export receipts to USD 25bn, showing a decline of ~3%. The total trade deficit reached USD 15.4bn, which alone explains the 70% deterioration in current account balance. On a positive note rising workers remittance to USD 13.2bn, (+18%Y/Y) helped restrict further erosion.

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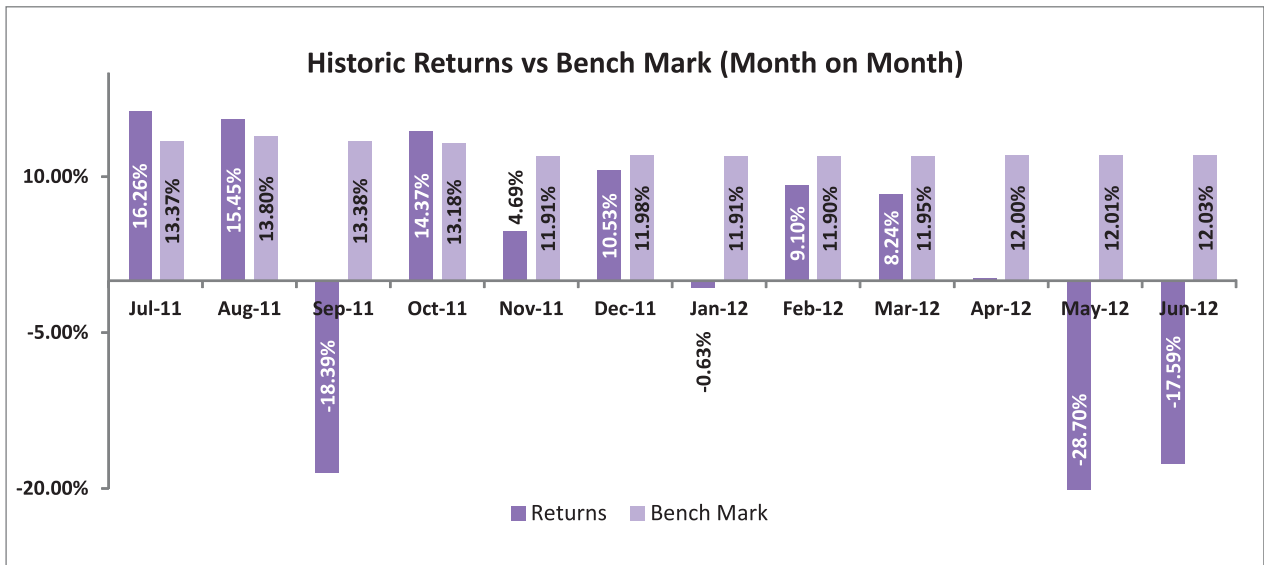
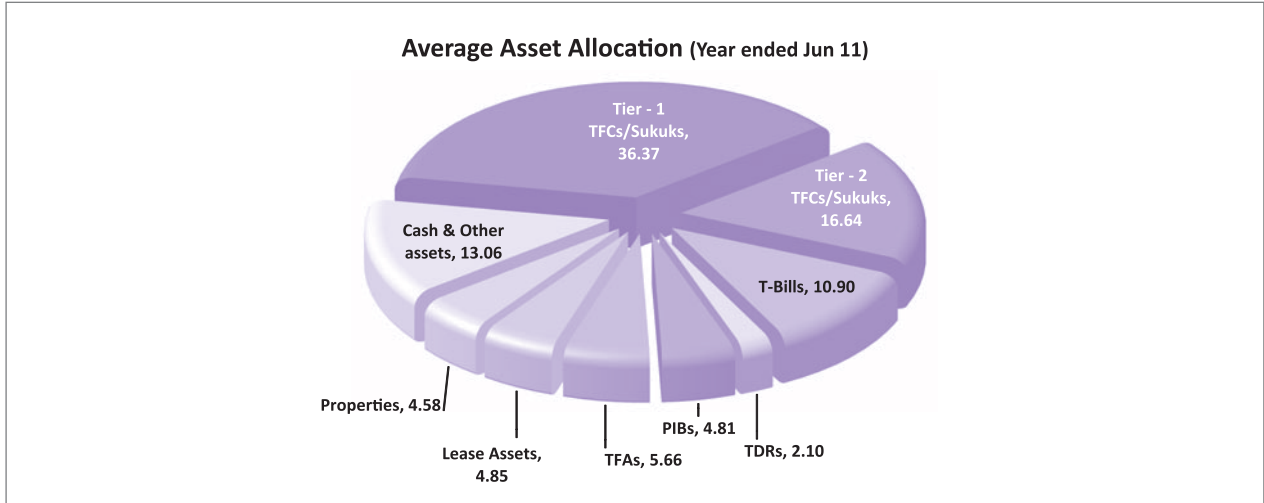
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**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED****Head Office**

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

**TRUSTEE REPORT TO THE UNIT HOLDERS****ASKARI HIGH YIELD SCHEME****Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of Askari High Yield Scheme (the Fund) are of the opinion that Askari Investment Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following

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

For the purpose of information, the attention of the unit holders of the Fund is drawn toward the following facts:

1. Out of seven properties acquired by the Fund in settlement against its investments, three properties are still in the process of being transferred in the Fund name. Both the transferor and the transferee have fulfilled documentation formalities from their side, however, the relevant authorities are taking their time to complete the said transfer. The time extension granted by Securities and Exchange Commission of Pakistan (SECP) upto August 2012 to dispose off properties has already expired. Management Company has applied for further time extension with SECP. Moreover, they have informed that in the absence of any market offers, the said properties could not be sold.

2. As at June 30, 2012 the total outstanding receivable from Trust Investment Bank Limited (TIBL) and Saudi Pak Leasing Company Limited (SPLCL) is Rs.129.112 million and Rs.15 million, respectively. Both the parties defaulted to pay the installment as per term finance agreement from August 2011 and July 2011, respectively. Based on Management Company efforts, a payment of Rs. 12 million from TIBL was received in December 2011 against overdue amount. As per the Management Company they are in constant follow up for the recovery of the said amounts and TIBL has offered them two options, out of which one of the option is under consideration of Management Company. However, they have provided Rs 101.473 million (including Rs.15 million pertains to SPLC) as against the total receivable amount in accordance with the Fund's provisioning policy and Circular No.1 of 2009 issued by the SECP.

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

Karachi: October 24, 2012





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

**REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

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

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

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.

  
Chartered Accountants

Dated: October 23, 2012

Karachi

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## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented by the Board of Directors of Askari Investment Management Limited ("the Management Company"), the Management Company of Askari High Yield Scheme ("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 High Yield Scheme is an open end mutual fund and is listed on Islamabad Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, Askari Investment Management Limited, on behalf of the Fund, has applied the principles contained in the Code in the following manner:

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

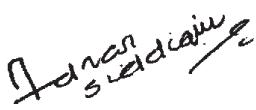
Category	Names
Independent Directors	1. Mr. Muhammad Naseem 2. Mr. Shahid Hafiz Azmi 3. Mr. Sufian Mazhar
Executive Directors	1. Mr. Adnan Ahmed Siddiqui - Chief Executive Officer
Non - Executive Directors	1. Lt. Gen. (Retd.) Tahir Mehmood 2. Maj. Gen. (Retd.) Mukhtar Ahmed 3. Mr. M. R. Mehkari 4. Mr. Tahir Aziz

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

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company. The requirement of serving as a director of seven listed companies is applicable from the date of next elections of directors.
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. Casual vacancies occurring on the board on January 19, 2012 and February 3, 2012 were filled up by the directors within 90 days.
5. Subsequent to the year end, the Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board. No new appointment of Chief Executive Officer and executive director was made during the year. Two non-executive directors Lt. Gen. (Retd.) Tahir Mehmood and Maj. Gen. (Retd.) Mukhtar Ahmed were appointed to fill the casual vacancies which arose during the year.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. As required by the code, all the directors of the Management Company are required to attend the training program for directors by the year 2016 and atleast one director will attend the training program each year during the period from June 30, 2012 to June 30, 2016. However, the directors of the Management Company have been briefed about the recent changes made in laws and regulations to enable them to effectively manage the affairs of the Management Company.

