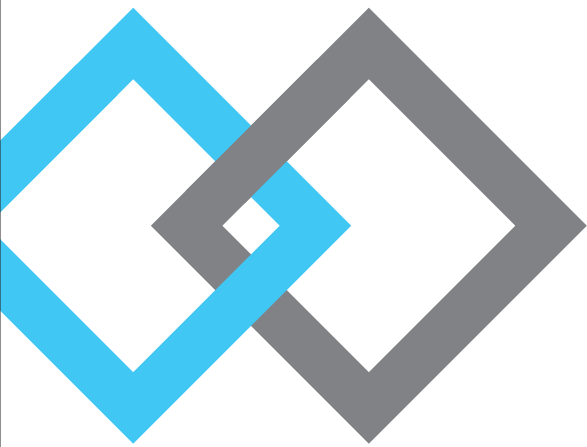


a string of achievements

 **askari** Sovereign Cash Fund

ANNUAL REPORT 2011



Vision

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“Service to the Customer”

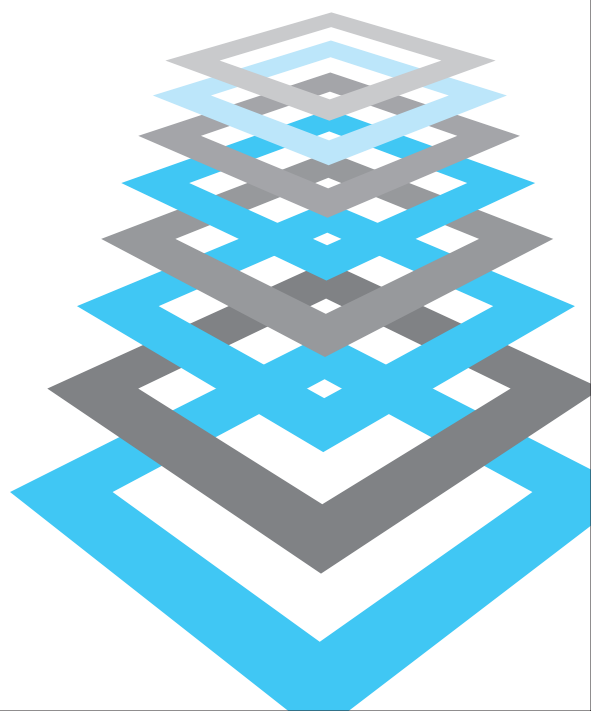
Askari Investment Management Limited

Good people n Sound advice n Great returns

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Information about the Management Company

Registered Office

Askari Investment Management Ltd.
Room 502, Green Trust Tower, Blue Area,
Jinnah Avenue, Islamabad

Head Office

Askari Investment Management Ltd.
Mezzanine floor, Bahria Complex III
M.T.Khan Road,
Karachi
UAN: 111-246-111
Email: info@askariinvestments.com

Board of Directors

- n Lt. Gen. (R.) Imtiaz Hussain – Chairman
- n Mr. Shahid Hafeez Azmi
- n Mr. Muhammad Naseem- FCA
- n Mr. Muhammad Rafiquddin Mekhari
- n Maj Gen (R) Saeed Ahmed Khan
- n Mr. Sufian Mazhar
- n Mr. Tahir Aziz
- n Mr. Adnan Ahmed Siddiqui – CEO

Executive Committee

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

Audit Committee

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

Chief Financial Officer:

Syed Shoaib Jaffery (Acting)

Company Secretary:

Syed Shoaib Jaffery

Fund's Information

Bankers

- n Askari Bank Limited
- n MCB Bank Limited
- n Habib Metropolitan Bank Limited
- n National Bank of Pakistan
- n Standard Chartered Bank Pakistan Limited
- n Faysal Bank Limited
- n Bank AL Habib Limited
- n United Bank Limited
- n Habib Bank Limited
- n Bank Al Falah Limited

Trustee

- n **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

- n **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 Advisor

- n **Mohsin Tayabaly & Company**
Advocates & Legal Consultants
2nd Floor, Dine Centre, PC-4, Block 9,
Kehkashan, Clifton, Karachi

Registrar

Askari Investment Management Ltd.
Mezzanine floor, Bahria Complex III
M.T.Khan Road,
Karachi
UAN: 111-246-111
Email: info@askariinvestments.com

Board of Directors' Report



DIRECTORS' REPORT TO THE UNITHOLDERS

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 Sovereign Cash Fund ("the Fund" or "ASCF") along with the Audited Financial Statements and Auditors' report thereon for the year ended June 30, 2011.

Economic Overview

The financial year 2011 was overall a challenging one for the economy, characterized by slower GDP growth and higher inflation. The devastating July, 2010 floods were perhaps the most notable event resulting in severe loss of lives, infrastructure and output. Despite this, however, the economy grew at a rate of 2.4% as against 3.7% in the previous year and inflation was recorded at 13.9%, somewhat lower than 15-16% that was projected following the floods.

In the first half of the financial year, SBP was in a monetary tightening phase and cumulatively increased the discount rate from 12.5% at the start of the year to 14% by the November end. The central bank's stance was largely a result of fiscal slippages and subsequent government borrowing from SBP, resulting in higher monetary growth. The monetary tightening was largely successful as M2 growth at 14% was the same as the inflation rate. In addition to this, the government re-iterated its commitment in January to curtail borrowing from SBP with some success as borrowing remained largely under control in the second half. However, borrowing from commercial banks increased further, adding another Rs.600bn to government domestic debt at financial year end.

The fiscal deficit continues to pose a major hurdle in the ability of the economy to post a speedy recovery. The fiscal deficit is expected to come in at 6.2% of GDP, about the same the previous year. Since, the tax collection target was largely met; the deviation was a result of higher spending for current expenditure particularly for subsidies which overshot the budget by Rs.269bn. Removing subsidies has been particularly problematic as it is politically unpopular and has also resulted in the continued circular debt.

The external Balance of Payments position has improved considerably during the year with a Current Account Surplus of US\$ 542mn. This was mainly a result of a 29% growth in exports (mostly due to textiles) amid sharp increase in cotton prices. Imports also moved higher by 14% as oil prices increased however the overall trade deficit improved by 11%. Higher workers' remittances, which grew by 26%, were also responsible for the improvement in the current account. However, the Financial Account Surplus declined significantly to US\$1.7bn from US\$5.1bn a year earlier as result of significantly lower foreign investment and lower disbursement from donors.

Money Market Review

The financial year 2011 saw a general rising trend in interest rates as a result of a worsening fiscal deficit and higher inflation. The central bank reacted by increasing the discount rate by 50bps in each of the July, September and November Monetary Policy Statements bringing the policy rate to 14% from 12.5% at the start of the year. As a result, there was a near parallel shift in the yield curve as of June 30, 2011 as against the same time last year. The overall shape remains relatively flattish implying that the market does not seem to be anticipating a change in the interest rate scenario going forward with high demand exists in shorter term bills. In the short end of the yield curve, the 3, 6 and 12 month rates closed the year at 13.46%, 13.68% and 13.85% respectively. In the longer end, 3, 5 and 10 year PIB rates were 14.00%, 14.05% and 14.09% respectively at financial year end.

In financial year 2011, the government raised a total of Rs. 76bn (net) from T-bills. The government also held PIB auctions however; there was net retirement of Rs.25bn. In the upcoming financial year the government has budgeted Rs.82.1bn (net) to be raised from T-bills and Rs.50bn (net) from PIBs, and Rs.80bn (net) from Govt. Ijarah Sukuk.

