askari Investment
MANAGEMENT

a string of achievements

askari Asset Allocation Fund

ANNUAL REPORT 2011

Vision

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

"Service to the Customer"

Askari Investment Management Limited

Good people n Sound advice n Great returns

Contents

ANNUAL REPORT 2011

askari Asset Allocation Fund

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

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

Executive Committee

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

Audit Committee

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

Chief Financial Officer:

Syed Shoaib Jaffery (Acting)

Company Secretary:

Syed Shoaib Jaffery

Fund's Information

Bankers

- Askari Bank Limited
- JS Bank Limited

Trustee

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

Auditors

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

Legal Advisor

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

Registrar

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

Board of Directors' Report

DIRECTORS' REPORT TO THE UNITHOLDERS

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

The Equity Market

At the close of the financial year 2011, the local equity bourse delivered a return of 28.53% with the KSE100 Index closing at 12,496 points. Volumes were however significantly lower as compared to the previous year at 160.95mn, implying a decline of 51.60% over the previous financial year. The overall strong performance in local equity market was mainly in the first half of the outgoing financial year where the market delivered a return of 23.66%. Foreign investors invested U$$ 279.3M, in the local market, although significantly lower than US$553 compared to the previous financial year. Strong corporate profitability coupled attractive valuations attracted continued foreign investment in Pakistani equities during most of the year. Equity markets globally performed well during the start of the fiscal year following the quantitative easing (QE2) in the US led to huge surge in asset prices. Corporate earnings have been strong throughout the year in all major KSE100 heavyweight sectors including Oil & Gas, Banks and Chemicals (including fertilizer). The KSE-100 recorded its high for the year on January 18, 2011 at 12,658 and fell by almost 10% during February as rising unrest in the North African countries and the Middle East pushed emerging markets down. However, the market bounced back in March but remained sideways till June amid sharp fall in volumes during the latter half of the year.

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 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 Tbills. 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 Tbills 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.

Performance of the Fund

During the financial year 2011, the Fund delivered a return of 13.47% A new absolute return benchmark (3 year risk free rate + 4% on a 3 year rolling basis) has been introduced for the Fund along with a new investment strategy. The Fund was able to fully implement the new investment strategy by the end of the first half of the financial year (see details in the next section) and accumulated undervalued equities as the market took a downturn. A non-performing TFC where provisioning was taken in excess of 5% of the Fund size, lowered the total return of the Fund. However, by financial year end, the impaired TFC was replaced by high quality TFCs of the banking sector. Overall, on average Fund was 44.26% invested in Equity, 10.15% in TFC, 26.18% in Tbill and 19.41% in cash and other assets. With respect to sector allocation, at financial year end the Fund was 12.99% exposed in Oil & Gas, 20.91% in Banks, 7.62% in Chemicals, 7.28% in Construction and Materials, and 4.45% in Personal Goods.

On average, in the first half the Fund was 51.41% invested in Equity, 10.76% in TFC, 17.53% in Tbill and 20.30% in cash and other assets. In the second half of the financial year, the index did not increase significantly but remained volatile. In this scenario, the Fund increased exposure to scripts deemed to be significantly undervalued and decreased exposure to those close to their intrinsic values. This allowed the Fund to take advantage of the volatility in the market. In addition to this, as the Fund decided to increase yield on its liquid positions by taking exposure in high quality and liquid banking sector TFCs namely Bank Al-Habib I&II (rated AA) and UBL I (rated AA).

Change in Investment Strategy and Benchmark

In the financial year 2011 the Fund changed its Investment strategy. The basic investment strategy is to invest in a defined universe of 25 companies that meet certain criteria of financial soundness. Our portfolio management philosophy is based accumulating underpriced equities using our estimated fair values as a benchmark and offloading as prices recover and scripts become properly valued. In addition to this, not only undervaluation but the expected time period of the pay-off is also taken into consideration. Moreover, unlike most asset allocation funds, we do not have a target allocation for fixed income investments and are accumulated by default; while allocation to equities is reduced as valuations in the market become stretched, exposure to appropriate fixed income investments increases. Then when equity market prices decline, exposure to fixed income is reduced and equity allocation is increased. Therefore, with respect to fixed income investments, liquidity is as important a criterion as credit quality. The investment strategy is ideally suited for markets that generally experience high volatility.

After fulfilling the requirements for human resource, compiling investment methodology, establishing procedures for research and gaining the necessary approval from the investment committee, the new strategy of the Fund was fully implemented in November, 2010.

The Fund also changed its benchmark to an absolute return benchmark. The benchmark is now the three year risk free rate (referred to as "k") plus 4%. Moreover benchmark is based on a three year rolling basis; performance is assessed with regards to the average three year risk free rate prevailing over the previous three year period plus 4%

Details required by the Code of Corporate Governance:

AAAF was listed on Islamabad Stock Exchange (Guarantee) Limited on September 18, 2007 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	2,500,000	57.93%
Askari Investment Management Employee Provident Fund	1	25,903	0.60%
Individuals	32	81,114	1.88%
Bank/DFI's	1	254,956	5.91%
Retirement funds	3	954,147	22.11%
Others	2	499,158	11.57%
	40	4,315,278	100.00%

The Board of Directors of the Management Company state that:

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

	Jun-11	Jun-10	Jun-09	Jun-08	Jun-07
		------------------------ Rupees ------------------------			
Net Assets as on June 30th	177,149,656	219,501,929	289,142,644	489,738,434	640,996,992
Net Asset Value per unit as on June 30th	41.0517	58.7784	54.6213	87.8845	102.1714
Net income/ (loss) for the year/period	(16,042,681)	86,277,716	(172,701,632)	(68,677,504)	13,622,967
Dividend Distribution during the Year/period	(84,397,422)	-	-	(12,459,565)	

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

For Askari Investment Management Limited
(Management Company)

Chief Executive	Chairman	Director

August 18, 2011
Karachi

Fund Manager's Report

ASKARI ASSET ALLOCATION FUND

Askari Asset Allocation Fund (AAAF) is an open-end asset-allocation Fund, which invests in interest bearing securities and equities. The Fund seeks to maximize long-term total return (stock plus income) while incurring lesser risk than a Fund comprising entirely of stocks. The asset universe of the Fund includes stocks, term finance certificates, Government bonds, treasury bills, certificates of investment, continuous Funding system, and spread transactions, etc.