10. The board has approved appointment of Chief Financial Officer and Company Secretary. The board has approved the remuneration and terms and conditions of employment, as determined by the Chief Executive Officer. The internal audit function has been outsourced to a professional firm and a full time employee has been designated to act as a coordinator between the firm and the Board.
11. The Directors' Report relating to the Fund for the year ended June 30, 2012 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 Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors of the Management Company and the Chairman of the committee is an independent director.
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 formed an HR and Remuneration Committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee.
18. The Management Company has outsourced the internal audit function to M. Yousuf Adil Saleem & Co. Chartered Accountants who are considered to be suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund. The firm and all its partners are also in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transaction that were made on terms equivalent to those that prevail in the arm's length transactions only if such term can be substantiated.
24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board

  
**Adnan Ahmed Siddiqui**  
**Chief Executive**

Dated: October 23, 2012  
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 High Yield Scheme (hereinafter referred to as 'the Fund')**, which comprise the statement of assets and liabilities as at June 30, 2012, 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 is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' responsibility

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

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

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2012, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: October 18, 2012

Karachi

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# Financial Statements

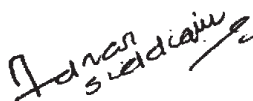



**ASKARI HIGH YIELD SCHEME**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2012**

	Note	2012 ------(Rupees)-----	2011 ------(Rupees)-----
<b>ASSETS</b>			
Balances with banks	4	117,466,593	76,576,482
Term deposit and money market placements	5	42,639,079	327,035,247
Investments	6	904,459,981	1,163,699,953
Accrued profit and other receivables	7	36,750,495	46,483,995
Security deposits	8	3,600,000	3,600,000
Assets acquired in settlement of investments			
Net investment in finance lease	9	68,717,739	48,461,478
Properties - held for sale	9	73,593,673	74,043,673
<b>Total assets</b>		<b>1,247,227,560</b>	<b>1,739,900,828</b>
<b>LIABILITIES</b>			
Payable to the Management Company	10	1,769,234	1,869,286
Payable to the Trustee	11	156,004	176,556
Payable to Securities and Exchange Commission of Pakistan	12	1,276,801	1,002,919
Payable against redemption of units		10,973	-
Accrued and other liabilities	13	12,171,405	5,336,393
<b>Total liabilities</b>		<b>15,384,417</b>	<b>8,385,154</b>
<b>NET ASSETS</b>		<b>1,231,843,143</b>	<b>1,731,515,674</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,231,843,143</b>	<b>1,731,515,674</b>
<b>Contingencies and commitments</b>	14		
<b>Number of units</b>			
<b>Number of units in issue</b>		<b>12,511,355</b>	<b>17,310,294</b>
<b>NET ASSET VALUE PER UNIT</b>			
		<b>98.4580</b>	<b>100.0281</b>

The annexed notes 1 to 32 form an integral part of these financial statements.

For Askari Investment Management Limited  
(Management Company)

  
Chief Executive

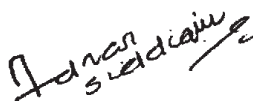
  
Director

**ASKARI HIGH YIELD SCHEME**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012	2011
----- (Rupees) -----			
<b>Income</b>			
Return on bank balances and placements		25,912,817	25,839,224
Income on government securities		47,820,523	19,885,530
Mark-up on term finance certificates / sukuks		114,559,357	124,699,671
Net realised gain / (loss) on sale of investments		13,961,542	(43,199)
Mark-up on finance lease		11,628,796	20,973,372
Income on assets acquired in settlement of investments		3,772,461	4,929,495
Income from reverse repurchase transaction		-	1,761,297
Other income	15	359,608	1,791,741
		218,015,104	199,837,131
Net unrealised appreciation / (diminution) in value of investments classified as 'fair value through profit or loss'		9,034,897	36,828,057
<b>Total Income</b>		227,050,001	236,665,188
Provision against non-performing money market placements		(101,472,719)	-
Reversal / (provision) against assets acquired in settlement of investments - net		39,200,302	(57,370,369)
Net provision against non-performing Term Finance Certificates		(94,677,237)	(82,688,099)
		(156,949,654)	(140,058,468)
<b>Net income after impairment</b>		70,100,347	96,606,720
<b>Expenses</b>			
Remuneration of the Management Company	10.1	25,535,817	20,058,387
Sindh Sales Tax on remuneration of the Management Company	10.2	4,084,817	-
Remuneration of the Trustee	11	2,296,931	2,161,818
Annual fee to the Securities and Exchange Commission of Pakistan	12	1,276,801	1,002,919
Auditors' remuneration	16	878,610	901,160
Amortisation of formation costs		-	243,827
Security transaction costs		850,551	276,593
Fees and subscription		36,062	246,345
Bank and settlement charges		477,104	235,829
Financial charges on borrowing under repurchase agreement		-	2,169,613
Legal and professional charges		50,000	33,556
Printing and stationery		168,876	296,684
Other expenses		842,932	943,472
<b>Total expenses</b>		36,498,501	28,570,203
<b>Net income from operating activities</b>		33,601,846	68,036,517
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net		(16,376,124)	280,233
(Provision) / reversal of provision for Workers' Welfare Fund	13.1	(4,456,514)	2,745,757
<b>Net income for the year before taxation</b>		12,769,208	71,062,507
<b>Taxation</b>	19	-	-
<b>Net income for the year after taxation</b>		12,769,208	71,062,507
<b>Earnings per unit</b>	20		

The annexed notes 1 to 32 form an integral part of these financial statements.

**For Askari Investment Management Limited**  
**(Management Company)**



**Chief Executive**



**Director**

**ASKARI HIGH YIELD SCHEME**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Net income for the year after taxation**

Other comprehensive income

**Total comprehensive income for the year**

2012	2011
------(Rupees)-----	
12,769,208	71,062,507
-	-
<u>12,769,208</u>	<u>71,062,507</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

**For Askari Investment Management Limited**  
**(Management Company)**

*Adnan Siddiqui*

Chief Executive

*Sabir*

Director

**ASKARI HIGH YIELD SCHEME**  
**DISTRIBUTION STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Undistributed income / (loss) brought forward:**

- Realised (loss) / income
- Unrealised income / (loss)

Net income for the year after taxation

Final distribution of Rs 1.8786 per unit on July 6, 2011 for the year ended June 30, 2011 (2010: Nil):

- Cash dividend
- Bonus units

Undistributed (loss) / income carried forward

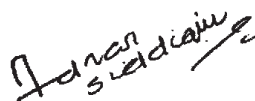
**Undistributed (loss) / income carried comprising:**

- Realised (loss)
- Unrealised income

	2012	2011
	------(Rupees)-----	
	(36,342,137)	270,553,149
	36,828,057	(341,129,736)
	485,920	(70,576,587)
	12,769,208	71,062,507
	(19,084,554)	-
	(13,434,567)	-
	(32,519,121)	-
	<u>(19,263,993)</u>	<u>485,920</u>
	(28,298,890)	(36,342,137)
	9,034,897	36,828,057
	<u>(19,263,993)</u>	<u>485,920</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

For Askari Investment Management Limited  
 (Management Company)



Chief Executive



Director

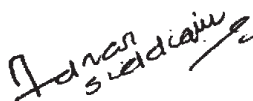



**ASKARI HIGH YIELD SCHEME**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	2012 ------(Rupees)-----	2011
Net assets at the beginning of the year	1,731,515,674	1,312,868,229
Issue of 9,344,396 units (2011: 19,972,968 units)	937,874,832	1,974,493,265
Redemption of 14,280,214 units (2011: 16,497,118 units)	(1,447,608,141) (509,733,309)	(1,626,628,094) 347,865,171
Issue of 136,879 bonus units (2011: Nil units)	13,434,567 (496,298,742)	- 347,865,171
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net	16,376,124	(280,233)
Net realised gain / (loss) on sale of investments	13,961,542	(43,199)
Net unrealised appreciation / (diminution) in value of investments classified as 'fair value through profit or loss'	9,034,897	36,828,057
Other net (loss) / income for the year	(10,227,231)	34,277,649
Other comprehensive income	-	-
Total comprehensive income for the year	12,769,208	71,062,507
Final distribution of Rs 1.8786 per unit on July 06, 2011 for the year ended June 30, 2011 (2010: Nil)		
- Cash dividend	(19,084,554)	-
- Bonus units	(13,434,567) (32,519,121)	- -
Net assets at the end of the year	<u>1,231,843,143</u>	<u>1,731,515,674</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

**For Askari Investment Management Limited**  
**(Management Company)**

  
**Chief Executive**

  
**Director**

**ASKARI HIGH YIELD SCHEME**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note	2012	2011
	------(Rupees)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the year	12,769,208	71,062,507
<b>Adjustments for:</b>		
Net realised (gain) / loss on sale of investments	(13,961,542)	43,199
Unrealised (appreciation) / diminution in value of investments classified as 'fair value through profit or loss'	(9,034,897)	(36,828,057)
Amortisation of formation costs	-	243,827
Provision against non-performing placements	101,472,719	-
Net provision against non-performing Term Finance Certificates (Reversal) / provision against assets acquired in settlement of investments - net	94,677,237	82,688,099
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net	(39,200,302)	57,370,369
Provision / (reversal) of provision for Workers' Welfare Fund	16,376,124	(280,233)
	4,456,514	(2,745,757)
	154,785,853	100,491,447
<b>(Increase) / decrease in assets</b>		
Term deposit and money market placements	158,923,449	(102,085,247)
Investments - net	187,559,174	(177,837,192)
Assets acquired in settlement of investments	19,394,041	38,112,120
Accrued profit and other receivables	9,733,500	(36,556,252)
	375,610,164	(278,366,571)
<b>Increase / (decrease) in liabilities</b>		
Borrowing under repurchase agreement	-	(147,574,350)
Payable to the Management Company	(100,052)	130,784
Payable to the Trustee	(20,552)	(22,547)
Payable to Securities and Exchange Commission of Pakistan	273,882	(868,981)
Payable against redemption of units	10,973	(64,039)
Accrued and other liabilities	2,378,498	(1,853,264)
	2,542,749	(150,252,397)
<b>Net cash inflow / (outflow) from operating activities</b>	545,707,974	(257,065,014)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	937,874,832	1,974,493,265
Payments against redemption of units	(1,447,608,141)	(1,626,628,094)
Dividend paid	(19,084,554)	-
<b>Net cash (outflow) / inflow from financing activities</b>	(528,817,863)	347,865,171
<b>Net cash inflow during the year</b>	16,890,111	90,800,157
Cash and cash equivalents at the beginning of the year	100,576,482	9,776,325
<b>Cash and cash equivalents at the end of the year</b>	117,466,593	100,576,482

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The annexed notes 1 to 32 form an integral part of these financial statements.