Performance of the fund

ASCF generated a return of 12.26% for FY 2011 which is 49 basis points higher than the average returns generated by the money market fund category and 94 basis points higher than its benchmark hence maintaining the pole position in its category. This out performance has only been possible through active fund management i.e capitalizing on market opportunities and active duration management.

Above average performance of the fund led to sharp increase of 444% in fund size to PKR 6.339billion as compared to PKR 1.166 billion in June 2010. Major asset class of the fund remained Treasury Bills, where the fund was invested on average 84% of fund size during the year. During the year, interest rates moved up as the discount rate was increased by 150 bps (three increases of 50 bps) to 14% amid continuing higher inflation and higher government borrowings. The yield curve as a result has shifted upward by approximately 150 bps during year. The fund had maintained relatively low duration during the first half of the fiscal year due to rising interest rate expectations. However, the duration of the fund was increased to 75days by June 2011 as the money market rates peaked during the month and the fund is targeting to capture any gains as a result of downward correction in the money market rates going forward. During the year, the fund was invested on average 13% of fund size in TDRs of AA rated banks, and availed those opportunities when the rates of return were higher than the yields on treasury securities.

ASCF has the flexibility to shift 30% of its asset to AA (and above) rated banks when they offer better rates and may stay liquid with AAA quality T-Bills to enjoy safety and highest liquidity profile.

Details required by the Code of Corporate Governance:

ASCF was listed on the Islamabad Stock Exchange (Guarantee) Ltd on October 13, 2009 after its launch in September 2009 and Askari Investment Management Limited, as its Management Company, is committed to observe the Code of Corporate Governance as applicable.

The details as required by the Code of Corporate Governance regarding the pattern of unit holding of the Fund as on June 30, 2011 is as follows:

Category	Number of unit holders	No. of units held	% of total
Askari Bank Limited (holding company of the Management Company)	1	505,076	0.79%
Askari General Insurance Company Limited	1	365,316	0.57%
Askari Investment Management Employee Provident Fund	1	458	0.01%
Individuals	456	6,397,417	10.08%
Insurance companies	4	5,522,967	8.70%
Bank/DFI's	6	14,484,819	22.83%
Retirement funds	5	135,581	0.21%
Welfare Social Organizations	2	206,864	0.33%
Others	52	35,842,611	56.48%
	<u>528</u>	<u>63,461,109</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.
8. As detailed in note 13 to the financial statements, the management believes that the Fund is not liable to contribute to Workers' Welfare Fund.

During the year, no trades in the units of the Fund were carried out by the Directors, CEO, CFO and Company Secretary and their spouses and minor children, of the Management Company.

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

Attendance at these meetings was as follows:

	Meetings attended	No of meetings held during appointment
Lt. Gen. (R.) Imtiaz Hussain - Chairman	7	7
Maj. Gen. (R.) Saeed Ahmed Khan	7	6
Mr. Mohammad Rafiquddin Mehkari	7	6
Mr. Muhammad Naseem	7	7
Mr. Shahid Hafeez Azmi	7	4
Mr. Tahir Aziz	7	7
Mr. Sufian Mazhar	7	4
Mr. Adnan Ahmed Siddiqui- CEO	7	7

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

	Jun-11	Jun-10 Rupees
Net Assets as June 30th	6,389,900,643	1,165,983,375
Net Asset Value per unit as of June 30th	100.6900	108.3262
Net Income for the period	488,568,560	91,612,042
Distribution during the period*	534,398,679	1,991,887

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

On July 06, 2011, the Board of Directors of the Management Company approved a final distribution at the rate of Rs 0.3522 per unit (Par value of Rs. 100 per Unit) out of the accounting income for the year ended June 30, 2011. 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.

Future Outlook

Pakistan economy is facing serious challenges in the near term as investment inflows remain very low due to heightened security concerns in the country and unstable domestic politics, while domestic debt is rising rapidly on account of higher fiscal slippages. At the same time, higher domestic interest rates have led to huge crowding out in the form of lower credit availability to the private sector thus decelerating manufacturing and service sectors growth. During the next fiscal year, some ease in interest rates is expected given the fall in international commodity prices and higher domestic output of agriculture outputs. However, fiscal deficit will remain a key concern if government borrowings remains at elevated levels and the targeted increase in tax revenues don't materialize due to slow economic growth. In addition, current account position may fall back into deficit given the likely increase in trade deficit (possible fall in textiles exports) and the absence of inflows from IMF and the scheduled external debt repayments could lead to some reduction in foreign exchange reserves during the year.

In the year ahead, the factors likely to determine economic performance are significant moves to reduce the fiscal deficit and subsequent curtailment of borrowing from the central bank. The fiscal austerity measures include pass-on of subsidies and improvement in the tax collection mechanism. In addition to economic factors, significant measures to improve the law and order situation, political stability and improvement in the Pakistan-U.S. relationship are also critical to improve the health of the local economy. The IMF program continues to be suspended, however, with the country required to make payments in financial year 2012, negotiations with the IMF regarding the existing or a new program will be crucial. On the external side, there are concerns of a second recession globally as a result of debt concerns in the US and EU countries. More significantly, countries having higher and rising debt levels along with higher fiscal deficits are facing even more difficulties in attracting new inflows, while facing difficulties in debt repayments on account of rising cost of borrowing amid credit rating downgrades.

Auditors

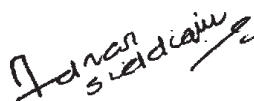
The Board of Directors on the recommendation of the Audit committee has approved the re-appointment of M/s A.F. Ferguson & Co. - Chartered Accountants as the auditors of the Fund for the financial year ending June 30, 2012.

Acknowledgement

We would like to join our colleagues on the Board, management team and employees of the Company, in thanking first and foremost the investors for their vote of confidence in Askari Sovereign Cash Fund. Additionally we would like to thank Askari Bank Limited, the Securities and Exchange Commission of Pakistan, the Trustee of the Fund and the Stock Exchange for their continued guidance and support.

For and on behalf of the board of Directors of the Management Company.

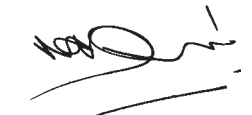
For Askari Investment Management Limited (Management Company)



Chief Executive



Chairman



Director

August 18, 2011
Karachi.

Fund Manager's Report



ASKARI SOVEREIGN CASH FUND

Askari Sovereign Cash Fund (ASCF) is an open-end money market Fund. The Fund has a restrictive asset allocation as it has to invest at least 70% (on a quarterly average basis) of the Funds in highly secured Government Treasury Bills and the rest could be invested through TDR & Reverse Repo with Banks & DFIs having rating of AA & above with a maximum maturity of six months in any asset class and maximum weighted average time to maturity of the Fund at 90 days. Hence it is considered as one of the safest and highly secured Fund amongst its peers.

Fixed Income Review

The financial year 2011 saw a general rising trend in interest rates as a result of a worsening fiscal deficit and higher inflation. The central bank reacted by increasing the discount rate by 50bps in each of the July, September and November Monetary Policy Statements bringing the policy rate to 14% from 12.5% at the start of the year. As a result, there was a near parallel shift in the yield curve as of June 30, 2011 as against the same time last year. The overall shape remains relatively flattish implying that the market does not seem to be anticipating a change in the interest rate scenario going forward with high demand exists in shorter term bills. In the short end of the yield curve, the 3, 6 and 12 month rates closed the year at 13.46%, 13.68% and 13.85% respectively. In the longer end, 3, 5 and 10 year PIB rates were 14.00%, 14.05% and 14.09% respectively at financial year end.

In financial year 2011, the government raised a total of Rs. 76bn (net) from T-bills. The government also held PIB auctions however; there was net retirement of Rs.25bn. In the upcoming financial year the government has budgeted Rs.82.1bn (net) to be raised from T-bills and Rs.50bn (net) from PIBs, and Rs.80bn (net) from Govt. Ijarah Sukuk.