The Fund was launched (Pre-IPO) on June 2nd 2007 and the IPO took place from September 10th to 13th, 2007. We are thankful to our unit holders for posing their confidence in us. AAAF received its core capital from Askari Bank Limited on May 25th 2007 and started the investments from June 2nd 2007. As at June 30th 2011 the Fund size was Rs. 177.15 million, as compared to Rs. 219.50 million at the same time last year.

At the start of the financial year the Fund changed its Investment strategy. The basic investment strategy is to invest in a defined universe of 25 companies that meet certain criteria of financial soundness. Our portfolio management philosophy is based accumulating underpriced equities using our estimated fair values as a benchmark and offloading as prices recover and scripts become properly valued. In addition to this, not only undervaluation but the expected time period of the pay-off is also taken into consideration. Moreover, unlike most asset allocation funds, we do not have a target allocation for fixed income investments and are accumulated by default; while allocation to equities is reduced as valuations in the market become stretched, exposure to appropriate fixed income investments increases. Then when equity market prices decline, exposure to fixed income is reduced and equity allocation is increased. Therefore, with respect to fixed income investments, liquidity is as important a criterion as credit quality.

The Fund also changed its benchmark to an absolute return benchmark. The benchmark is now the three year risk free rate (referred to as "k") plus 4%. Moreover benchmark is based on a three year rolling basis; performance is assessed with regards to the average three year risk free rate prevailing over the previous three year period plus 4%.

The Equity Market

At the close of the financial year 2011, the local equity bourse delivered a return of 28.53% with the KSE100 Index closing at 12,496 points. Volumes were however significantly lower as compared to the previous year at 160.95mn, implying a decline of 51.60% over the previous financial year. The overall strong performance in local equity market was mainly in the first half of the outgoing financial year where the market delivered a return of 23.66%.

General Information

Minimum Investment	Rs. 5,000
Sales Load	2.5% front-end on Class B & D units, 2.5% back -end on Class C units
Management Fee	3.0% p.a.
Risk	Medium
Management Company Rating	AM3+ by PACRA

Fund Size and Growth

	30th June '11	30th June '10
Fund Size	Rs 177.150mn	Rs 219.50 mn
NAV	Rs 41.0517	Rs 58.7784

Fund Performance

Rolling Return	1-Month	3-Month	Since Inception	FY11
AAAF	1.88%	1.25%	-31.98%	13.47%
Benchmark	1.48%	4.49%	N/A	17.78%
KSE-100	3.08%	5.18%	N/A	28.53%

Economic Data

	Sep 10	Dec 10	Mar 11	Jun 11
KSE100 Index	10,013.31	12,022.46	11,809.54	12,496.03
6M KIBOR	12.48%	13.12%	13.34%	13.37%
CPI (YoY)	15.70%	15.50%	13.20%	13.10%

Top Ten Holdings of the AAAF

1)	Govt. Ijara Sukuk	2)	Pakistan State Oil
3)	DG Khan Cement	4)	Pakistan Oil Field Ltd.
5)	Pak Petroleum Ltd.	6)	Lucky Cement.
7)	Meezan Bank Ltd.	8)	Hub Power Co. Ltd.
9)	Bank Islami Pak Ltd.	10)	Packages Ltd.

Foreign investors invested U$$ 279.3M, in the local market, although significantly lower than US$553 compared to the previous financial year. Strong corporate profitability coupled attractive valuations attracted continued foreign investment in Pakistani equities during most of the year. Equity markets globally performed well during the start of the fiscal year following the quantitative easing (QE2) in the US led to huge surge in asset prices. Corporate earnings have been strong throughout the year in all major KSE100 heavyweight sectors including Oil & Gas, Banks and Chemicals (including fertilizer). The KSE-100 recorded its high for the year on January 18, 2011 at 12,658 and fell by almost 10% during February as rising unrest in the North African countries and the Middle East pushed emerging markets down. However, the market bounced back in March but remained sideways till June amid sharp fall in volumes during the latter half of the year.

The Fixed Income Market

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

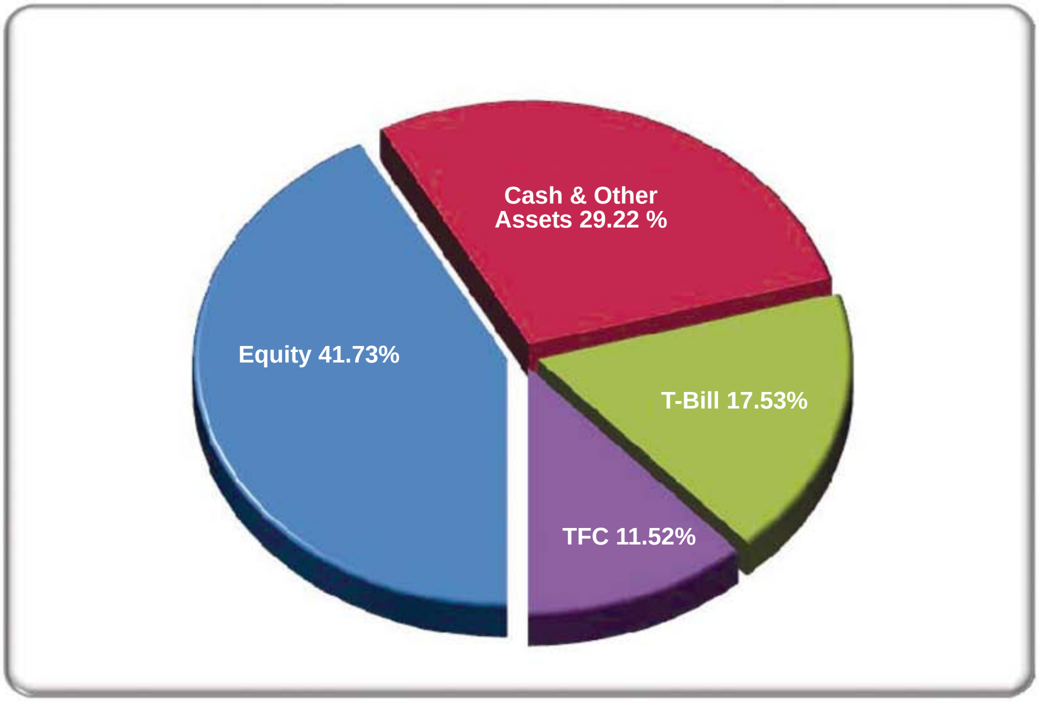
The TFC market remained depressed throughout the outgoing financial year due to higher yields on treasuries. Most of the activity took place in high quality liquid Banking sector TFCs. New issues within the sector of significant size included the Bank Al-Habib issue (maturity 2021). Credit spreads in 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