**For Askari Investment Management Limited**  
**(Management Company)**

*Adnan Siddiqui*

**Chief Executive**

*Sabir*

**Director**

**ASKARI HIGH YIELD SCHEME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Askari High Yield Scheme (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) as an open end unit trust scheme. It was registered under a Trust Deed, dated December 16, 2005 executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited), as the Management Company and Central Depository Company of Pakistan Limited as its Trustee on December 5, 2005 and was approved by the Securities and Exchange Commission of Pakistan (the SECP) as a Notified Entity in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) on February 19, 2009. The registered office of the Management Company is situated at Office No. 2/W, Kashmir Plaza, Jinnah Avenue, Blue Area, Islamabad with its Head Office situated at 20-C, Khayaban-e-Nishat, Phase VI, DHA, Karachi.
- 1.2** The Fund offers units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The units are listed on the Lahore Stock Exchange (Guarantee) Limited. As per the offering document, the Fund shall invest in a mix of spread transactions, debt securities and various other money market instruments. Pursuant to Circular 7 of 2009 of the SECP, the Board of Directors of the Management Company have approved the category of the Fund as "Aggressive Fixed Income Scheme" and required changes have been made in the constitutive documents of the Fund.
- 1.3** The Pakistan Credit Rating Agency Limited (PACRA) assigned an asset manager rating of 'AM3+' to the Management Company in June, 2012. As per the rating scale of PACRA, this rating denotes that the asset manager meets high industry standards and benchmarks.
- 1.4** The Pakistan Credit Rating Agency Limited (PACRA) assigned a fund stability rating of 'A+(f)' to the Fund in March 2012. As per the rating scale of PACRA, this rating denotes a strong capacity to maintain relative stability in returns and low exposure to risk.
- 1.5** Title to the assets of the Fund are held in the name of Central Depository Company (CDC) as trustee of the Fund.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures' This amendment is effective from January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Fund's financial statements, other than certain additional disclosures.

- b) IFRS 7, 'Financial instruments: Disclosures' This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Fund's financial statements during the current year.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Fund's financial statements as currently no items are being reported in other comprehensive income.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard does not have any impact on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

### 2.3 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are not yet effective:

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment will not have any effect on the Fund's financial statement as presently no items are being reported in other comprehensive income.
- b) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

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

### 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise the judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience 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 period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- i) Classification and valuation of investments (notes 3.2 and 6)
- ii) Assessing the recoverable amounts of assets acquired against settlement of investments (note 3.7 and 9)
- iii) Recognition of provisions (note 3.13 and 13.1)

## 2.5 Accounting convention

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

## 2.6 Functional and presentation currency

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Cash and cash equivalents

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

### 3.2 Financial assets

#### 3.2.1 Classification

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

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

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

##### b) Loans and receivables

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

##### c) Available for sale

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

#### 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 carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Loans and receivables are initially recognised at fair value plus transaction cost.

### 3.2.4 Subsequent measurement

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

#### Basis of valuation of debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No.1 of 2009 dated January 6, 2009. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

#### Basis of valuation of government securities

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

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

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

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

### 3.2.5 Impairment

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

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

##### Debt securities

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

Impairment / provision for non-performing debt securities is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

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

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. Provision is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by the SECP.

### 3.2.6 Derecognition

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

### 3.2.7 Offsetting of financial assets and liabilities

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

### 3.3 Financial liabilities

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

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

### 3.4 Derivatives

Derivative instruments are initially recognised at cost and subsequently each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

### 3.5 Securities under repurchase / resale agreements

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

All reverse repo / continuous funding system transactions are accounted for on the settlement date.

### 3.6 Investment in finance lease

The Fund acquired certain leased asset as part of settlement of investments. The risks and rewards incidental to ownership of the leased asset are transferred substantially to the lessee over the lease period. Investment in lease finance is recognised at an amount equal to the aggregate of minimum lease payments including unearned finance income, if any.

### 3.7 Assets held for sale

The Fund acquired certain properties in settlement of its investments. These properties are classified as held for sale and measured at lower of carrying amount and fair value less costs to sell.

### 3.8 Taxation

#### Current

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

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

#### Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related

tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

### 3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received 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 on acceptance of application for sale.

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.

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

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

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

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

### 3.11 Net asset value per unit

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

### 3.12 Provisions

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

### 3.13 Proposed distributions

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

### 3.14 Revenue recognition

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



- Unrealised gains / (losses) arising on marking to market of investments classified as ' Financial assets at fair value through profit or loss ' are included in the income statement in the period in which they arise.
- Profit on investments is recognised on an accrual basis.
- Profit on bank deposits is recognised on an accrual basis.
- Income from government securities is accrued using the effective interest method.

Rental income on properties held-for-sale is recognised on accrual basis.

The Fund follows the finance method in recognising income from leased assets acquired in settlement of investments. Under this method, the unearned income, i.e., the excess of aggregate lease rentals and the estimated residual value over the cost of the leased assets is deferred and then amortised over the term of the lease by applying the annuity method, so as to produce a constant rate of return on net investments in the leases.

4	<b>BALANCES WITH BANKS</b>	Note	2012	2011
			----- (Rupees) -----	
	Savings accounts	4.1	117,466,593	76,576,482

- 4.1 These savings accounts carry markup at the rates ranging from 6% to 12.25% (2011: 5% to 12%) per annum. This includes an amount of Rs 16,506,393 (2011: Rs. 75,264,778) maintained with Askari Bank Limited, a connected person.

5	<b>TERM DEPOSIT AND MONEY MARKET PLACEMENTS</b>	Note	2012	2011
			----- (Rupees) -----	
	Term deposit		-	24,000,000
	Placements with banks and financial institutions	5.1	42,639,079	158,250,000
	Receivable against repurchase transaction		-	144,785,247
			<u>42,639,079</u>	<u>327,035,247</u>

#### 5.1 Placements with banks and financial institutions

Trust Investment Bank Limited	129,111,798	143,250,000
Saudi Pak Leasing Company Limited:	15,000,000	15,000,000
	144,111,798	158,250,000
Less: Provisions held	(101,472,719)	-
	<u>42,639,079</u>	<u>158,250,000</u>

- 5.1.1 The facility has been classified as non-performing in accordance with the Fund's provisioning policy. Accordingly, the carrying value stated above has been arrived at after taking into account provision as under:

	2012	2011
	----- (Rupees) -----	
Trust Investment Bank Limited	86,472,719	-
Saudi Pak Leasing Company Limited	15,000,000	-
	<u>101,472,719</u>	<u>-</u>

## 6 INVESTMENTS

### At fair value through profit or loss - Held for trading

Government Treasury Bills  
Pakistan Investment Bonds

### Listed

Term finance certificates

### Unlisted

Term finance certificates  
Sukuk certificates

Note	2012	2011
	(Rupees)	
	98,741,588	473,938,100
6.1.1	4,669,872	-
6.1.2	103,411,460	473,938,100
	382,520,590	360,717,311
6.2		
	184,273,099	191,829,788
6.2	234,254,832	137,214,754
6.3	418,527,931	329,044,542
	<u>904,459,981</u>	<u>1,163,699,953</u>