The TFC market remained depressed throughout the outgoing financial year due to higher yields on treasuries. Most of the activity took place in high quality liquid Banking sector TFCs. New issues within the sector of significant size included the Bank Al-Habib issue (maturity 2021). Credit spreads in the banking sector varied between 0.75-1.5%. During the year, major TFC defaults included issues by PACE Ltd and Telecard Ltd.

Fund Performance

ASCF generated a return of 12.26% for FY 2011 which is 49 basis points higher than the average returns generated by the money market fund category and 94 basis points higher than its benchmark hence maintaining the pole position in its category. This out performance has only been possible through active fund management i.e capitalizing on market opportunities and active duration management.

Above average performance of the fund led to sharp increase of 444% in fund size to PKR 6.339billion as compared to PKR 1.166 billion in June 2010. Major asset class of the fund remained Treasury Bills, where the fund was invested on average 84% of fund size during the year. During the year, interest rates moved up as the discount rate was increased by 150 bps (three increases of 50 bps) to 14% amid continuing higher inflation and higher government borrowings.

General Information

Minimum Investment	Rs. 5,000
Sales Load	Nil
Management Fee	1.0% p.a.
Risk	Low
Benchmark	70% 3 month T-Bills + 30% Average 3 Month deposit rate of at least Banks (AA and above rating)
Management Company Rating	AM3+ by PACRA

Fund Size and Growth

	30th June '11	30th June '10
Fund Size	Rs 6,390mn	Rs 1,166mn
NAV	Rs 100.6900	Rs 108.3262

Fund Performance

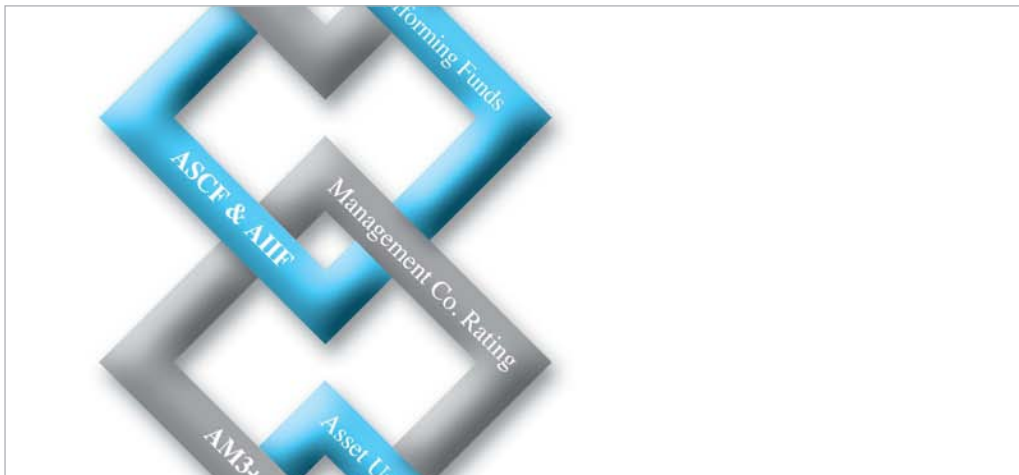
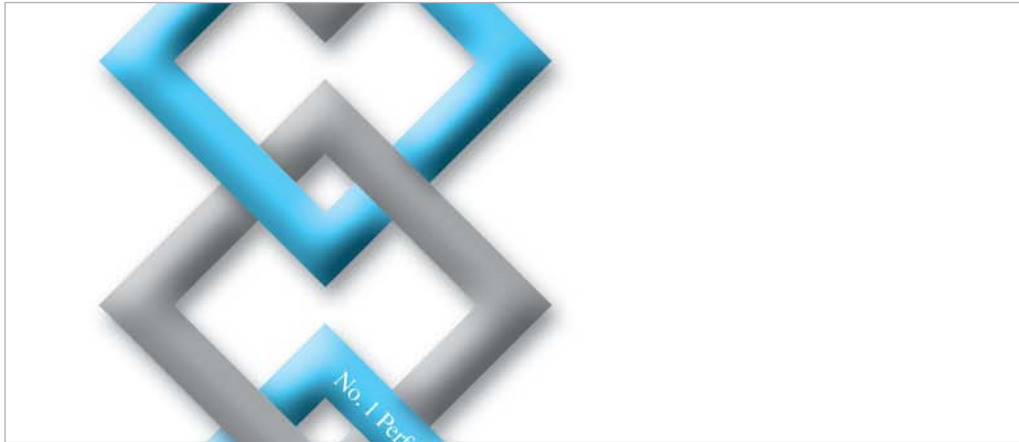
Return	1-Month	FY11	Since Inc.
ASCF	12.71%	12.26%	11.61%
Benchmark	12.30%	11.32%	10.58%

Portfolio Details

Duration (Days)	74 days
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The yield curve as a result has shifted upward by approximately 150 bps during year. The fund had maintained relatively low duration during the first half of the fiscal year due to rising interest rate expectations. However, the duration of the fund was increased to 75days by June 2011 as the money market rates peaked during the month and the fund is targeting to capture any gains as a result of downward correction in the money market rates going forward. During the year, the fund was invested on average 13% of fund size in TDRs of AA rated banks, and availed those opportunities when the rates of return were higher than the yields on treasury securities.

ASCF has the flexibility to shift 30% of its asset to AA (and above) rated banks when they offer better rates and may stay liquid with AAA quality T-Bills to enjoy safety and highest liquidity profile.



Financial Statements



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

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

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

The Askari Sovereign Cash Fund (the Fund), an open-end Fund was established under a trust deed dated June 11, 2009, executed between Askari Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 in accordance with the provisions of the following:

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


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

Karachi: October 10, 2011





A. F. FERGUSON & CO.

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Askari Investment Management Limited** (the Management Company) for and on behalf of **Askari Sovereign Cash Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Islamabad Stock Exchange (Guarantee) Limited where the Fund is listed.

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

As 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.

Sub-regulation (xiii a) of the Listing Regulation No. 35 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 price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the 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 Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.


Chartered Accountants

Karachi

Dated: October 5, 2011

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

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54660; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2011

This statement is being presented in compliance with the Code of Corporate Governance ('the Code') contained in the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited ("the Exchange"). The purpose of the Code is to establish a frame work of good governance, where by a listed entity is managed in compliance with the best practices of corporate governance. Askari Investment Management Limited ("the Company" or "the Management Company"), an Unlisted Public Limited Company, is the Management Company of Askari Sovereign Cash Fund ("the Fund"). The Fund being an open-end Collective Investment Scheme does not have its own Board of Directors. The Management Company which manages the affairs 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, all the Board members are non-executive directors except Chief Executive Officer.
2. The directors of the Management Company have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the 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 NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Management Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and employees of the Management Company.
5. The Management Company has adopted a vision / mission statement and overall corporate strategy and formulated significant policies of the Fund which have been approved by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained,
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO has been taken by the Board.
7. 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 during the year. Written notices of the meetings of the Board, along with agenda and working papers, were circulated at least seven days before the meetings and any exceptions thereto which were executed specifically with approval of the Board. The minutes of the meetings were appropriately recorded and circulated.
8. The Board encourages the holding of orientation course for its directors to apprise them of their duties and responsibilities.
9. The Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
10. The financial statements of the Fund were dully endorsed by the CEO and CFO before approval of the Board.
11. The directors, CEO and executives do not hold any interest in the units of the Fund other than those disclosed in the Directors' Report.
12. The Management Company has complied with all other corporate and financial reporting requirements of the Code as applicable to the Fund.
13. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including Chairman of the Committee.
14. The meetings of Audit Committee were held once in every quarter and prior approval of interim and final results of the Fund as required by the Code. The terms of reference of the Committee have been formed and approved by the Board and advised to the Committee for reference.