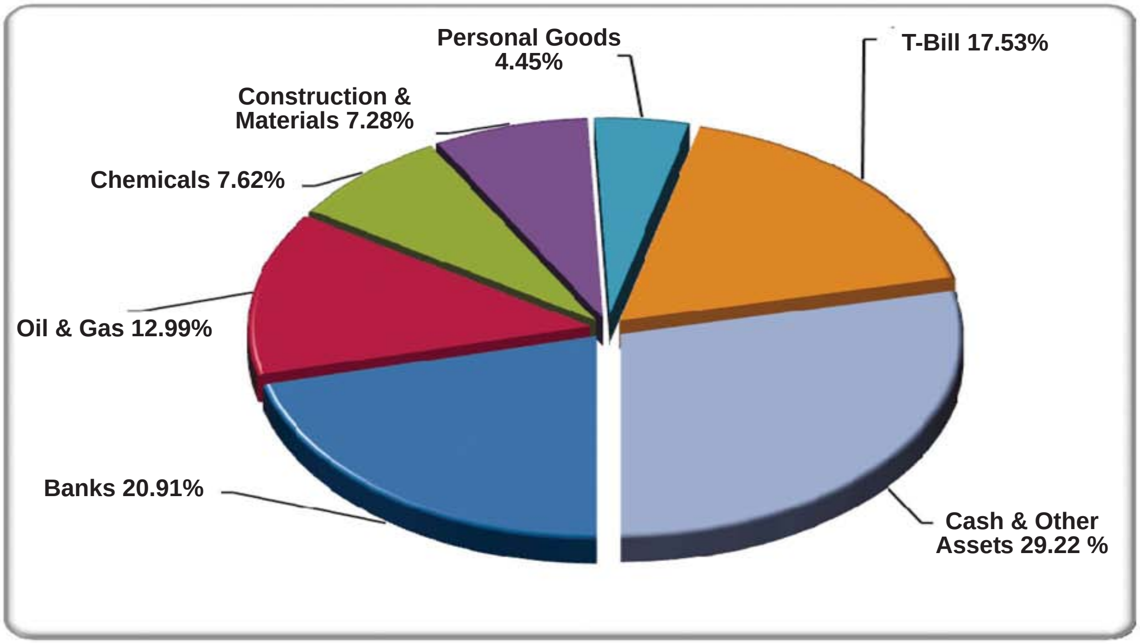
During the financial year 2011, the Fund delivered a return of 13.47% as against our absolute return benchmark (3 year risk free rate + 4%) performance of 17.78% implying an underperformance of 4.31%. The underperformance was mainly attributed to depressed equity market conditions in the second half of the financial year. Overall, on average Fund was 44.26% invested in Equity, 10.15% in TFC, 26.18% in Tbill and 19.41% in cash and other assets. With respect to sector allocation, at financial year end the Fund was 12.99% exposed in Oil & Gas, 20.91% in Banks, 7.62% in Chemicals, 7.28% in Construction and Materials, and 4.45% in Personal Goods.

At the start of the financial year the Fund was 55.29% invested in Equity, 9.24% in TFC, 0.00% in T bill and 35.47% in cash and other assets. Following the floods, in anticipation of reconstruction activity and corporate profitability going forward, the Fund increased its allocation to Equities. However, once the equities seemed to be near their intrinsic values following a strong rally in the market, the Fund decreased allocations to equities and increased exposure to Tbills. This allowed the Fund to lower losses in a downslide in February and March. On average, in the first half the Fund was 51.41% invested in Equity, 10.76% in TFC, 17.53% in Tbill and 20.30% in cash and other assets. In the second half of the financial year, the index did not increase significantly but remained volatile. In this scenario, the Fund increased exposure to scripts deemed to be significantly undervalued and decreased exposure to those close to their intrinsic values. This allowed the Fund to take advantage of the volatility in the market. In addition to this, as the Fund decided to increase yield on its liquid positions by taking exposure in high quality and liquid banking sector TFCs namely Bank Al-Habib I&II (rated AA) and UBL I (rated AA). Also, during the year the Fund was able to offload Agritech TFC, an impaired asset, at a price of Rs. 52 and thus realized a gain of 2.85%.

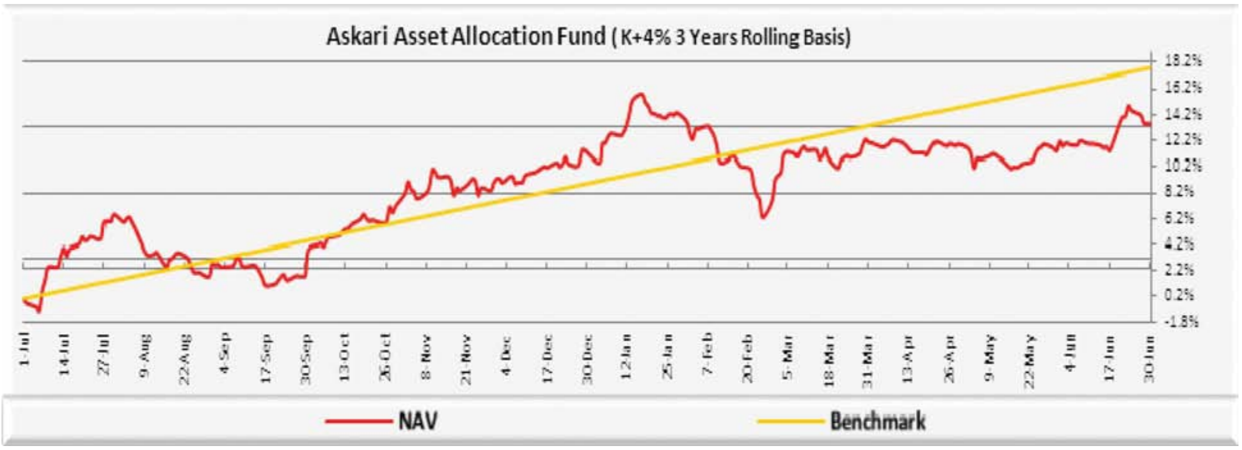
Asset Allocation at June 30th 2011



Sector Allocation at June 30th 2011



Fund Performance



Financial Statements

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED
Head Office
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-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 ASSET ALLOCATION 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 Asset Allocation Fund (the Fund), an open-end Fund was established under a trust deed dated January 17, 2007, 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

CENTRAL DEPOSITORY COMPANY

pwc

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 Asset Allocation 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
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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 Asset Allocation 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

pwc

A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **Askari Asset Allocation 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.