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

#### 6.1.1 Government Treasury Bills:

Issue date	Tenor	Face Value				Balance as at June 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2011	Purchased during the year	Disposed / matured during the year	As at June 30, 2012	Carrying value	Market value	Appreciation / (diminution)		
-----Rupees-----										
February 10, 2011	6 months	-	120,000,000	120,000,000	-	-	-	-	-	-
February 10, 2011	1 year	-	590,000,000	590,000,000	-	-	-	-	-	-
April 7, 2011	6 months	-	125,000,000	125,000,000	-	-	-	-	-	-
April 21, 2011	6 months	-	659,900,000	659,900,000	-	-	-	-	-	-
May 5, 2011	6 months	-	40,000,000	40,000,000	-	-	-	-	-	-
May 19, 2011	3 months	100,000,000	190,000,000	290,000,000	-	-	-	-	-	-
May 19, 2011	6 months	-	25,000,000	25,000,000	-	-	-	-	-	-
June 2, 2011	3 months	-	275,000,000	275,000,000	-	-	-	-	-	-
June 16, 2011	6 months	270,000,000	60,000,000	330,000,000	-	-	-	-	-	-
June 16, 2011	1 year	-	55,000,000	55,000,000	-	-	-	-	-	-
June 30, 2011	3 months	125,000,000	-	125,000,000	-	-	-	-	-	-
July 14, 2011	1 year	-	225,000,000	225,000,000	-	-	-	-	-	-
July 14, 2011	3 months	-	300,000,000	300,000,000	-	-	-	-	-	-
July 14, 2011	6 months	-	500,000,000	500,000,000	-	-	-	-	-	-
July 14, 2011	6 months	-	200,000,000	200,000,000	-	-	-	-	-	-
July 28, 2011	6 months	-	50,000,000	50,000,000	-	-	-	-	-	-
August 11, 2011	1 year	-	325,000,000	325,000,000	-	-	-	-	-	-
August 11, 2011	3 months	-	195,000,000	195,000,000	-	-	-	-	-	-
August 25, 2011	1 year	-	485,000,000	485,000,000	-	-	-	-	-	-
September 22, 2011	1 year	-	150,000,000	150,000,000	-	-	-	-	-	-
October 6, 2011	1 year	-	500,000,000	500,000,000	-	-	-	-	-	-
November 3, 2011	3 months	-	200,000,000	200,000,000	-	-	-	-	-	-
November 3, 2011	1 year	-	450,000,000	450,000,000	-	-	-	-	-	-
November 17, 2011	3 months	-	125,000,000	125,000,000	-	-	-	-	-	-
November 17, 2011	3 months	-	200,000,000	200,000,000	-	-	-	-	-	-
December 1, 2011	3 months	-	250,000,000	250,000,000	-	-	-	-	-	-
December 1, 2011	6 months	-	250,000,000	250,000,000	-	-	-	-	-	-
December 1, 2011	1 year	-	250,000,000	250,000,000	-	-	-	-	-	-
January 12, 2012	1 year	-	175,000,000	175,000,000	-	-	-	-	-	-
January 12, 2012	3 months	-	100,000,000	100,000,000	-	-	-	-	-	-
January 12, 2012	6 months	-	150,000,000	150,000,000	-	-	-	-	-	-
January 26, 2012	1 year	-	100,000,000	100,000,000	-	-	-	-	-	-
January 26, 2012	3 months	-	175,000,000	175,000,000	-	-	-	-	-	-
January 26, 2012	6 months	-	100,000,000	100,000,000	-	-	-	-	-	-
February 9, 2012	1 year	-	50,000,000	50,000,000	-	-	-	-	-	-
February 9, 2012	3 months	-	300,000,000	300,000,000	-	-	-	-	-	-
February 9, 2012	6 months	-	150,000,000	150,000,000	-	-	-	-	-	-
February 10, 2012	1 year	-	40,000,000	40,000,000	-	-	-	-	-	-
March 8, 2012	3 months	-	15,000,000	15,000,000	-	-	-	-	-	-
March 9, 2012	3 months	-	60,000,000	60,000,000	-	-	-	-	-	-
March 22, 2012	3 months	-	135,000,000	135,000,000	-	-	-	-	-	-
May 17, 2012	3 months	-	100,000,000	-	100,000,000	98,756,942	98,741,588	(15,354)	8.02%	10.92%
June 8, 2012	3 months	-	25,000,000	25,000,000	-	-	-	-	-	-
<b>Total - June 30, 2012</b>		<b>495,000,000</b>	<b>8,469,900,000</b>	<b>8,864,900,000</b>	<b>100,000,000</b>	<b>98,756,942</b>	<b>98,741,588</b>	<b>(15,354)</b>		
<b>Total - June 30, 2011</b>		<b>-</b>	<b>4,404,000,000</b>	<b>3,909,000,000</b>	<b>495,000,000</b>	<b>473,968,725</b>	<b>473,938,100</b>	<b>(30,625)</b>		

6.1.1.1 The outstanding security have a remaining maturity period of upto 3 months (2011: 6 months) with yield of 11.88% (2011: 12.20% to 13.66%).

### 6.1.2 Pakistan Investment Bonds:

Issue date	Tenor	Face Value			Balance as at June 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2011	Purchased during the year	Disposed / matured during the year	As at June 30, 2012	Carrying value	Market value		
-----Rupees-----									
July 22, 2010	5 years	-	50,000,000	50,000,000	-	-	-	-	-
August 18, 2011	3 years	-	125,000,000	125,000,000	-	-	-	-	-
August 18, 2011	5 years	-	75,000,000	75,000,000	-	-	-	-	-
August 18, 2011	10 years	-	105,000,000	100,000,000	5,000,000	4,709,407	4,669,872	(39,535)	0.38%
<b>Total - June 30, 2012</b>			<b>355,000,000</b>	<b>350,000,000</b>	<b>5,000,000</b>	<b>4,709,407</b>	<b>4,669,872</b>	<b>(39,535)</b>	
<b>Total - June 30, 2011</b>			<b>75,000,000</b>	<b>75,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

6.1.2.1 The outstanding security have a remaining maturity period of upto 10 years (2011: Nil) with yield of 13.11% (2011: Nil).

### 6.1.3 Sukuk certificates

Issue date	Tenor	-----Number of certificates-----			Balance as at June 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 01, 2011	Purchases during the year	Sales / redeemed during the year	As at 30 June 2012	Carrying value	Market Value		
GoP March 7, 2011	3 years	-	30,000	30,000	-	-	-	-	-
GoP December 26, 2011	3 years	-	27,000	27,000	-	-	-	-	-
<b>Total - June 30, 2012</b>			<b>57,000</b>	<b>57,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total - June 30, 2011</b>			<b>16,000</b>	<b>16,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 6.2 Term finance certificates

### Certificates having a face value of Rs 5,000 each unless stated in 6.4

Name of investee company	Note	Number of certificates			Balance as at June 30, 2012			Market value			
		As at July 1, 2011	Purchased during the year	Disposed/ redeemed during the year	As at June 30, 2012	Carrying value (net of provision)	Market value	Appreciation / (diminution)	as a percentage of net assets	as a percentage of total investments	as a percentage of total issue size
-----Rupees-----											
<b>Term finance certificates - listed</b>											
Askari Bank Limited (18-11-09)	-	-	9,936	-	9,936	52,484,063	52,484,063	-	4.26%	5.80%	1.75%
Bank Al-Habib Limited (15-07-04)	-	5,000	-	5,000	-	-	-	-	-	-	-
Dewan Cement Limited	6.3.1	25,000	-	-	25,000	-	-	-	-	-	-
Engro Fertilizer Limited (30-11-07)	-	2,000	20,000	9,200	12,800	61,919,062	61,686,141	(232,921)	5.01%	6.82%	1.55%
NIB Bank Limited (15-03-08)	-	-	14,700	14,700	-	-	-	-	-	-	-
Pace Pakistan Limited (15-02-08)	6.3.1	15,000	-	-	15,000	37,107,892	37,107,892	-	3.01%	4.10%	2.47%
Pak Arab Fertilizer Limited (28-02-08)	-	690	30,000	30,690	-	-	-	-	-	-	-
Pakistan Mobile Communication Limited (28-10-08)	-	39,310	-	10,600	28,710	135,140,348	141,671,218	6,530,870	11.50%	15.66%	2.46%
Telecard Limited (27-05-05)	6.3.1	10,000	-	-	10,000	5,098,754	5,098,754	-	0.41%	0.56%	0.21%
Trust Investment Bank Limited (04-07-08)	-	10,000	-	-	10,000	17,888,948	17,608,579	(280,369)	1.43%	1.95%	2.98%
United Bank Limited (14-02-08)	-	-	9,000	3,800	5,200	25,895,501	26,179,046	283,545	2.13%	2.89%	0.43%
United Bank Limited (15-03-05)	-	6,670	6,000	6,000	6,670	31,554,656	31,690,299	135,643	2.57%	3.50%	1.58%
Worldcall Telecom Limited (07-10-08)	-	4,200	-	-	4,200	10,967,383	8,994,598	(1,972,785)	0.73%	0.99%	0.27%
Worldcall Telecom Limited (28-11-06)	-	5,000	-	5,000	-	-	-	-	-	-	-
		<b>122,870</b>	<b>89,636</b>	<b>84,990</b>	<b>127,516</b>	<b>378,056,607</b>	<b>382,520,590</b>	<b>4,463,983</b>	<b>31.05%</b>	<b>42.29%</b>	
<b>Term finance certificates - unlisted</b>											
Agritech Limited	6.3.1	12,000	-	-	12,000	-	-	-	-	-	-
Agritech Limited (01-07-11)	6.3.1	-	2,375	-	2,375	2,375	2,375	-	-	-	-
Avari Hotels Limited (30-04-09)	-	15,200	-	-	15,200	62,848,987	61,976,293	(872,694)	5.03%	6.85%	1.68%
Azgard Nine Limited (4-12-07)	6.3.1	6,000	-	-	6,000	-	-	-	-	-	-
Bank Al Habib (30-06-11)	-	21,000	27,200	25,216	22,984	116,834,524	122,294,431	5,459,907	9.93%	13.52%	3.89%
New Allied Electronics Industries (Private) Limited (15-05-07)	6.3.1	5,000	-	-	5,000	-	-	-	-	-	-
		<b>59,200</b>	<b>29,575</b>	<b>25,216</b>	<b>63,559</b>	<b>179,685,886</b>	<b>184,273,099</b>	<b>4,587,213</b>	<b>14.96%</b>	<b>20.37%</b>	
<b>Total - June 2012</b>		<b>182,070</b>	<b>119,211</b>	<b>110,206</b>	<b>191,075</b>	<b>557,742,493</b>	<b>566,793,689</b>	<b>9,051,196</b>	<b>46.01%</b>	<b>62.67%</b>	
<b>Total - June 2011</b>		<b>54,200</b>	<b>21,000</b>	<b>16,000</b>	<b>59,200</b>	<b>170,115,729</b>	<b>191,829,788</b>	<b>21,714,059</b>	<b>11.08%</b>	<b>16.48%</b>	