15. The Management Company has established adequate procedures and systems for related party transactions vis-à-vis the pricing method for related party transactions. All the related party transactions are placed before the Audit Committee and the Board of Directors for their review and approval.
16. The Management Company has outsourced the internal audit function to Deloitte M. Yousuf Adil Saleem & Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
17. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of 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 / share of the Fund or its Management Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services to the Management Company except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. We confirm that all other material principles contained in the Code have been complied with.



Chairman



Chief Executive

Dated: August 18, 2011



A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **Askari Sovereign Cash Fund**, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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, 2011, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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.

The financial statements of Askari Sovereign Cash Fund for the period from June 25, 2009 to June 30, 2010 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated August 18, 2010.



Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: October 5, 2011

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

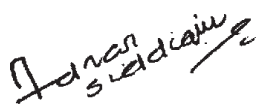
Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54660; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
 Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
 Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

ASKARI SOVEREIGN CASH FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011

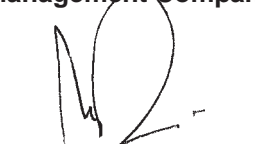
	Note	June 30, 2011 ------(Rupees)-----	June 30, 2010
ASSETS			
Bank balances	4	95,672,470	23,584,645
Investments	5	4,014,444,300	842,215,260
Term deposits and money market placements	6	2,337,833,253	320,000,000
Receivable against issue of units	-	-	54,607
Profit receivable	7	-	4,337,484,931
Unamortised formation costs	8	1,311,118	1,714,613
Total assets		<u>6,453,598,572</u>	<u>1,188,004,056</u>
LIABILITIES			
Remuneration payable to Askari Investment Management Limited- Management Company	9	5,549,015	58,758
Payable to Central Depository Company of Pakistan Limited - Trustee	10	517,795	209,565
Payable to Securities and Exchange Commission of Pakistan	11	2,406,944	673,427
Payable against redemption of units		13,361,129	16,679,856
Accrued expenses and other liabilities		1,406,747	4,399,075
Distributions payable	12	40,456,299	-
Total liabilities		<u>63,697,929</u>	<u>22,020,681</u>
NET ASSETS		<u>6,389,900,643</u>	<u>1,165,983,375</u>
Unit holders' fund (as per statement attached)		<u>6,389,900,643</u>	<u>1,165,983,375</u>
Contingencies and commitments	13		
		----- (Number of units) -----	
Number of units in issue		<u>63,461,109</u>	<u>10,763,632</u>
		----- (Rupees)-----	
Net asset value per unit		<u>100.6900</u>	<u>108.3262</u>

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

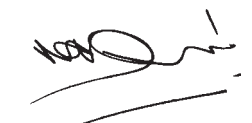
**For Askari Investment Management Limited
(Management Company)**



Chief Executive



Chairman



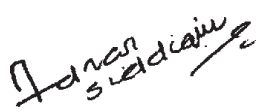
Director

ASKARI SOVEREIGN CASH FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

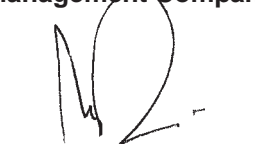
	Note	For the year ended June 30, 2011	For the period from June 25, 2009 to June 30, 2010
------(Rupees)-----			
Income			
Income from government securities		342,322,772	76,791,242
Net realised gain on sale of investments		2,269,236	19,874
Profit on bank balances and term deposits		68,654,513	31,466,298
Income on reverse repurchase transactions		6,571,647	-
		419,818,168	108,277,414
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'	5.1	(83,412)	(173,957)
		419,734,756	108,103,457
Expenses			
Remuneration of the Management Company	9.1	33,307,578	7,764,060
Remuneration of the Trustee	10.1	3,749,599	1,532,981
Annual fee - Securities and Exchange Commission of Pakistan	11.1	2,406,944	673,428
Amortisation of formation costs	8	403,495	302,898
Securities transaction costs		1,162,983	199,058
Auditors' remuneration	14	360,355	323,658
Printing and stationery		84,833	228,073
Legal and professional charges		119,047	-
Bank charges		270,886	4,800
Listing fee		10,000	-
Rating fee		175,000	175,000
		42,050,720	11,203,956
Net income from operating activities		377,684,036	96,899,501
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		109,052,919	(3,455,854)
		1,831,605	(1,831,605)
Reversal of provision / (Provision) for contribution to the Workers' Welfare Fund	13.1	488,568,560	91,612,042
Net income for the year / period before taxation		-	-
Taxation	15	488,568,560	91,612,042
Net income for the year / period after taxation			
Earnings per unit	16		

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

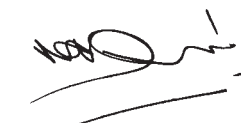
For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



Director

ASKARI SOVEREIGN CASH FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

Net income for the year / period after taxation

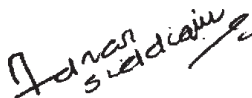
Other comprehensive income

Total comprehensive income for the year / period

For the year ended June 30, 2011	For the period from June 25, 2009 to June 30, 2010
------(Rupees)-----	
488,568,560	91,612,042
-	-
<u>488,568,560</u>	<u>91,612,042</u>

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

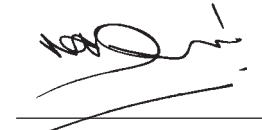
**For Askari Investment Management Limited
(Management Company)**



Chief Executive



Chairman




Director

ASKARI SOVEREIGN CASH FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	For the year ended June 30, 2011	For the period from June 25, 2009 to June 30, 2010
	------(Rupees)-----	
Undistributed income brought forward		
Realised income	89,794,112	-
Unrealised loss	<u>(173,957)</u>	<u>-</u>
	89,620,155	-
Net income for the year / period after taxation	488,568,560	91,612,042
Interim distribution of Rs 0.9970 per unit as bonus on September 18, 2009 for the period ended June 30, 2010	-	(1,991,887)
Final distribution of Rs 8.1500 per unit on July 6, 2010 for the period ended June 30, 2010:		
- Cash distribution	(22,881,834)	-
- Bonus units	(64,841,768)	-
	(87,723,602)	-
First interim distribution of Rs 1.4500 per unit on October 22, 2010 for the year ended June 30, 2011:		
- Cash distribution	(6,420,854)	-
- Bonus units	(23,316,084)	-
	(29,736,938)	-
Second interim distribution of Rs 4.3744 per unit on January 5, 2011 for the year ended June 30, 2011:		
- Cash distribution	(20,408,286)	-
- Bonus units	(78,171,914)	-
	(98,580,200)	-
Third interim distribution of Rs 2.5700 per unit April 25, 2011 for the year ended June 30, 2011:		
- Cash distribution	(25,630,163)	-
- Bonus units	(90,487,583)	-
	(116,117,746)	-
Fourth interim distribution of Rs 2.9223 per unit June 27, 2011 for the year ended June 30, 2011:		
- Cash distribution	(40,740,944)	-
- Bonus units	(161,499,249)	-
	(202,240,193)	-
Undistributed income carried forward	<u>43,790,036</u>	<u>89,620,155</u>
Undistributed income comprising:		
Realised income	43,873,448	89,794,112
Unrealised loss	<u>(83,412)</u>	<u>(173,957)</u>
	<u>43,790,036</u>	<u>89,620,155</u>

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

For Askari Investment Management Limited
(Management Company)


 Chief Executive


 Chairman


 Director

ASKARI SOVEREIGN CASH FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2011

Net assets at the beginning of the year / period

Issue of 100,085,854 units (2010: 44,154,381 units)