Emphasis of matter paragraph

We draw attention to note 13.1 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh. Our opinion is not qualified in respect of this matter.

The financial statements of Askari Asset Allocation Fund for the year ended 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

Karachi

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ASKARI ASSET ALLOCATION FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011

	Note	2011	2010
		----------------(Rupees)---------------	
ASSETS			
Bank balances	4	41,309,219	68,617,630
Investments	5	126,671,137	150,420,811
Receivable against sale of investments		202,365	-
Dividend, prepayments and other receivables	6	6,756,764	1,003,587
Security deposits	7	3,600,000	3,600,000
Unamortised formation costs	8	490,253	1,004,582
Total Assets		179,029,738	224,646,610
LIABILITIES			
Remuneration payable to Askari Investment Management Limited- Management Company	9	420,580	563,516
Payable to Central Depository Company of Pakistan Limited - Trustee	10	57,534	57,533
Annual fee payable to Securities and Exchange Commission of Pakistan	11	148,979	255,452
Payable against purchase of investments		-	1,708,967
Payable against redemption of units		304,314	-
Accrued expenses and other liabilities	12	948,675	2,559,213
Total Liabilities		1,880,082	5,144,681
NET ASSETS		177,149,656	219,501,929
Unit holders' fund (as per statement attached)		177,149,656	219,501,929
Contingencies and commitments	13		
		-------- (Number of units) --------	
Number of units in issue		4,315,278	3,734,399
		----------------(Rupees)---------------	
Net asset value per unit		41.0517	58.7784

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

For Askari Investment Management Limited
(Management Company)

Chief Executive	Chairman	Director

ASKARI ASSET ALLOCATION FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		----------------(Rupees)----------------	
Income			
Net realised gain on sale of investments		18,588,694	50,476,789
Dividend income		1,376,385	5,981,500
Profit on bank deposits		3,554,567	10,154,972
Income from term finance certificates		386,237	482,942
Income from government securities		5,631,219	-
Other income		125,047	-
		29,662,149	67,096,203
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'	5.5	(3,369,871)	(21,229,970)
		26,292,278	45,866,233
Expenses			
Remuneration of the Management Company	9.1	4,704,677	8,066,912
Remuneration of the Trustee	10.1	700,000	700,000
Annual fee - Securities and Exchange Commission of Pakistan	11.1	148,979	255,452
Amortisation of formation costs	8	514,329	514,329
Securities transaction costs		1,421,344	5,863,617
Auditors' remuneration	14	472,145	387,211
Legal and professional charges		40,010	-
Printing and stationery expenses		145,055	63,093
Settlement and bank charges		237,914	293,584
Rating fee		100,000	100,000
Listing fee		10,000	25,000
Custodian fee		41,976	135,519
		8,536,429	16,404,717
		-	-
Net income from operating activities		17,755,849	29,461,516
Element of income / (loss) and capital gains / (losses) included - in prices of units issued less those in units redeemed - net		(35,559,300)	58,576,970
Reversal of provision / (Provision) for contribution to the Workers' Welfare Fund	13.1	1,760,770	(1,760,770)
		-	-
Net (loss) / income for the year before taxation		(16,042,681)	86,277,716
Taxation	15	-	-
Net (loss) / income for the year after taxation		(16,042,681)	86,277,716
Earnings per unit	16		

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

For Askari Investment Management Limited
(Management Company)

Chief Executive	Chairman	Director

ASKARI ASSET ALLOCATION FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	(Rupees)	
Net (loss) / income for the year after taxation	(16,042,681)	86,277,716
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	(16,042,681)	86,277,716

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

For Askari Investment Management Limited
(Management Company)

Chief Executive	Chairman	Director

ASKARI ASSET ALLOCATION FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	(Rupees)	
Accumulated loss brought forward		
Realised loss	(131,686,540)	(164,258,782)
Unrealised loss	(22,251,477)	(75,956,951)
	(153,938,017)	(240,215,733)
Net (loss) / income for the year	(16,042,681)	86,277,716
Final distribution of Rs 22.60 per unit on July 6, 2010 for the year ended June 30, 2010:		
- Cash distribution	(73,731,676)	-
- Bonus units	(10,665,746)	-
	(84,397,422)	-
Accumulated loss carried forward	(254,378,120)	(153,938,017)
Accumulated loss comprising:		
Realised loss	(251,008,249)	(131,686,540)
Unrealised loss	(3,369,871)	(22,251,477)
	(254,378,120)	(153,938,017)

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

For Askari Investment Management Limited
(Management Company)

Chief Executive	**Chairman**	**Director**

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

	2011	2010
	----------------(Rupees)---------------	
Net assets at the beginning of the year	219,501,929	289,142,644
Issue of 467,112 units (2010: 13,312 units)	18,884,782	815,164
Redemption of 181,043 units (2010: 1,572,496 units)	(7,021,998)	(98,156,625)
	11,862,784	(97,341,461)
Issue of 294,810 bonus units (2010: Nil)	10,665,746	-
	22,528,530	(97,341,461)
Element of (income)/loss and capital (gains)/loss included in prices of units issued less those in units redeemed - net - transferred to income statement	35,559,300	(58,576,970)
Net realised gain on sale of investments	18,588,694	50,476,789
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss' - note 5.5	(3,369,871)	(21,229,970)
Other net (loss) / income for the year	(31,261,504)	57,030,897
Other comprehensive income	-	-
	(16,042,681)	86,277,716
Final distribution of Rs 22.60 per unit on July 6, 2010 for the year ended June 30, 2010:		
- Cash distribution	(73,731,676)	-
- Bonus units	(10,665,746)	-
Net assets at the end of the year	177,149,656	219,501,929