### 6.3 Sukuk bonds - unlisted

Certificates having a face value of Rs 5,000 each unless stated in 6.4											
Al-Zamin Leasing Modaraba (12-05-08)	6.3.1	7,000	-	-	7,000	-	-	-	-	-	
Engro Fertilizer Limited (22-03-12)		-	9,840	-	9,840	49,200,000	49,200,000	-	3.99%	5.44%	2.46%
Hubco Short-term Sukuk - (03-02-12)		-	4,000	-	4,000	90,000,000	90,000,000	-	7.31%	9.95%	2.95%
Maple Leaf Cement Factory Limited I (03-12-07)	6.3.1	35,000	-	-	35,000	91,900,524	91,900,524	-	7.46%	10.16%	1.15%
Maple Leaf Cement Factory Limited II (31-03-10)	6.3.1	1,312	-	-	1,312	-	-	-	-	-	-
Security Leasing Corporation Limited II (19-09-07)	6.3.1	8,000	-	-	8,000	3,115,718	3,154,308	38,590	0.26%	0.35%	0.42%
<b>Total - June 2012</b>		<b>51,312</b>	<b>13,840</b>	<b>-</b>	<b>65,152</b>	<b>234,216,242</b>	<b>234,254,832</b>	<b>38,590</b>	<b>19.02%</b>	<b>25.90%</b>	
<b>Total - June 2011</b>		<b>65,312</b>	<b>-</b>	<b>14,000</b>	<b>51,312</b>	<b>122,070,131</b>	<b>137,214,754</b>	<b>15,144,623</b>	<b>7.93%</b>	<b>11.80%</b>	

6.3.1 Securities listed below have been classified as non-performing in accordance with the SECP's Circular 1 of 2009 and the Fund's provisioning policy for non-performing exposures. Accordingly, the carrying values stated above have been arrived at after taking into account provisions as under:

	2012			2011		
	Carrying value	Provision held	Net carrying value	Carrying value	Provision held	Net carrying value
-----Rupees-----						
Agritech Limited (29-Nov-07)	59,952,000	59,952,000	-	59,952,000	44,391,125	15,560,875
Al Zamin Leasing Modaraba	27,246,671	27,246,671	-	27,246,671	18,788,165	8,458,506
Azgard Nine Limited	29,976,000	29,976,000	-	29,976,000	21,556,075	8,419,925
Dewan Cement Limited	125,000,000	125,000,000	-	125,000,000	125,000,000	-
Maple Leaf Cement Factory Limited -1 (03-12-07)	109,517,210	17,616,686	91,900,524	-	-	-
New Allied Electronics Industries (Private) Limited (15-05-07)	10,221,616	10,221,616	-	11,458,325	10,221,616	1,236,709
Security Leasing Corporation Limited (19-11-07)	11,007,326	7,853,018	3,154,308	-	-	-
Telecard Limited	12,115,937	7,017,183	5,098,754	-	-	-
Pace (Pakistan) Limited	50,367,684	13,259,792	37,107,892	-	-	-
Maple Leaf - Sukuk (31-03-10)	4,618,627	4,618,627	-	-	-	-
Agritech Limited (01-07-11)	11,875,000	11,872,625	2,375	-	-	-
	<b>451,898,071</b>	<b>314,634,218</b>	<b>137,263,853</b>	<b>253,632,996</b>	<b>219,956,981</b>	<b>33,676,015</b>

**6.4 Significant terms and conditions of term finance certificates and sukuk bonds outstanding at the year end are as follows:**

Name of security	Number of certificates	Face value / Redemption value (Rupees)	Mark-up rate (Per annum)	Maturity	Secured / unsecured	Rating
<b>Listed debt securities</b>						
Askari Bank Limited (18-11-09)	9,936	4,995	6 month KIBOR + 2.50%	November 18, 2019	Unsecured	AA-
Dewan Cement Limited	25,000	5,000	6 months KIBOR + 2%	January 2014	Secured	NPA
Engro fertilizer Limited (30-11-07)	12,800	4,991	6 month KIBOR + 1.55%	November 30, 2015	Secured	AA-
PACE (Pakistan) Limited (15-02-08)	15,000	4,993	6 months KIBOR + 2%	February 15, 2017	Secured	NPA
Pakistan Mobile Communication Limited (28-10-08)	28,710	5,000	6 month KIBOR + 1.65%	October 28, 2013	Secured	AA-
Telecard Limited (27-05-05)	10,000	1,615.46	6 month KIBOR + 3.75%	November 27, 2013	Secured	NPA
Trust investment Bank Limited (04-07-08)	10,000	1,874.25	6 months KIBOR + 1.85%	July 4, 2013	Unsecured	BBB-
United Bank Limited (14-02-08)	5,200	4,992	6 months KIBOR + 0.85%	February 14, 2018	Unsecured	AA
United Bank Limited (15-03-05)	6,670	4,998.60	15% (Fixed)	March 15, 2013	Unsecured	AA
Worldcall Telecom Limited (07-10-08)	4,200	2,141.57	6 month KIBOR + 1.6%	October 7, 2013	Secured	NIG
<b>Term finance certificates - unlisted</b>						
Agritech Limited (29-Nov-07)	12,000	3,996.80	6 months KIBOR + 1.75%	November 29, 2014	Secured	NPA
Agritech Limited (01-07-11)	2,375	5,000	Fixed	January 1, 2015	Secured	NPA
Avari Hotels (30-04-09)	15,200	4,245.70	6 month KIBOR + 3.25%	October 30, 2014	Secured	A-
Azgard Nine (04-12-07)	6,000	4,496.40	6 months KIBOR + 0.25%	December 4, 2014	Secured	NPA
Bank Al Habib (30-06-11)	22,984	4,998	Fixed	June 30, 2021	Unsecured	AA
New Allied Electronics Industries (Pvt.) Limited (15-05-07)	5,000	2,187.50	3 month KIBOR+3%	May 15, 2011	Secured	NPA
<b>Sukuk bonds - At fair value through profit or loss - unlisted</b>						
Al - Zamin Leasing Modaraba (12-05-08)	7,000	3,333.33	6 months KIBOR + 1.9%	May 12, 2012	Secured	NPA
Maple Leaf Cement Factory limited -1 (03-12-07)	35,000	4,989.38	3 month KIBOR + 1%	December 3, 2018	Secured	NPA
Maple Leaf Cement Factory limited -2 (31-03-10)	1,312	5,000	3 month KIBOR + 1%	March 31, 2012	Secured	NPA
Security Leasing Corporation Limited (19-09-07)	8,000	1,946.61	1 month KIBOR	September 19, 2012	Secured	NPA
Hubco Short-term Sukuk (03-02-12)	18,000	5,000	6 months KIBOR + 1.90%	August 2, 2012	Unsecured	N/A
Engro Fertilizer Limited Short-term Sukuk (22-03-12)	9,840	5,000	6 months KIBOR + 1.60%	September 22, 2012	Unsecured	N/A

**6.4.1** The Term Finance Certificates and Sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

7	ACCRUED PROFIT AND OTHER RECEIVABLE	Note	2012	2011
			------(Rupees)-----	
	Markup receivable on term finance and sukuk certificates		31,263,774	43,167,048
	Profit receivable on bank balances	7.1	1,978,954	234,984
	Advance tax		792,233	705,362
	Rent receivable		607,981	158,304
	Other receivable and prepayments		257,292	601,590
	Markup receivable on Pakistan Investment Bond		228,203	-
	Margin against subscription of Term Finance Certificates		1,622,058	-
	Profit on term deposit		-	8,383
	Income receivable on placements		-	1,608,324
			<u>36,750,495</u>	<u>46,483,995</u>

7.1 Includes amount of Rs 6,957 (2011: Rs 219,475) receivable from Askari Bank Limited (a connected person).

8	SECURITY DEPOSITS	Note	2012	2011
			------(Rupees)-----	
	Security deposits	8.1	<u>3,600,000</u>	<u>3,600,000</u>

8.1 Represents security deposits maintained with the Central Depository Company of Pakistan Limited amounting to Rs.100,000 (2011: Rs 100,000) and National Clearing Company of Pakistan Limited of Rs 3,500,000 (2011: Rs 3,500,000).