Redemption of 51,543,630 units (2010: 33,410,668) units

Issue of 4,155,253 bonus units (2010:19,919 bonus units)

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

Net realised gain on sale of investments

Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss' - note 5.1

Other net income for the year / period

Other comprehensive income

Total comprehensive income for the year / period

Interim distribution of Rs 0.9970 per unit as bonus on September 18, 2009 for the period ended June 30, 2010

Final distribution of Rs 8.1500 per unit on July 6, 2010 for the period ended June 30, 2010:

- Cash distribution
- Bonus units

First interim distribution of Rs 1.4500 per unit on October 22, 2010 for the year ended June 30, 2011:

- Cash distribution
- Bonus units

Second interim distribution of Rs 4.3744 per unit on January 5, 2011 for the year ended June 30, 2011:

- Cash distribution
- Bonus units

Third interim distribution of Rs 2.5700 per unit April 25, 2011 for the year ended June 30, 2011:

- Cash distribution
- Bonus units

Fourth interim distribution of Rs 2.9223 per unit June 27, 2011 for the year ended June 30, 2011:

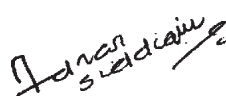
- Cash distribution
- Bonus units

Net assets at the end of the year / period

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

For the year ended June 30, 2011	For the period from June 25, 2009 to June 30, 2010
------(Rupees)-----	
1,165,983,375	-
10,231,711,105	4,612,813,969
(5,271,227,397)	(3,541,898,490)
4,960,483,708	1,070,915,479
418,316,598	1,991,887
5,378,800,306	1,072,907,366
(109,052,919)	3,455,854
2,269,236	19,874
(83,412)	(173,957)
486,382,736	91,766,125
-	-
488,568,560	91,612,042
-	(1,991,887)
(22,881,834)	-
(64,841,768)	-
(6,420,854)	-
(23,316,084)	-
(20,408,286)	-
(78,171,914)	-
(25,630,163)	-
(90,487,583)	-
(40,740,944)	-
(161,499,249)	-
(534,398,679)	(1,991,887)
6,389,900,643	1,165,983,375

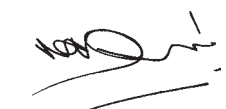
For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



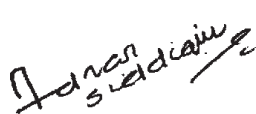
Director

ASKARI SOVEREIGN CASH FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

Note	For the year ended June 30, 2011	For the period from June 25, 2009 to June 30, 2010
	------(Rupees)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	488,568,560	91,612,042
Adjustments for :		
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'	83,412	173,957
Amortisation of formation costs	403,495	302,898
(Reversal of provision) / provision for contribution to the Workers' Welfare Fund	(1,831,605)	1,831,605
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(109,052,919)	3,455,854
	<u>(110,397,617)</u>	<u>5,764,314</u>
	378,170,943	97,376,356
(Increase) / decrease in assets		
Investments- net	(3,172,312,452)	(842,389,217)
Loans and receivables	(337,833,253)	-
Profit receivable	(3,902,500)	(434,931)
	<u>(3,514,048,205)</u>	<u>(842,824,148)</u>
Increase / (decrease) in liabilities		
Remuneration payable to Askari Investment Management Limited- Management Company	5,490,257	58,758
Payable to Central Depository Company of Pakistan Limited - Trustee	308,230	209,565
Payable to Securities and Exchange Commission of Pakistan	1,733,517	673,427
Accrued expenses and other liabilities	(1,160,723)	549,959
	<u>6,371,281</u>	<u>1,491,709</u>
Net cash outflow on operating activities	<u>(3,129,505,981)</u>	<u>(743,956,083)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	10,231,765,712	4,612,759,362
Payments on redemption of units	(5,274,546,124)	(3,525,218,634)
Distributions paid	(75,625,782)	-
Net cash inflow from financing activities	<u>4,881,593,806</u>	<u>1,087,540,728</u>
Net increase in cash and cash equivalents during the year / period	1,752,087,825	343,584,645
Cash and cash equivalents at the beginning of the year / period	343,584,645	-
Cash and cash equivalents at the end of the year / period	<u>2,095,672,470</u>	<u>343,584,645</u>

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


For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



Director

ASKARI SOVEREIGN CASH FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Askari Sovereign Cash Fund (the Fund) was established under a Trust Deed executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited), as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee on June 11, 2009 and was approved by the Securities and Exchange Commission of Pakistan (the SECP) as a Notified Entity on June 25, 2009 in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at Suite No. 502, 5th Floor, Green Trust Tower, Blue Area, Jinnah Avenue, Islamabad with its Head Office situated at Mezzanine floor, Bahria Complex III, M.T.Khan Road, Karachi.
- 1.3** The Fund is an open end mutual fund. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is listed on the Islamabad Stock Exchange (Guarantee) Limited.
- 1.4** The objective of the Fund is to provide the investors with a high level of liquidity along with extremely low credit and price volatility. The Fund primarily invests in government securities and other authorized investments enabling the investors to manage their liquidity efficiently.
- 1.5** The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM3+' to the Management Company in July 2011. As per the rating scale of PACRA, this rating denotes that the asset manager meets high investment industry standards and benchmarks.
- 1.6** The Fund has been assigned a stability rating of 'AA+(f)' by PACRA in February 2011. The rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.
- 1.7** Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed 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 revised standard has been published and is mandatory for accounting periods on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. 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 Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to international financial reporting standards and new 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.

2.4 Critical accounting estimates and judgments

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

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments have been carried at fair value.

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

a) Financial assets at fair value through profit or loss

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

3.2.4 Subsequent measurement

Subsequent to initial recognition, the investment of the Fund in government securities designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. 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.

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

3.2.5 Impairment

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

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 Financial liabilities

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

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

3.4 Derivatives

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

3.5 Formation costs

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

3.6 Securities under repurchase / resale agreements

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

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

3.7 Provisions

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

3.8 Taxation

Current

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

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

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.9 Issue and redemption of units

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

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

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

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

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

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

3.11 Net asset value per unit

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

3.12 Proposed distributions

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

3.13 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealized gains / (losses) arising on revaluation of investments classified as 'Financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Profit on bank balances and term deposits is recognised on an accrual basis.
- Income on government securities is accrued using the effective interest method.

4 BANK BALANCES

In savings accounts

Note	June 30 2011	June 30 2010
	------(Rupees)-----	
4.1	<u>95,672,470</u>	<u>23,584,645</u>

- 4.1 These savings accounts carry profit at the rates ranging from 5.00% to 11.75% (June 30, 2010: 11.50%) per annum. Deposits in savings accounts include Rs. 93,991,371 (June 30, 2010: Rs. 23,584,645) maintained with Askari Bank Limited, a connected person.