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

For Askari Investment Management Limited
(Management Company)

Chief Executive **Chairman** **Director**

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

	Note	2011	2010
		----------------(Rupees)----------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the year before taxation		(16,042,681)	86,277,716
Adjustments for:			
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'		3,369,871	21,229,970
Amortisation of formation costs		514,329	514,329
(Reversal of provision) / Provision for contribution to the Workers' Welfare Fund		(1,760,770)	1,760,770
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		35,559,300	(58,576,970)
		37,682,730	(35,071,901)
		21,640,049	51,205,815
(Increase) / decrease in assets			
Investments - net		20,379,803	44,985,236
Receivable against sale of investments		(202,365)	38,248,603
Dividend, prepayments and other receivables		(5,753,177)	2,222,415
		14,424,261	85,456,254
Increase / (decrease) in liabilities			
Remuneration payable to Askari Investment Management Limited - Management Company		(142,936)	(166,808)
Payable to Central Depository Company of Pakistan Limited - Trustee		1	2
Annual fee payable to Securities and Exchange Commission of Pakistan		(106,473)	(55,731)
Payable against purchase of investments		(1,708,967)	1,708,967
Accrued expenses and other liabilities		150,232	71,935
		(1,808,143)	1,558,365
Net cash inflow from operating activities		34,256,167	138,220,434
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		18,884,782	815,164
Payments on redemption of units		(6,717,684)	(98,156,625)
Distributions paid		(73,731,676)	-
Net cash outflow on financing activities		(61,564,578)	(97,341,461)
Net (decrease) / increase in cash and cash equivalents during the year		(27,308,411)	40,878,973
Cash and cash equivalents at the beginning of the year		68,617,630	27,738,657
Cash and cash equivalents at the end of the year	4	41,309,219	68,617,630

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

For Askari Investment Management Limited
(Management Company)

Chief Executive	**Chairman**	**Director**

ASKARI ASSET ALLOCATION 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 Asset Allocation Fund (the Fund) was established under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). It was registered under a Trust deed executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee on January 17, 2007. The Fund was registered as a Notiifed Entity under the Non Banking Finance Companies Regulations, 2008 (NBFC Regulations) in February 2009. The units of the Fund were initially issued at Rs. 100 per unit.

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 ended 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 units are listed on the Islamabad Stock Exchange (Guarantee) Limited.

1.4 The objective of the Fund is to invest in equity securities as well as debt securities including government securities, commercial papers and various other money market instruments.

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 Pakistan Credit Rating Agency Limited (PACRA) has assigned a short term rating of '2 star' and a long term rating of '3 star' to the Fund based on the performance review upto the year ended June 30, 2010.

1.7 Title to the assets of the Fund are held in the name of CDC as a trustree 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 detailed in these financial statements.

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

The following 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 balances with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets into the following categories: at fair value through profit or loss, available for sale and loans and receivables. 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) **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 investments or (c) financial assets at fair value through profit or loss.

c) **Loans and receivables**

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

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

a) **Basis of valuation of equity securities**

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

b) **Basis of valuation of debt securities**

The investment of the Fund in term finance certificates is valued in accordance with the methodology for valuation of debt securities prescribed in the SECP's circular no. 1/2009 dated January 06, 2009. Under the said directive, investment in term finance certificates is valued on the basis of traded, thinly traded and non traded securities. Accordingly, investment in debt securities have been valued at the rates determined and announced by the MUFAP based on the methodology prescribed in the circular.

c) **Basis of valuation of government securities**

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

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

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'Statement of Comprehensive Income' 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'.

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 the amortisation process.

3.2.5 Impairment

The carrying value of the Fund's assets are reviewed at each period end 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.

Provision for non-performing debt securities is made in accordance with the criteria for provision of non-performing debt securities specified in Circular No. 1 dated January 06, 2009 and Circular No. 13 dated May 4, 2009 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

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 charged over a period of five years commencing from June 2, 2007 in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

3.6 Provisions

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

3.7 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.

3.8 Proposed distributions

Distributions declared subsequent to the period end 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.

3.9 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 upon realisation of related funds.

Units redeemed are recorded at the redemption price, applicable to units for which redemption applications are received for redemptions 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 year end.

3.12 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.
- Dividend income is recognised when the right to receive dividend is established.
- Income on government securities is accrued using the effective interest method.
- Income on term finance certificates is recognised on an accrual basis and suspended in accordance with SECP's circular No. 1 of 2009 and the provisioning policy of the Fund.
- Profit on bank deposits is recognised on an accrual basis.

4 BANK BALANCES

	Note	2011	2010
		----------------(Rupees)---------------	
In savings accounts	4.1	41,309,219	68,617,630

4.1 These savings accounts carry profit at the rates ranging from 5.00% to 11.50% (2010: 7.00% to 11.50%) per annum. Deposits in savings accounts include Rs. 41,272,093 (2010: Rs. 59,040,259) maintained with Askari Bank Limited, a connected person.

5 INVESTMENTS

	Note	2011	2010
		----------------(Rupees)---------------	
Financial assets at fair value through profit or loss - held for trading			
Listed equity securities	5.1	74,677,511	132,435,211
Government securities	5.2	31,376,040	-
Term finance certificates	5.3	20,617,586	17,985,600
		126,671,137	150,420,811

5.1 Listed equity securities - At fair value through profit or loss - held for trading

Shares of listed companies - Fully paid up ordinary shares of Rs.10/- each unless otherwise stated.