## 9 ASSETS ACQUIRED AGAINST SETTLEMENT OF INVESTMENTS

During the year 2009, the Fund acquired certain assets in settlement of certificate of investment and letter of placement due from an Investment Bank as allowed by SECP vide its letter dated 12 August 2009. The carrying value of such assets as of 30 June 2012 is as under:

	Note	2012	2011
		------(Rupees)-----	
Net investment in finance lease	9.1	68,717,739	88,111,780
Provision against non-performing lease receivables	9.2	-	(39,650,302)
		68,717,739	48,461,478
Properties - held for sale	9.3	135,563,709	135,563,709
Less: Provision for diminution in value of properties held for sale	9.4	(61,970,036)	(61,520,036)
		73,593,673	74,043,673
		<u>142,311,412</u>	<u>122,505,151</u>

9.1 Represents lease rentals receivable from Pioneer Cement Limited for Grate Cooler Plant as follows:

	2012			2011		
	Less than 1 year	More than 1 year and less than 3 years	Total	Less than 1 year	More than 1 year and less than 3 years	Total
	------(Rupees)-----					
Minimum lease payments	32,571,791	49,377,623	81,949,414	33,459,492	80,860,439	114,319,931
Unearned finance income	(8,126,631)	(5,105,044)	(13,231,675)	(12,326,712)	(13,881,439)	(26,208,151)
Net investment in finance lease	<u>24,445,160</u>	<u>44,272,579</u>	<u>68,717,739</u>	<u>21,132,780</u>	<u>66,979,000</u>	<u>88,111,780</u>

- 9.2** During the year, upon payment of overdue installments, and after compliance with restructuring terms, this exposure has been reclassified as performing in accordance with Fund's provisioning policy for 'other exposures'. Consequently provision maintained as of June 30, 2011 has also been reversed in the current year.
- 9.3** Represents settlement value (together with related direct costs incurred) of seven different properties situated in Karachi. Titles of four properties have been transferred to the Fund and the Management Company is taking steps for transfer of titles for the remaining three properties in the name of the Trustee of the Fund. In terms of the SECP's letter dated August 12, 2009, the Fund was required to dispose off these properties within 1 year of the letter i.e. August 12, 2010. However, due to the prevailing conditions in the property market, these properties remain unsold as of the period end. The Management Company of the Fund remains committed to sell these properties at the earliest available suitable opportunity in the best interest of the Fund and, hence the same continue to be classified as held for sale. Further, the Fund, vide its letter dated August 9, 2011, had sought an extension from the SECP to dispose off the above properties. The SECP vide its letter No. NBFC/RS/JD-VS/AIML/359/2011 dated August 15, 2011 has granted an extension to the Fund upto August 12, 2012 for the disposal of the properties. A further extension has been applied by the Management Company through its letter dated July 30, 2012 and the approval from SECP is expected soon.
- 9.4** As of June 30, 2012, the fair value of these properties has been assessed by independent valuers at Rs 76,700,000 (2011: Rs 77,150,000). Accordingly, an aggregated provision of Rs 61,970,036 (2011: Rs 61,520,036) has been made on account of any impairment in the value of these properties. The provision has been made after adjusting the necessary cost to be incurred in order to make the sale from the fair value of these properties.

10	PAYABLE TO ASKARI INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2012 ----- (Rupees)	2011 ----- (Rupees)
	Management Company's remuneration	10.1	1,525,120	1,869,286
	Sindh Sales Tax on Management Company's remuneration	10.2	244,114	-
			<u>1,769,234</u>	<u>1,869,286</u>

- 10.1** 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.

According to the provisions of the Trust Deed of the Fund, the Management Company has charged its remuneration at the rate of 1.5% (2011: 1.5%) per annum of the net assets of the Fund computed on a daily basis.

- 10.2** During the current period, the Sindh Revenue Board levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

11	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2012 ----- (Rupees)	2011 ----- (Rupees)
	Trustee fee	11.1	156,004	176,556

- 11.1** 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 daily Net Assets Value (NAV) of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2012 is as follows:

Amounts of funds under management (Average NAV)	Tariff per annum
Up to Rs. 1,000 million	Rs. 0.6 million or 0.17% per annum of Net Asset Value whichever is higher
Exceeding Rs. 1,000 million upto Rs. 5000 million	Rs. 1.7 million plus 0.085% per annum of Net Asset Value exceeding Rs. 1,000 million
Exceeding Rs. 5,000 million	Rs. 5.1 million plus 0.07% per annum of Net Asset Value exceeding Rs. 5,000 million

The remuneration is paid to the trustee monthly in arrears.

12	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2012	2011
			----- (Rupees) -----	
	Annual fee	12.1	1,276,801	1,002,919

13	ACCRUED AND OTHER LIABILITIES	Note	2012	2011
			----- (Rupees) -----	
	Provision for contribution to Workers' Welfare Fund	13.1	4,456,514	-
	Unearned rental income		2,194,697	961,307
	Payable to the Management Company		1,315,165	1,364,499
	Withholding tax payable		937,206	185,115
	Payable to brokers		713,172	84,514
	Auditors' remuneration payable		650,000	550,000
	Lease markup - unearned		256,587	676,876
	Legal and professional charges payable		424,999	259,998
	Mutual Fund rating fee payable		-	300,002
	Other payable		1,223,065	954,082
			12,171,405	5,336,393

- 13.1** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In light of this, Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party. Keeping in view the prevalent conditions on this matter, the Management Company had made a provision for WWF contribution in the annual financial statements of the Fund for the year ended June 30, 2010.

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal. Based on the positive developments and a legal advice taken by the Management Company thereon, provision for WWF made in the books of accounts of the Fund was reversed on October 7, 2010 and no further provision was maintained in the books of accounts.

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

Subsequent to June 30, 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down.

During the year ended June 30, 2012, a show cause notice has been issued to the Fund by Deputy Commissioner Inland Revenue stating that the Fund is liable to pay WWF under section 4 of the Workers' Welfare Fund Ordinance, 1971. Although the Management Company is hopeful that the case will be decided in its favour, it has taken a decision



to provide for WWF and accordingly has recognised the aggregate amount of unrecorded provision for WWF amounting to Rs 4.457 million as at June 30, 2012 (including Rs 0.345 million in respect of the current year). The provision has been made without prejudice to pending application in the High Court of Sindh.

#### 14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2012.

#### 15 OTHER INCOME

Participation fee income  
Reversal of liability no longer considered payable  
Mark-up earned on NCCPL margin

Note	2012	2011
	----- (Rupees) -----	
	-	525,000
	224,998	1,266,741
	134,610	-
	<u>359,608</u>	<u>1,791,741</u>

#### 16 AUDITORS' REMUNERATION

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

550,000	500,000
200,000	170,000
50,000	50,000
78,610	181,160
<u>878,610</u>	<u>901,160</u>

#### 17 CASH AND CASH EQUIVALENTS

Balances with banks  
Term deposit receipts

4	117,466,593	76,521,482
5	-	24,000,000
	<u>117,466,593</u>	<u>100,521,482</u>

#### 19 TAXATION

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

#### 20 EARNINGS PER UNIT (EPU)

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

## 21 FINANCIAL INSTRUMENTS BY CATEGORY

**Financial assets**

Bank balances
Money market placement
Investments
Security deposits
Accrued profit and other receivable
Net investment in finance lease

As at June 30, 2012		
Financial assets at fair value through profit or loss	Loans and receivables	Total
-----Rupees-----		
-	117,466,593	117,466,593
-	42,639,079	42,639,079
904,459,981	-	904,459,981
-	3,600,000	3,600,000
-	35,700,970	35,700,970
-	68,717,739	68,717,739
904,459,981	268,124,381	1,172,584,362

**Financial liabilities**

Payable to the Management Company
Payable to the Trustee
Payable against redemption of units
Accrued and other liabilities

As at June 30, 2012		
Financial liabilities at fair value through profit or loss	At amortised cost	Total
-----Rupees-----		
-	1,525,120	1,525,120
-	156,004	156,004
-	10,973	10,973
-	4,326,401	4,326,401
-	6,018,498	6,018,498

**Financial assets**

Bank balances
Term deposit and money market placements
Investments
Security deposits
Accrued profit and other receivable
Net Investment in Finance Lease

As at June 30, 2011		
Financial assets at fair value through profit or loss	Loans and receivables	Total
-----Rupees-----		
-	76,576,482	76,576,482
-	327,035,247	327,035,247
1,163,699,953	-	1,163,699,953
-	3,600,000	3,600,000
-	45,778,633	45,778,633
-	48,461,478	48,461,478
1,163,699,953	501,451,840	1,665,151,793

**Liabilities**

Payable to the Management Company
Payable to the Trustee
Accrued and other liabilities

As at June 30, 2011		
Financial liabilities at fair value through profit or loss	At amortised cost	Total
-----Rupees-----		
-	1,869,286	1,869,286
-	176,556	176,556
-	3,513,095	3,513,095
-	5,558,937	5,558,937

## 22 TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

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

**22.5** Details of the transactions with connected persons are as follows:

### Transactions with Askari Investment Management Limited (Asset Management Limited) - Management Company

	2012	2011
	----- (Rupees) -----	
Management fee expense for the year	25,535,817	20,058,387
Sindh Sales Tax on remuneration of the Management Company	4,084,817	-
Units issued 932,341 units (2011: 100,383 units)	93,117,775	9,998,177
Units redeemed 873,641 units (2011: 242,927 units)	88,739,916	24,127,479
Issue of 1,921 bonus units (2011: Nil units)	188,580	-

### Askari General Insurance Company Limited (Group Company)

Units issued Nil (2011: 50,911 units)	-	5,000,000
Issue of 974 bonus units (2011: Nil units)	95,642	-

### President Askari Bank Limited Fund

Issue of 1,578 bonus units (2011: Nil units)	154,860	-
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### Askari Bank Employees' Provident Fund

Issue of 5,768 bonus units (2011: Nil)	566,165	-
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### Central Depository Company of Pakistan Limited - Trustee

Remuneration of the Trustee	2,296,931	2,161,818
Settlement charges	230,617	180,949
Custodian fee	6,062	6,343

### Askari Bank Limited (Holding company of the Management Company)

Units issued 2,008,724 units (2011: 13,201,690 units)	200,000,000	1,306,550,325
Units redeemed Nil (2011: 13,641,246 units)	-	1,357,226,924
Return on bank balances	4,117,096	2,082,596
Financial charges on borrowing under repurchase agreement	-	2,169,613
Purchase of term finance certificate	52,484,063	-
Income on term finance certificate	19,582	-