5 INVESTMENTS

At fair value through profit or loss - held for trading

Government securities - Market Treasury Bills

Note	June 30 2011	June 30 2010
	------(Rupees)-----	
5.1	<u>4,014,444,300</u>	<u>842,215,260</u>

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

Issue date	Tenor	Face Value			As at June 30, 2011	Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 1, 2010	Purchased during the year	Disposed / matured during the year		Carrying Value	Market value	Appreciation / (diminution)		
-----Rupees-----										
Market Treasury Bills										
August 27, 2009	1 Year	50,000,000	275,000,000	325,000,000	-	-	-	-	-	-
September 26, 2009	1 Year	30,000,000	-	30,000,000	-	-	-	-	-	-
February 11, 2010	6 Month	100,000,000	150,000,000	250,000,000	-	-	-	-	-	-
April 22, 2010	3 Month	100,000,000	-	100,000,000	-	-	-	-	-	-
May 6, 2010	3 Month	150,000,000	-	150,000,000	-	-	-	-	-	-
May 20, 2010	3 Month	200,000,000	200,000,000	400,000,000	-	-	-	-	-	-
June 17, 2010	3 Month	225,000,000	185,000,000	410,000,000	-	-	-	-	-	-
July 15, 2010	6 Month	-	400,000,000	400,000,000	-	-	-	-	-	-
July 15, 2010	3 Month	-	250,000,000	250,000,000	-	-	-	-	-	-
July 15, 2010	1 Year	-	20,000,000	20,000,000	-	-	-	-	-	-
July 29, 2010	3 Month	-	330,000,000	330,000,000	-	-	-	-	-	-
July 29, 2010	6 Month	-	310,000,000	310,000,000	-	-	-	-	-	-
August 3, 2010	6 Month	-	375,000,000	375,000,000	-	-	-	-	-	-
August 13, 2010	3 Month	-	595,000,000	595,000,000	-	-	-	-	-	-
August 13, 2010	6 Month	-	200,000,000	200,000,000	-	-	-	-	-	-
August 26, 2010	3 Month	-	580,000,000	580,000,000	-	-	-	-	-	-
September 9, 2010	3 Month	-	361,000,000	361,000,000	-	-	-	-	-	-
October 7, 2010	3 Month	-	553,000,000	553,000,000	-	-	-	-	-	-
October 21, 2010	3 Month	-	1,450,000,000	1,450,000,000	-	-	-	-	-	-
October 21, 2010	6 Month	-	225,000,000	225,000,000	-	-	-	-	-	-
November 4, 2010	3 Month	-	1,675,000,000	1,675,000,000	-	-	-	-	-	-
November 4, 2010	6 Month	-	320,000,000	320,000,000	-	-	-	-	-	-
November 16, 2010	3 Month	-	1,323,550,000	1,323,550,000	-	-	-	-	-	-
December 2, 2010	3 Month	-	685,000,000	685,000,000	-	-	-	-	-	-
December 18, 2010	3 Month	-	801,000,000	801,000,000	-	-	-	-	-	-
December 18, 2010	6 Month	-	625,000,000	625,000,000	-	-	-	-	-	-
December 30, 2010	3 Month	-	332,500,000	332,500,000	-	-	-	-	-	-
January 13, 2011	3 Month	-	2,917,500,000	2,917,500,000	-	-	-	-	-	-
January 27, 2011	3 Month	-	2,620,000,000	2,620,000,000	-	-	-	-	-	-
February 10, 2011	3 Month	-	2,774,000,000	2,774,000,000	-	-	-	-	-	-
February 24, 2011	3 Month	-	3,447,500,000	3,447,500,000	-	-	-	-	-	-
March 10, 2011	3 Month	-	1,915,000,000	1,915,000,000	-	-	-	-	-	-
March 24, 2011	6 Month	-	2,821,070,000	2,794,770,000	26,300,000	25,528,059	25,519,442	(8,617)	0.40%	0.64%
April 7, 2011	3 Month	-	265,830,000	265,830,000	-	-	-	-	-	-
April 7, 2011	6 Month	-	3,075,000,000	3,025,000,000	50,000,000	48,272,840	48,270,650	(2,190)	0.76%	1.20%
April 21, 2011	3 Month	-	1,140,000,000	1,140,000,000	-	-	-	-	-	-
April 21, 2011	6 Month	-	1,448,410,000	1,200,000,000	248,410,000	238,561,124	238,597,805	36,681	3.73%	5.94%
May 5, 2011	3 Month	-	2,000,000,000	1,920,000,000	80,000,000	79,241,350	79,219,360	(21,990)	1.24%	1.97%
May 5, 2011	6 Month	-	274,000,000	-	274,000,000	261,818,924	261,839,880	20,956	4.10%	6.52%
May 19, 2011	3 Month	-	2,425,000,000	1,817,000,000	608,000,000	599,207,891	599,008,288	(199,603)	9.37%	14.93%
May 19, 2011	6 Month	-	2,804,000,000	2,155,100,000	648,900,000	617,017,370	616,966,982	(50,388)	9.65%	15.37%
June 2, 2011	3 Month	-	500,000,000	65,000,000	435,000,000	426,410,190	426,387,285	(22,905)	6.67%	10.62%
June 2, 2011	6 Month	-	500,000,000	140,000,000	360,000,000	340,557,073	340,554,903	(2,170)	5.33%	8.48%
June 16, 2011	3 Month	-	200,000,000	85,000,000	115,000,000	112,148,843	112,152,255	3,412	1.76%	2.80%
June 16, 2011	6 Month	-	1,475,000,000	130,000,000	1,345,000,000	1,265,764,048	1,265,927,450	163,402	19.81%	31.53%
June 30, 2011	3 Month	-	125,000,000	125,000,000	-	-	-	-	-	-
June 30, 2011	6 Month	-	125,000,000	125,000,000	-	-	-	-	-	-
Total - June 30, 2011		855,000,000	45,073,360,000	41,737,750,000	4,190,610,000	4,014,527,712	4,014,444,300	(83,412)	62.82%	100.00%
Total - June 30, 2010						842,389,217	842,215,260	(173,957)		

6 TERM DEPOSITS AND MONEY MARKET PLACEMENTS

Note June 30, 2011 June 30, 2010
------(Rupees)-----

Term deposits	6.1	2,000,000,000	320,000,000
Money market placements - Reverse repurchase transaction	6.2	337,833,253	-
		<u>2,337,833,253</u>	<u>320,000,000</u>

6.1 This represents term deposits with a commercial bank carrying profit at the rates ranging from 13.75% to 13.95% (June 30, 2010: 12.5%) per annum. These deposits will mature within 3 months (3 months).

6.2 This represents balance receivable against reverse repurchase transaction entered into with an investment company in respect of treasury bill carrying profit at 13.22% (June 30, 2010: nil) per annum.

7	PROFIT RECEIVABLE	Note	June 30, 2011	June 30, 2010
			------(Rupees)-----	
	Profit receivable on bank balances		2,218,938	-
	Profit on term deposits		2,118,493	434,931
			<u>4,337,431</u>	<u>434,931</u>
8	UNAMORTISED FORMATION COSTS			
	Opening balance		1,714,613	2,017,511
	Less: amortised during the year / period		(403,495)	(302,898)
	Closing balance	3.5	<u>1,311,118</u>	<u>1,714,613</u>
9	REMUNERATION PAYABLE TO ASKARI INVESTMENT MANAGEMENT LIMITED MANAGEMENT COMPANY			
	Management fee	9.1	<u>5,549,015</u>	<u>58,758</u>
9.1	Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3 percent of the average annual net assets of the Fund and thereafter of an amount equal to 2 percent of such assets of the Fund. During the current year, the Management Company has charged remuneration at the rate of 1 percent of the average annual net assets of the Fund. The remuneration is paid to the Management Company monthly in arrears.			
10	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	June 30, 2011	June 30, 2010
			------(Rupees)-----	
	Trustee fee	10.1	<u>517,795</u>	<u>209,565</u>
10.1	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. As per agreed terms the Trust Deed the Trustee was entitled to a remuneration, to be paid monthly in arrears, as per the following tariff structure:			
	Amounts of funds under management (Average NAV)	Tariff per annum		
	Up to Rs. 1,000 million	Rs. 0.7 million or 0.20% per annum of Net Asset Value whichever is higher		
	Exceeding Rs. 1,000 million	Rs. 2 million plus 0.10% per annum of Net Asset Value exceeding Rs. 1,000 million		
	However, the above tariff structure has been revised by the Central Depository Company of Pakistan Limited with effect from January 01, 2011. The revised tariff structure 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		
11	PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	June 30, 2011	June 30, 2010
			------(Rupees)-----	
	Annual fee	11.1	<u>2,406,944</u>	<u>673,427</u>
11.1	Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as money market scheme is required to pay as an annual fee to the SECP, an amount equal to 0.075% of the average annual net assets of the scheme. The Fund has been classified as money market scheme by the Management Company.			