Name of the investee company	-----Number of Shares-----					Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments	Percentage of paid up capital of investee company held
	As at July 1, 2010	Purchases during the year	Bonus/right issues during the year	Sales during the year	As at June 30, 2011	Carrying value	Market value	Unrealised gain / (loss)			
						---------- Rupees ----------					
Oil and Gas											
Attock Petroleum Limited	-	123,519	-	123,519	-	-	-	-	-	-	-
Attock Refinary Limited	-	352,900	-	352,900	-	-	-	-	-	-	-
Mari Gas Company Limited	50,000	10,442		60,442	-	-	-	-	-	-	-
National Refinery Limited	-	37,000	-	37,000	-	-	-	-	-	-	-
Pak Oilfields Limited	75,000	135,290	-	190,437	19,853	6,239,995	7,127,425	887,430	4.02%	5.63%	0.30%
Pakistan Petroleum Limited	-	50,830	-	17,567	33,263	6,922,666	6,887,768	(34,898)	3.89%	5.44%	0.06%
Pakistan State Oil Company Limited	25,000	184,996		175,094	34,902	10,012,294	9,234,371	(777,923)	5.21%	7.29%	0.54%
Shell Pakistan Limited	50,000	-	-	50,000	-	-	-	-	-	-	
						23,174,955	23,249,564	74,609	13.12%	18.36%	
Chemicals											
Arif Habib Corporation Limited	-	926,715	-	793,274	133,441	3,448,074	3,509,497	61,423	1.98%	2.77%	0.09%
Engro Corporation Limited	25,000	302,310	-	268,500	58,810	11,359,045	9,600,731	(1,758,314)	5.42%	7.58%	0.24%
Engro Polymer and Chemicals Limited	405,000	-	-	405,000	-	-	-	-	-	-	-
Fauji Fertilizers Bin Qasim Limited	350,000	255,500	-	605,500	-	-	-	-	-	-	-
Fauji Fertilizers Company Limited	100,000	60,000	-	160,000	-	-	-	-	-	-	-
ICI Pakistan Limited	-	222,043	-	218,538	3,505	532,759	532,233	(526)	0.30%	0.42%	0.04%
						15,339,878	13,642,461	(1,697,417)	7.70%	10.77%	
Construction and Materials											
D.G. Khan Cement Company Limited	100,000	1,031,153	45,300	849,305	327,148	8,611,992	7,521,133	(1,090,859)	4.25%	5.94%	0.17%
Fauji Cement Company Limited	500,000	-	-	500,000	-	-	-	-	-	-	-
Lucky Cement Limited	100,000	598,262		620,491	77,771	5,831,234	5,509,298	(321,936)	3.11%	4.35%	0.17%
						14,443,226	13,030,431	(1,412,795)	7.36%	10.29%	
General Industrials											
Packages Limited	50,000	28,003		78,003	-	-	-	-	-	-	-
Tri-Pack Films Limited	55,000	-	-	55,000	-	-	-	-	-	-	-
						-	-	-	-	-	
Industrial Engineering											
Millat Tractors Limited	-	3,000	-	3,000	-	-	-	-	-	-	-
						-	-	-	-	-	
Personal Goods											
Ibrahim Fibers Limited	-	40,000	-	40,000	-	-	-	-	-	-	-
Nishat (Chunian) Limited	200,000	266,000	-	466,000	-	-	-	-	-	-	-
Nishat Mills Limited	75,000	747,476	-	664,335	158,141	8,941,403	7,960,818	(980,585)	4.49%	6.28%	0.23%
						8,941,403	7,960,818	(980,585)	4.49%	6.28%	
Pharma and Bio Tech											
GlaxoSmithKiline Pakistan Limited	56,000	5,000	-	61,000	-	-	-	-	-	-	-
						-	-	-	-	-	
Fixed Line Telecommunication											
Pakistan Telecommunication Company Limited	250,000	438,358	-	688,358	-	-	-	-	-	-	-
						-	-	-	-	-	
Electricity											
Kot Addu Power Company Limited	-	372,917	-	372,917	-	-	-	-	-	-	-
Nishat Chunian Power Limited	-	170,000	-	170,000	-	-	-	-	-	-	-
The Hub Power Company Limited	200,000	241,524	-	441,524	-	-	-	-	-	-	-
						-	-	-	-	-	
Banks											
Allied Bank Limited	-	377,100	4,037	281,803	99,334	5,745,656	6,371,283	625,627	3.60%	5.03%	0.07%
Bank Alfalah Limited	350,000	-	-	350,000	-	-	-	-	-	-	-
Bank Al-Habib Limited	-	125,363	-	65,000	60,363	1,744,553	1,778,898	34,345	1.00%	1.40%	0.02%
BankIslami Pakistan Limited	-	512,082	-	-	512,082	2,019,305	1,741,079	(278,226)	0.98%	1.37%	0.03%
Habib Bank Limited	25,000	25,000	-	50,000	-	-	-	-	-	-	-
MCB Bank Limited	-	35,272	2,112	30,824	6,560	1,306,950	1,307,408	458	0.74%	1.03%	0.02%
Meezan Bank Limited	-	87,001	15,008	3,952	98,057	1,510,742	1,713,056	202,314	0.97%	1.35%	0.02%
National Bank of Pakistan	100,000	989,614	-	1,036,865	52,749	2,674,711	2,659,605	(15,106)	1.51%	2.10%	0.02%
United Bank Limited	100,000	40,590	-	120,837	19,753	1,196,423	1,222,908	26,485	0.69%	0.97%	0.01%
						16,198,340	16,794,237	595,897	9.49%	13.25%	
Financial Services											
Arif Habib Investments Limited	127,700	-	-	127,700	-	-	-	-	-	-	-
						-	-	-			
Software and Computer Services											
Netsol Technologies Limited	-	570,000	-	570,000	-	-	-	-	-	-	-
						-	-	-	-	-	
Total - June 30, 2011						78,097,802	74,677,511	(3,420,291)	42.16%	58.95%	
Total - June 30, 2010						147,102,935	132,435,211	(14,667,724)	60.33%	88.04%	

5.1.1 Investments include shares with market value of Rs 6,896,200 (2010: Rs 18,770,500) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