### Askari Cement Limited (Group Company)

Units redeemed Nil (2011: 13,075 units)	-	1,242,397
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### Key Management Personnel

Issue of 24,616 units (2011: Nil units)	2,450,000	-
Redemption of 24,616 units (2011: Nil units)	2,485,799	-

## 22.6 Amounts outstanding as at year end

**Transactions with Askari Investment Management Limited (Asset Management Limited) - Management Company**

	2012	2011
	------(Rupees)-----	
Remuneration payable to management company	1,525,120	1,869,286
Sindh Sales Tax on Management Company's remuneration	244,114	-
Payable to management company	1,315,165	1,364,499
Outstanding 161,004 units (2011: 100,383 units)	15,852,132	10,041,342

**Askari General Insurance Company Limited (Group Company)**

Outstanding 51,885 units (2011: 50,911 units)

**President Askari Bank Limited Fund**

Outstanding 84,012 units (2011: 82,434 units)

**Central Depository Company of Pakistan Limited - Trustee**

Remuneration payable to Trustee

**Askari Bank Limited (Holding company of the Management Company)**

Outstanding 11,642,356 units (2011: 9,633,632 units)

Investment - term finance certificate

Balance with bank

Accrued profit on bank balance

Profit receivable on term finance certificate

**Askari Bank Limited Employees' Provident Fund**

Outstanding 307,145 units (2011: 301,376 units)

	2012	2011
	------(Rupees)-----	
	5,108,493	5,092,659
	8,271,653	8,245,708
	156,004	176,556
	1,146,283,087	963,633,871
	52,484,063	-
	16,506,393	75,264,778
	6,957	219,475
	842,043	-
	30,240,882	30,146,654

## 23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

-----2012-----				
S.No	Name	Designation	Qualification	Experience in years
1	Mr. Adnan Siddiqui	Chief Executive Officer	MBA	21
2	Basharat Ullah	Chief Investment Officer	MBA	19
3	Mr. Mustafa Kamal	Fund manager	MBA	9
4	Zeeshan	Chief Financial Officer	ACA	10
5	Muhammad Farrukh	Senior Compliance Officer	CMA (Finalist)	12
6	Tariq Hashmi	Head of Business Development	B.A. (USA)	25

- 23.1 Mr. Mustafa Kamal is the fund manager of the Fund. He is also the fund manager of Askari Islamic Income Fund and Askari Sovereign Cash Fund.

## 24 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION EXPENSE

	2012
1 JS Global Securities Limited	35.08%
2 Invest & Finance Securities Limited	16.06%
3 Global Securities Pakistan Limited	12.72%
4 Invest One Markets Limited	8.16%
5 Al Falah Securities (Private) Limited	6.77%
6 Invest Capital Securities	5.85%
7 KASB Securities Limited	5.84%
8 BMA Capital Securities Limited	5.06%
9 Icon Securities Limited	2.72%
10 Elixir Securities Pakistan (Private) Limited	1.53%

## TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION EXPENSE

	2011
1 JS Global Securities Limited	50.99%
2 KASB Securities Limited	16.44%
3 Invest & Finance Securities Limited	13.37%
4 Elixir Securities Pakistan (Private) Limited	9.08%
5 Invest & Capital Securities Limited	4.17%
6 BMA Capital Securities Limited	2.16%
7 Icon Securities Limited	1.41%
8 Global Securities Pakistan Limited	1.35%
9 Invisor Securities Limited	0.79%
10 Summit Capital (Private) Limited	0.24%

## 25 PATTERN OF UNIT HOLDING

Category	As at June 30, 2012			
	Number of unit holders	Number of units held	Investment amount	Percentage investment
------(Rupees)-----				
Individuals	84	225,217	22,174,549	1.80%
Associated companies / Directors	5	12,246,402	1,205,756,238	97.88%
Insurance companies	1	250	24,647	0.00%
Retirement funds	8	38,820	3,822,134	0.31%
Welfare organizations	1	4	402	0.00%
Others	4	662	65,173	0.01%
	103	12,511,355	1,231,843,143	100.00%

Category	As at June 30, 2011			
	Number of unit holders	Number of units held	Investment amount	Percentage investment
------(Rupees)-----				
Individuals	98	1,596,603	159,705,151	9.22%
Associated companies / Directors	5	10,168,736	1,017,159,256	58.74%
Insurance companies	1	246	24,607	0.01%
Commercial banks	2	663,203	66,338,930	3.83%
Retirement funds	5	172,653	17,270,150	1.00%
Welfare organizations	6	3,628,256	362,927,524	20.96%
Others	7	1,080,597	108,090,056	6.24%
	124	17,310,294	1,731,515,674	100.00%

## 26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 39th, 40th, 41st, 42nd and 43rd Board meetings were held on July 06, 2011, August 18, 2011, October 13, 2011, February 6, 2012 and April 18, 2012 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mr. Lt Gen.(R) Imtiaz Hussain	3	3	-	-
Mr. Shahid Hafeez Azmi	5	3	2	39th & 43rd meeting
Mr. Muhammad Naseem	5	5	-	-
Mr. Mohammad Rafiquddin Mehkari	5	5	-	-
Mr. Maj Gen.(R) Saeed Ahmed Khan	3	3	-	-
Mr. Tahir Aziz	5	4	1	39th meeting
Mr. Sufian Mazhar	5	3	2	39th & 41st meeting
Mr. Adnan Siddiqui	5	5	-	-
Mr. Lt Gen.(R) Tahir Mahmood	2	2	-	-
Mr. Maj Gen.(R) Mukhtar Ahmed	1	1	-	-

- 26.1** Mr. Lt. Gen. (R) Imtiaz Hussain and Mr. Maj. Gen. (R) Saeed Ahmed Khan resigned on January 19, 2012 and February 3, 2012 respectively and in their place Mr. Lt Gen.(R) Tahir Mahmood and Mr. Maj Gen.(R) Mukhtar Ahmed have been appointed on February 6, 2012.

## 27 FINANCIAL RISK MANAGEMENT

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

### 27.1 Market risk

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

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

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

#### 27.1.1 Currency risk

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

#### 27.1.2 Interest rate risk

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

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

As at June 30, 2012, the Fund holds KIBOR based interest bearing term finance and sukuk certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2012, with all other variables held constant, the net income for the year and net assets would have been higher / lower by Rs 1.148 million (2011: Rs 1.251 million).

### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2012, the Fund holds market treasury bill and Pakistan Investment Bond exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Markets Association on June 30, 2012, with all other variables held constant, the net income for the year and net assets would be lower by Rs 0.104 million (2011: Rs 1.466 million) for market treasury bill and Rs 0.05 million (2011: Nil) for Pakistan Investment Bond. In case of 100 basis points decrease in rates announced by Financial Markets Association on June 30, 2012, with all other variables held constant, the net income for the year and net assets would be higher by Rs 0.104 million (2011: Rs 1.476 million) and Rs 0.05 million (2011: Nil) respectively.

The composition of the Fund's investment portfolio, KIBOR and rates announced by Financial Markets Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's Market Rate of Return (MROR) sensitivity related to financial assets and financial liabilities as at June 30, 2012 can be determined from the following:

----- As at June 30, 2012 -----					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to interest rate / yield risk	Total
	Upto three months	More than three months and up-to one year	More than one year		
<b>----- Rupees -----</b>					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	6% - 12.25%	117,466,593	-	-	117,466,593
Money market placement	NPA	11,474,737	12,778,684	18,385,658	42,639,079
Investments	Refer note 6	190,642,112	709,147,997	4,669,872	904,459,981
Accrued profit and other receivable		-	-	35,700,970	35,700,970
Security deposits		-	-	3,600,000	3,600,000
Net Investment in Finance Lease	14.05%	5,755,432	18,689,727	44,272,580	68,717,739
<b>Sub Total</b>		<b>325,338,874</b>	<b>740,616,408</b>	<b>67,328,110</b>	<b>1,172,584,362</b>
<b>Financial liabilities</b>					
Payable to the Management Company		-	-	1,525,120	1,525,120
Payable to the Trustee		-	-	156,004	156,004
Payable against redemption of units		-	-	10,973	10,973
Accrued and other liabilities		-	-	4,326,401	4,326,401
<b>Sub Total</b>		<b>-</b>	<b>-</b>	<b>6,018,498</b>	<b>6,018,498</b>
<b>On-balance sheet gap</b>		<b>325,338,874</b>	<b>740,616,408</b>	<b>67,328,110</b>	<b>1,166,565,864</b>
<b>Off-balance sheet financial instruments</b>					
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap</b>		<b>325,338,874</b>	<b>740,616,408</b>	<b>67,328,110</b>	<b>1,166,565,864</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>325,338,874</b>	<b>1,065,955,282</b>	<b>1,133,283,392</b>	