12 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration payable
Brokerage and settlement charges
Legal and professional fee
Printing charges
Withholding tax payable
Zakat payable
Other payables
Payable to the Management Company
Provision for contribution to Workers' Welfare Fund

Note	June 30, 2011	June 30, 2010
	------(Rupees)-----	
	250,000	238,000
	666,360	73,019
	35,000	-
	59,620	200,318
	312,678	-
	8,089	-
13.1	75,000	865
	-	2,055,268
	-	1,831,605
	<u>1,406,747</u>	<u>4,399,075</u>

13 CONTINGENCIES AND COMMITMENTS

- 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, Management Company had made a provision for WWF contribution in the financial statements of the Fund for the period from June 25, 2009 to 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 has been made in the books of accounts.

Further, a fresh Constitutional Petition 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.

Based on the current position, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs 11.604 million (including Rs 9.735 million in respect of the current year).

- 13.2** There were no other contingencies and commitments outstanding as at June 30, 2011(2010: Nil).

14 AUDITORS' REMUNERATION

Annual audit fee
Half yearly review fee
Fee for review of statement of compliance with the Code of Corporate Governance (Reversal)/ Other certifications
Out of pocket expenses

June 30, 2011	June 30, 2010
------(Rupees)-----	
200,000	180,000
85,000	75,000
50,000	43,000
(15,000)	15,000
40,355	10,658
<u>360,355</u>	<u>323,658</u>

15 TAXATION

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

16 EARNINGS PER UNIT (EPU)

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

17 CASH AND CASH EQUIVALENTS

Note	June 30, 2011	June 30, 2010
	------(Rupees)-----	
Bank balances	4 95,672,470	23,584,645
Term deposits	6 <u>2,000,000,000</u>	<u>320,000,000</u>
	<u>2,095,672,470</u>	<u>343,584,645</u>

18 FINANCIAL INSTRUMENTS BY CATEGORY**Financial assets**

Bank balances
Investments
Term deposits and money market placements
Receivable against issue of units
Profit receivable

As at June 30, 2011		
Financial assets at fair value through profit or loss	Loans and receivables	Total
------(Rupees)-----		
-	95,672,470	95,672,470
4,014,444,300	-	4,014,444,300
-	2,337,833,253	2,337,833,253
-	-	-
-	4,337,431	4,337,431
<u>4,014,444,300</u>	<u>2,437,843,154</u>	<u>6,452,287,454</u>

Financial liabilities

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

As at June 30, 2011		
Financial liabilities at fair value through profit or loss	At amortised cost	Total
------(Rupees)-----		
-	5,549,015	5,549,015
-	517,795	517,795
-	13,361,129	13,361,129
-	1,085,980	1,085,980
-	40,456,299	40,456,299
-	<u>60,970,218</u>	<u>60,970,218</u>

Financial assets

Bank balances	-
Investments	842,215,260
Term deposits and money market placements	-
Receivable against issue of units	-
Profit receivable	-

As at June 30, 2010		
Financial assets at fair value through profit or loss	Loans and receivables	Total
----- (Rupees) -----		
-	23,584,645	23,584,645
842,215,260	-	842,215,260
-	320,000,000	320,000,000
-	54,607	54,607
-	434,931	434,931
<u>842,215,260</u>	<u>344,074,183</u>	<u>1,186,289,443</u>

Financial liabilities

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

As at June 30, 2010		
Financial liabilities at fair value through profit or loss	At amortised cost	Total
----- (Rupees) -----		
-	58,758	58,758
-	209,565	209,565
-	16,679,856	16,679,856
-	2,567,470	2,567,470
-	<u>19,515,649</u>	<u>19,515,649</u>

19 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

- 19.1** 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 High Yield Scheme (formerly Askari Income Fund), Askari Asset Allocation Fund, Askari Islamic Asset Allocation Fund and Askari Islamic Income Fund being funds under common management and directors and officers of the Management Company.
- 19.2** Transactions with connected persons / related parties are in the normal course of business, at contracted rates and terms determined in accordance with market norms.
- 19.3** Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 19.4** Remuneration payable to the Trustee is determined in accordance with the Trust Deed.

19.5 Details of transactions with connected persons are as follows:

Askari Investment Management Limited - Management Company

	For the year ended June 30, 2011"	For the period from June 25, 2009 to June 30, 2010
Remuneration for the year	33,307,578	7,764,060
Payments on behalf of the Fund	-	2,055,268
Payments made against reimbursable expenses	2,055,268	-
Payments made on behalf of the Fund	51,271	-

Central Depository Company of Pakistan Limited - Trustee

Remuneration for the year	3,749,599	1,532,981
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Askari Bank Limited (Holding company of the Management Company)

Issue of Nil units (2010: 1,000,000 units)	-	100,000,000
Redemption of 504,896 units (2010: Nil)	52,214,901	-
Issue of Nil Bonus units (2010: 9,971 units)	-	997,143
Cash distribution paid	18,185,354	-
Profit on bank balances	9,725,782	28,403,696
Bank charges	236,300	6,600

Askari General Insurance Company Limited (Group Company)

Issue of 340,786 units (2010: 369,100 units)	34,500,000	38,598,871
Issue of 24,531 bonus units (2010: Nil)	2,469,911	-
Redemption of Nil units (2010: 369,100 units)	-	39,111,997

Askari Investment Management Employees Provident Fund

Issue of 9,607 units (2010: Nil)	1,000,000	-
Redemption of 9,593 units (2010: Nil)	980,000	-
Issue of 444 bonus units (2010: Nil)	44,437	-

Key Management Personnel

Issue of Nil units (2010: 21,712 units)	-	2,206,030
Redemption of Nil units(2010: 21,712 units)	-	2,309,779

19.6 Amounts outstanding as at year / period end

Askari Investment Management Limited (Management Company)

Remuneration payable	5,549,015	58,758
Other payables	-	2,055,268

Central Depository Company of Pakistan Limited (Trustee)

Remuneration payable	517,795	209,565
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Askari Bank Limited (Holding company of the Management Company)

Investment held in the Fund 505,076 units (June 30, 2010: 1,009,971 units)	50,856,074	109,406,367
Bank balances	93,991,371	23,584,645
Profit receivable on bank deposits	2,104,045	-

Askari General Insurance Company Limited (Group Company)

Investment held in the Fund 365,316 units (June 30, 2010: Nil)	36,783,709	-
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Askari Investment Management Employees Provident Fund

Investment held in the Fund 458 units (June 30, 2010: Nil)	46,071	-
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20 FINANCIAL RISK MANAGEMENT

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

20.1 Market risk

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

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

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

20.1.1 Currency risk

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

20.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

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

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2011, the Fund holds market treasury bills which are classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Markets Association on June 30, 2011, with all other variables held constant, the net income for the year and net assets would have been lower by Rs. 12,283,500 (2010: Rs. 1,509,790). In case of 100 basis points decrease in rates announced by Financial Markets Association on June 30, 2011, with all other variables held constant, the net income for the year and net assets would have been higher by Rs. 12,371,576 (2010: Rs. 1,511,937).

The composition of the Fund's investment portfolio and rates announced by Financial Markets Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's MROR sensitivity related to financial assets and financial liabilities as at June 30, 2011 can be determined from the following:

20.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as on June 30, 2011.