5.1.1 Government securities - At fair value through profit or loss - held for trading

Issue date	Tenor	Face Value				Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2010	Purchases during the year	Disposed / matured during the year	As at June 30, 2011	Carrying value	Market value	Appreciation / (diminution)		
		------------------ Rupees ------------------								
MARKET TREASURY BILLS										
June 17, 2010	3 Months	-	50,000,000	50,000,000	-	-	-	-	-	-
July 29, 2010	6 Months	-	50,000,000	50,000,000	-	-	-	-	-	-
November 4, 2010	3 Months	-	25,000,000	25,000,000	-	-	-	-	-	-
December 30, 2010	3 Months	-	25,000,000	25,000,000	-	-	-	-	-	-
January 13, 2011	3 Months	-	180,700,000	180,700,000	-	-	-	-	-	-
February 10, 2011	3 Months	-	70,000,000	70,000,000	-	-	-	-	-	-
February 24, 2011	3 Months	-	75,000,000	75,000,000	-	-	-	-	-	-
March 10, 2011	3 Months	-	75,000,000	75,000,000	-	-	-	-	-	-
March 24, 2011	6 Months	-	50,000,000	50,000,000	-	-	-	-	-	-
April 7, 2011	6 Months	-	25,000,000	25,000,000	-	-	-	-	-	-
May 5, 2011	6 Months	-	75,000,000	75,000,000	-	-	-	-	-	-
May 19, 2011	6 Months	-	135,000,000	102,000,000	33,000,000	31,387,114	31,376,040	(11,074)	17.71%	24.77%
May 20, 2011	1 year	-	75,000,000	75,000,000	-	-	-	-	-	-
PAKISTAN INVESTMENT BONDS										
July 22, 2010	3 years	-	50,000,000	50,000,000	-	-	-	-	-	-
July 22, 2010	5 years	-	50,000,000	50,000,000	-	-	-	-	-	-
July 22, 2010	10 years	-	25,000,000	25,000,000	-	-	-	-	-	-
Total - June 30, 2011		-	1,035,700,000	1,002,700,000	33,000,000	31,387,114	31,376,040	(11,074)	17.71%	24.77%

5.3 Term finance certificates - At fair value through profit or loss - held for trading

Name of the investee company	Number of certificates				Balance as at June 30, 2011			Investment as a percentage of		
	As at July 1, 2010	Purchases during the year	Sales during the year	As at June 30, 2011	Carrying value	Market value	Appreciation / (diminution)	Net assets	Market value of total investments	Issue size
					------- Rupees -------					
Term finance certificate - listed										
Bank Al-Habib Limited	-	1,600	200	1,400	7,121,587	7,183,081	61,494	4.05%	5.67%	0.47%
United Bank Limited	-	1,150	-	1,150	5,434,505	5,434,505	-	3.07%	4.29%	2.87%
					12,556,092	12,617,586	61,494	7.12%	9.96%	
Term finance certificate - unlisted										
Agritech Limited	5,000	-	5,000	-	-	-	-	-	-	-
Bank Al-Habib Limited	-	1,600	-	1,600	8,000,000	8,000,000	-	4.52%	6.32%	0.27%
					8,000,000	8,000,000	-	4.52%	6.32%	
Total - June 30, 2011					20,556,092	20,617,586	61,494	11.64%	16.28%	
Total - June 30, 2010					24,547,846	17,985,600	(6,562,246)	8.19%	11.96%	

5.4 Significant terms and conditions of term finance certificate outstanding at the year end are as follows:

Name of security	Number of certificates	Face value (Rupees)	Mark-up rate (per annum)	Maturity	Secured / Unsecured	Issue rating
Listed						
Bank Al-Habib Limited	1,400	5,000	6 month KIBOR + 1.95%	Febraury 7, 2015	Unsecured	AA
United Bank Limited	1,150	5,000	8.45%	August 10, 2012	Unsecured	AA
Unlisted						
Bank Al-Habib Limited	1,600	5,000	15.00%	June 30, 2021	Unsecured	AA

5.5 Net unrealised diminution in value of investments at 'fair value through profit or loss'

	Note	2011	2010
		----------------(Rupees)---------------	
Market value of investments	5.1, 5.2 & 5.3	126,671,137	150,420,811
Less: Carrying value of investments	5.1, 5.2 & 5.3	130,041,008	171,650,781
		(3,369,871)	(21,229,970)

6 DIVIDEND, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2011	2010
Dividend receivable		166,315	750,000
Profit receivable on bank balances		425,600	-
Income accrued on term finance certificates		628,411	-
Advance against subscription of shares	6.1	5,244,000	-
Withholding tax receivable		253,587	253,587
Others		38,851	-
		6,756,764	1,003,587

6.1 This represents advance against subscription in the offer for sale of Pakgen Power Limited (formerly AES Pak Gen Company Limited). An application for the listing of the shares has been filed with the Karachi Stock Exchange (Guarantee) Limited.

7 SECURITY DEPOSITS

	Note	2011	2010
		----------------(Rupees)---------------	
Security deposits with:			
Central Depository Company of Pakistan Limited (CDC)		100,000	100,000
National Clearing Company of Pakistan Limited		3,500,000	3,500,000
		3,600,000	3,600,000

8 UNAMORTISED FORMATION COSTS

	Note	2011	2010
Opening balance		1,004,582	1,518,911
Less: amortised during the year		514,329	514,329
Closing balance	3.5	490,253	1,004,582

9 REMUNERATION PAYABLE TO ASKARI INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY

	Note	2011	2010
Management fee	9.1	420,580	563,516

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 3 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	2011	2010
		----------------(Rupees)---------------	
Trustee fee	9.1	57,534	57,533

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 is as follows:

Amount of Funds under management (Average NAV)	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.2% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.1% p.a. of NAV exceeding Rs 1,000 million

The remuneration is paid to the Trustee monthly in arrears.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

	Note	2011	2010
		----------------(Rupees)----------------	
Anual fee	11.1	148,979	255,452

11.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment categorised as Asset Allocation scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the scheme. The Fund has been categorised as an Asset Allocation schemes by the Management Company.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2011	2010
		----------------(Rupees)----------------	
Auditors' remuneration		310,000	200,710
Legal and professional charges		147,823	-
Provision for contribution to the Worker's Welfare Fund	13.1	-	1,760,770
Payable to Askari Investment Management Limited		216,259	103,434
Withholding tax		11,352	19,169
Printing charges payable		76,398	-
Brokerage payable		76,015	-
Other payables		110,828	475,130
		948,675	2,559,213

13 CONTINGENCIES AND COMMITMENTS

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

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal. Based on the positive developments and a legal advice taken by the Management Company thereon, provision for WWF made in the books of accounts of the Fund was reversed on October 7, 2010 and no further provision 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 1.761 million (including Rs Nil effect of the current year).