As at June 30, 2011					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to interest rate / yield risk	Total
	Upto three months	More than three months and up-to one year	More than one year		
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	5% - 12%	76,576,482	-	-	76,576,482
Term deposit and money market placements	12.75% - 13.22%	168,785,247	-	143,250,000	327,035,247
Investments	Refer note 6	219,811,283	267,203,950	676,684,720	1,163,699,953
Accrued profit and other receivable		-	-	45,778,633	45,778,633
Security deposits		-	-	3,600,000	3,600,000
Net investment in finance lease	NPA	-	21,132,780	27,328,698	48,461,478
<b>Sub Total</b>		<b>465,173,012</b>	<b>288,336,730</b>	<b>847,263,418</b>	<b>1,665,151,793</b>
<b>Financial liabilities</b>					
Payable to the Management Company		-	-	1,869,286	1,869,286
Payable to the Trustee		-	-	176,556	176,556
Accrued and other liabilities		-	-	3,513,095	3,513,095
<b>Sub Total</b>		<b>-</b>	<b>-</b>	<b>5,558,937</b>	<b>5,558,937</b>
<b>On-balance sheet gap</b>		<b>465,173,012</b>	<b>288,336,730</b>	<b>847,263,418</b>	<b>1,659,592,856</b>
<b>Off-balance sheet financial instruments</b>					
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap</b>		<b>465,173,012</b>	<b>288,336,730</b>	<b>847,263,418</b>	<b>1,659,592,856</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>465,173,012</b>	<b>753,509,742</b>	<b>1,600,773,160</b>	

### 27.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as on June 30, 2012.

### 27.2 Credit risk

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

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



**27.2.1** The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2012:

**Bank balances by rating category**

Askari Bank Limited  
Bank Al Falah Limited  
Burj Bank Limited  
Faysal Bank Limited  
The Bank of Khyber Limited  
Habib Metropolitan Bank Limited

2012	2011
AA	AA
AA	AA
A	-
AA	AA
A-	A-
AA+	-

**Term finance certificates by rating category**

**Listed**

Askari Bank Limited (18-11-09)  
Dewan Cement Limited  
Engro fertilizer Limited (30-11-07)  
PACE (Pakistan) Limited (15-02-08)  
Pakistan Mobile Communication Limited (28-10-08)  
Telecard Limited (27-05-2005)  
Trust investment Bank Limited (04-07-08)  
United Bank Limited (14-02-2008)  
United Bank Limited (15-03-05)  
Worldcall Telecom Limited (07-10-08)

2012	2011
AA-	-
NPA	NPA
AA-	AA
NPA	NPA
AA-	A+
NPA	NPA
BBB-	BBB
AA	
AA	AA
NIG	A

**Unlisted**

Agritech Limited (29-Nov-07)  
Agritech Limited (28-10-11)  
Avari Hotels  
Azgard Nine Limited  
Bank Al Habib (30-06-11)  
New Allied Electronics Industries (Pvt.) Limited (15-05-07)

NPA	NPA
NPA	-
A-	A-
NPA	NPA
AA	-
NPA	-

**Sukuks by rating category**

Al - Zamin Leasing Modaraba (12-05-08)  
Maple Leaf Cement Factory limited -1 (03-12-07)  
Maple Leaf Cement Factory limited -2 (31-03-10)  
Security Leasing Corporation Limited (19-09-07)  
Hubco Short-term Sukuk (03-02-12)  
Engro Fertilizer Limited Short-term Sukuk (22-03-12)

NPA	NPA
NPA	BBB
NPA	BBB
NPA	NPA
N/A	-
N/A	-

**27.2.2 Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mostly concentrated in government securities and with commercial banks of sound ratings.

The table below analyses the Fund's concentration of credit risk by sectoral distribution:

	% of debt instruments	
	2012	2011
Financial services	31.63	30.57
Personal Goods	11.47	1.22
Construction and materials	-	23.86
Real Estate Investment and Services	4.63	-
Chemicals	13.84	4.07
Fixed Line Telecommunication	1.76	4.34
Mobile Telecommunications	17.69	26.83
Travel and Leisure	7.74	9.11
Electricity	11.24	-
	<u>100.00</u>	<u>100.00</u>

The above excludes government guaranteed investments.

### 27.2.3 Collateral

The Fund does not hold any collateral against its investment in Government Treasury Bills, Pakistan Investment Bond, money market placements and balances with banks and these are unsecured. In respect of collateral against investment in term finance certificates and sukuks please refer note 6.4.

### 27.3 Liquidity risk

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

The Fund is exposed to the daily settlement of government securities and to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's government securities 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 the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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

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

#### Financial assets

Bank balances	117,466,593	-	-	117,466,593
Money market placement	11,474,737	12,778,684	18,385,658	42,639,079
Investments	254,945,735	244,310,883	405,203,363	904,459,981
Accrued profit and other receivable	35,700,970	-	-	35,700,970
Security deposits	3,600,000	-	-	3,600,000
Net Investment in Finance Lease	5,755,432	18,689,727	44,272,580	68,717,739
	<b>428,943,467</b>	<b>275,779,294</b>	<b>467,861,601</b>	<b>1,172,584,362</b>

As at June 30, 2012			
Upto three months	More than three months and up to one year	More than one year	Total
----- Rupees -----			
117,466,593	-	-	117,466,593
11,474,737	12,778,684	18,385,658	42,639,079
254,945,735	244,310,883	405,203,363	904,459,981
35,700,970	-	-	35,700,970
3,600,000	-	-	3,600,000
5,755,432	18,689,727	44,272,580	68,717,739
<b>428,943,467</b>	<b>275,779,294</b>	<b>467,861,601</b>	<b>1,172,584,362</b>

#### Financial liabilities

Payable to the Management Company	1,525,120	-	-	1,525,120
Payable to the Trustee	156,004	-	-	156,004
Payable against redemption of units	10,973	-	-	10,973
Accrued and other liabilities	4,326,401	-	-	4,326,401
	<b>6,018,498</b>	<b>-</b>	<b>-</b>	<b>6,018,498</b>
	<b>422,924,969</b>	<b>275,779,294</b>	<b>467,861,601</b>	<b>1,166,576,837</b>

As at June 30, 2012			
Upto three months	More than three months and up to one year	More than one year	Total
----- Rupees -----			
1,525,120	-	-	1,525,120
156,004	-	-	156,004
10,973	-	-	10,973
4,326,401	-	-	4,326,401
<b>6,018,498</b>	<b>-</b>	<b>-</b>	<b>6,018,498</b>
<b>422,924,969</b>	<b>275,779,294</b>	<b>467,861,601</b>	<b>1,166,576,837</b>

#### Assets

Bank balances	76,576,482	-	-	76,576,482
Term deposit and money market placements	168,785,247	-	158,250,000	327,035,247
Investments	219,811,283	267,203,950	676,684,720	1,163,699,953
Accrued profit and other receivable	2,611,585	43,167,048	-	45,778,633
Security deposits	3,600,000	-	-	3,600,000
Net Investment in Finance Lease	-	21,132,780	27,328,698	48,461,478
	<b>471,384,597</b>	<b>331,503,778</b>	<b>862,263,418</b>	<b>1,665,151,793</b>

As at June 30, 2011			
Upto three months	More than three months and up to one year	More than one year	Total
----- Rupees -----			
76,576,482	-	-	76,576,482
168,785,247	-	158,250,000	327,035,247
219,811,283	267,203,950	676,684,720	1,163,699,953
2,611,585	43,167,048	-	45,778,633
3,600,000	-	-	3,600,000
-	21,132,780	27,328,698	48,461,478
<b>471,384,597</b>	<b>331,503,778</b>	<b>862,263,418</b>	<b>1,665,151,793</b>

#### Liabilities

Payable to the Management Company	1,869,286	-	-	1,869,286
Payable to the Trustee	176,556	-	-	176,556
Accrued and other liabilities	3,513,095	-	-	3,513,095
	<b>5,558,937</b>	<b>-</b>	<b>-</b>	<b>5,558,937</b>
	<b>465,825,660</b>	<b>331,503,778</b>	<b>862,263,418</b>	<b>1,659,592,856</b>

As at June 30, 2011			
Upto three months	More than three months and up to one year	More than one year	Total
----- Rupees -----			
1,869,286	-	-	1,869,286
176,556	-	-	176,556
3,513,095	-	-	3,513,095
<b>5,558,937</b>	<b>-</b>	<b>-</b>	<b>5,558,937</b>
<b>465,825,660</b>	<b>331,503,778</b>	<b>862,263,418</b>	<b>1,659,592,856</b>

## 28 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

	As at June 30, 2012			
	Level 1	Level 2	Level 3	Total
	Rupees			
<b>ASSETS</b>				
Investment in securities - at fair value through profit or loss	-	767,196,127	137,263,854	904,459,981

## 29 UNIT HOLDERS' FUND RISK MANAGEMENT

The Fund's capital is represented by redeemable units. These are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the Statement of Movement in Unit Holders' Fund.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable to the Fund.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders and to maintain a strong base of assets under management.

## 30 CORRESPONDING FIGURES

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

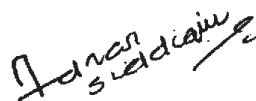
## 31 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in the meeting held on July 6, 2012 have approved a distribution by way of bonus issue of Re 0.9492/- per unit for the year ended June 30, 2011 (2011: Rs 1.8786/- per unit). The financial statements of the Fund for the year ended June 30, 2012 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2013.

## 32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 26, 2012 by the Board of Directors of the Management Company.

**For Askari Investment Management Limited  
(Management Company)**



**Chief Executive**



**Director**



**111-AIM-111**

**Invest with Aim!**

HEAD OFFICE:

20-C, Khayaban-e-Nishat, Ittehad Commercial Area, DHA Phase VI, Karachi.

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