20.2 Credit risk

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

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

As at June 30, 2011, the Fund investments in loans and receivables has been made and bank balances have been placed with banks and Financial Institutions having short term credit rating of A1+ (2010: A1+).

The maximum exposure of credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets.

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 term deposits held with a commercial bank.

20.3 Liquidity risk

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

The Fund is exposed to the periodic settlement of securities and to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of. The Fund's investment in government securities is considered readily realisable.

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

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

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

Financial assets

Bank balances
Investments
Term deposits and money market placements
Receivable against issue of units
Profit receivable

As at June 30, 2011			
Upto three months	More than three months and up to one year	More than one year	Total
------(Rupees)-----			
95,672,470	-	-	95,672,470
1,242,286,911	2,772,157,389	-	4,014,444,300
2,337,833,253	-	-	2,337,833,253
-	-	-	-
4,337,431	-	-	4,337,431
<u>3,680,130,065</u>	<u>2,772,157,389</u>	<u>-</u>	<u>6,452,287,454</u>

Financial liabilities

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

As at June 30, 2011			
Upto three months	More than three months and up to one year	More than one year	Total
------(Rupees)-----			
5,549,015	-	-	5,549,015
517,795	-	-	517,795
13,361,129	-	-	13,361,129
1,085,980	-	-	1,085,980
40,456,299	-	-	40,456,299
<u>60,970,218</u>	<u>-</u>	<u>-</u>	<u>60,970,218</u>

Financial assets

Bank balances
Investments
Term deposits and money market placements
Receivable against issue of units
Profit receivable

As at June 30, 2010			
Upto three months	More than three months and up to one year	More than one year	Total
------(Rupees)-----			
23,584,645	-	-	23,584,645
842,215,260	-	-	842,215,260
320,000,000	-	-	320,000,000
54,607	-	-	54,607
434,931	-	-	434,931
<u>1,186,289,443</u>	<u>-</u>	<u>-</u>	<u>1,186,289,443</u>

	As at June 30, 2010			
	Upto three months	More than three months and up to one year	More than one year	Total
	------(Rupees)-----			
Financial liabilities				
Remuneration payable to Askari Investment Management Limited- Management Comapany	58,758	-	-	58,758
Payable to Central Depository Company of Pakistan Limited - Trustee	209,565	-	-	209,565
Payable against redemption of units	16,679,856	-	-	16,679,856
Accrued and other liabilities	2,567,470	-	-	2,567,470
	19,515,649	-	-	19,515,649

21 UNIT HOLDER'S FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. They 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' Funds.

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.

In accordance with the risk management policies as stated in note 20, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity which would be augmented by short-term borrowings or disposal of investments where necessary.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	------(Rupees)-----			
Investment in government securities - at fair value through profit or loss	-	4,014,444,300	-	4,014,444,300

23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No.	Name	Designation	Qualification	Experience in years
1	Mr. Adnan Siddiqui	Chief Executive Officer	MBA	20
2	Syed Shoaib Jaffery	Financial Controller Company Secretary	FPA, CA (Finalist)	10
3	Mr. Mustafa Kamal	Fund Manager	MBA	8
4	Mr. Muhammad Farrukh	Senior Compliance Officer	CMA (Finalist)	11
5	Mr. Agha Tariq Ali	Head of Research	B.A. (Hons.) Canada	4

23.1 Mr. Mustafa Kamal is the Manager of the Fund. He is also the fund manager of Askari High Yield Scheme (Formerly Askari Income Fund) and Askari Islamic Income Fund.

24 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2011
1 Global Securities Pakistan Limited	22.81%
2 Invest and Finance Securities Limited	16.73%
3 Invest Capital Securities (Private) Limited	14.75%
4 JS Global Capital Limited	10.74%
5 KASB Securities Limited	9.80%
6 Elixir Securities Pakistan (Private) Limited	7.68%
7 BMA Capital Management Limited	7.05%
8 Invisor Securities (Private) Limited	5.46%
9 ICON Securities (Private) Limited	2.87%
10 Atlas Capital Market Limited	2.11%

	2010
1 Invest Capital Investment Bank Limited	38.79%
2 IGI Finex Securities Limited	22.49%
3 Elixir Securities Pakistan (Private) Limited	18.55%
4 BMA Capital Management Limited	7.68%
5 KASB Securities Limited	5.50%
6 Invisor Securities (Private) Limited	3.46%
7 Alfalah Securities (Private) Limited	3.05%
8 Global Securities Pakistan Limited	0.25%
9 JS Global Capital Limited	0.23%

25 PATTERN OF UNIT HOLDINGS

-----As at June 30, 2011-----				
Category	Number of unit holders	Number of units held	Investment amount	Percentage of total investment
(Rupees)				
Individuals	456	6,397,417	644,156,077	10.08%
Associated companies / directors	3	870,850	87,685,908	1.37%
Insurance companies	4	5,522,967	556,107,685	8.70%
Banks / DFIs	6	14,484,819	1,458,476,785	22.83%
Retirement funds	5	135,581	13,651,654	0.21%
Welfare social organisation	2	206,864	20,829,141	0.33%
Others	52	35,842,611	3,608,993,393	56.48%
	528	63,461,109	6,389,900,643	100.00%

-----As at June 30, 2010-----				
Category	Number of unit holders	Number of units held	Investment amount	Percentage of total investment
(Rupees)				
Individuals	230	2,747,983	297,678,562	25.53%
Associated companies / directors	1	1,009,971	109,406,323	9.38%
Insurance companies	3	1,058,501	114,663,393	9.83%
Banks / DFIs	2	1,790,532	193,961,531	16.64%
Retirement funds	5	45,473	4,925,917	0.42%
Welfare social organisation	1	190,153	20,598,552	1.77%
Others	17	3,921,019	424,749,097	36.43%
	259	10,763,632	1,165,983,375	100.00%

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

The 32nd, 33rd, 34th, 35th, 36th, 37th and 38th Board meetings were held on July 06, 2010 and July 12, 2010, August 18, 2010, October 22, 2010, December 28, 2010, January 05, 2011, February 14, 2011 and April 25, 2011 respectively. Information in respect of attendance by directors in the meetings is given below:

S.NO.	Name of Director	Number of meetings held	Attended	Leave granted	Meetings not attended
1	Lt. Gen. (R) Imtiaz Hussain	7	7	-	-
2	Mr. Shahid Hafeez Azmi	7	4	3	32 nd , 34 th & 37 th meeting
3	Mr. Muhammad Naseem	7	7	-	-
4	Mr. Mohammad Rafiquddin Mehkari	7	6	1	34 th meeting
5	Maj Gen.(R) Saeed Ahmed Khan	7	6	1	33 rd meeting
6	Mr. Tahir Aziz	7	7	-	-
7	Mr. Sufian Mazhar	7	4	3	32 nd , 33 rd & 35 th meeting
8	Mr. Adnan Siddiqui	7	7	-	-

27 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in the meeting held on July 6, 2011 have approved a final distribution of Rs 0.3522 per unit for the year ended June 30, 2011 (2010: Rs 8.15 per unit). The financial statements of the Fund for the year ended June 30, 2011 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, 2012.

28 CORRESPONDING FIGURES

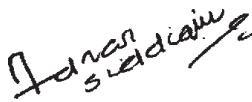
Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial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

29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _____ by the Board of Directors of the Management Company.

30 GENERAL**30.1 Figures have been rounded off to the nearest rupees.**

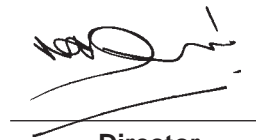
For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



Director



Invest with Aim!

111-AIM-111

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