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

14 AUDITORS' REMUNERATION

	Note	2011	2010
		(Rupees)	
Annual audit fee		260,000	230,000
Half yearly review fee		110,000	100,000
Fee for review of statement of compliance with the Code of Corporate Governance		50,000	43,000
Out of pocket expenses		52,145	14,211
		472,145	387,211

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. No provision for taxation for the current year has been made in these financial statements as the Fund has incurred a loss during the year ended June 30, 2011 and the management believes that the condition of distribution is only relevant where the Fund earns accounting profit and not otherwise.

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 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2011		
	Financial assets at fair value through profit or loss	Loans and receivables	Total
Financial assets	Rupees		
Bank balances	-	41,309,219	41,309,219
Investments	126,671,137	-	126,671,137
Receivable against sale of investments	-	202,365	202,365
Dividend and other receivables	-	6,503,177	6,503,177
Security deposits	-	3,600,000	3,600,000
	126,671,137	51,614,761	178,285,898

	As at June 30, 2011		
	Financial Liabilities at fair value through profit or loss	At amortised cost	Total
	-------------	Rupees	-------------
Financial liabilities			
Remuneration payable to Askari Investment Management Limited - Management Company	-	420,580	420,580
Payable to Central Depository Company of Pakistan Limited - Trustee	-	57,534	57,534
Payable against purchase of investments	-	-	-
Payable against redemption of units	-	304,314	304,314
Accrued expenses and other liabilities	-	937,323	937,323
	-	1,719,751	1,719,751

	As at June 30, 2010		
	Financial assets at fair value through profit or loss	Loans and receivables	Total
	-------------	Rupees	-------------
Financial assets			
Bank balances	-	68,617,630	68,617,630
Investments	150,420,811	-	150,420,811
Receivable against sale of investments	-	-	-
Dividend and other receivables	-	750,000	750,000
Security deposits	-	3,600,000	3,600,000
	150,420,811	72,967,630	223,388,441

	As at June 30, 2010		
	Financial Liabilities at fair value through profit or loss	At amortised cost	Total
	-------------	Rupees	-------------
Financial liabilities			
Remuneration payable to Askari Investment Management Limited - Management Company	-	563,516	563,516
Payable to Central Depository Company of Pakistan Limited - Trustee	-	57,533	57,533
Payable against purchase of investments	-	1,708,967	1,708,967
Payable against redemption of units	-	-	-
Accrued expenses and other liabilities	-	779,274	779,274
	-	3,109,290	3,109,290

18 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

18.1 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 and Askari High Yield Scheme (Formerly Askari Income Fund), Askari Asset Allocation Fund, Askari Islamic Income Fund and Askari Islamic Asset Allocation Fund being funds under common management and the directors and officer of the Management Company.

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

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

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

	2011	2010
18.5 Details of transactions with connected persons are as follows:	----------------(Rupees)---------------	
Askari Investment Management Limited - Management Company		
Remuneration for the year	4,704,677	8,066,912
Payments made on behalf of the Fund	152,261	103,434
Payments made against reimbursable expenses	39,436	-
Sale of unlisted term finance certificates by the Fund having a book value of Rs 7,993,600 for	12,989,600	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the year	700,000	700,000
Custodian fee	41,976	135,519
Askari Bank Limited (Holding company of the Management Company)		
Profit on bank deposits	3,532,365	6,499,432
Bank charges	24,000	4,520
Cash distribution paid	56,500,000	-
Askari Investment Management Employees Provident Fund		
Issue of 25,903 units (2010: Nil units)	1,013,921	-
18.6 Amounts outstanding as at year end		
Askari Investment Management Limited (Management Company)		
Remuneration payable	420,580	563,516
Other payables	216,259	103,434
Central Depository Company of Pakistan Limited (Trustee)		
Remuneration payable to Trustee	57,534	57,533
Security deposit receivable	100,000	100,000
Custodian fee	-	-
Askari Bank Limited (Holding company of the Management Company)		
Investment held in the fund 2,500,000 units (2010: 2,500,000)	102,629,250	146,945,954
Balance with bank	41,272,093	13,758,115
Profit receivable	425,441	-
Askari Investment Management Employees Provident Fund		
Investment held in the fund 25,903 units (2010: Nil)	1,063,354	-
Askari Income fund (Fund under common management)		
Sale of term finance certificates	-	50,455,025

19 FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of units 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, 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 supvervises the overall risk management approach with in the Fund. The Fund is exposed to various risks including market risk, credit risk and liquidity risk arising from the financial instruments it holds.

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

19.1.1 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.

19.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2011, the Fund holds KIBOR based interest bearing term finance certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2011, with all other variables held constant, the net income for the year and net assets would have been higher / lower by Rs.11,198 (2010: Nil)

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2011, the Fund holds market treasury bill 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 113,197 (2010: Nil). 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 114,019 (2010: Nil).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Markets Association are expected to change over time. Further, in case of variable instruments, the sensitivity analysis has been done from the last repricing date. 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:

	As at June 30, 2011					
	Effective yield / interest rate	Exposed to yield / interest rate risk: Upto three months	More than three months and up-to one year	More than one year	Not exposed to yield / interest rate risk	Total
		Rupees				
On-balance sheet financial instruments						
Financial assets						
Bank balances	5% to 11.5%	41,309,219	-	-	-	41,309,219
Investments	8.45% to 15.71%	7,183,081	31,376,040	13,434,505	74,677,511	126,671,137
Receivable against sale of investments		-	-	-	202,365	202,365
Dividend and other receivables		-	-	-	6,503,177	6,503,177
Security deposits		-	-	-	3,600,000	3,600,000
Total financial assets		48,492,300	31,376,040	13,434,505	84,983,053	178,285,898
Financial liabilities						
Remuneration payable to Askari Investment Management Limited- Management Company		-	-	-	420,580	420,580
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	57,534	57,534
Payable against purchase of investments		-	-	-	-	-
Payable against redemption of units		-	-	-	304,314	304,314
Accrued expenses and other liabilities		-	-	-	937,323	937,323
Total financial liabilities		-	-	-	1,719,751	1,719,751
On-balance sheet gap		48,492,300	31,376,040	13,434,505	83,263,302	176,566,147
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		48,492,300	31,376,040	13,434,505	83,263,302	176,566,147
Cumulative interest rate sensitivity gap		48,492,300	79,868,340	93,302,845		

	As at June 30, 2010					
	Effective yield / interest rate	Exposed to yield / interest rate risk: Upto three months	More than three months and up-to one year	More than one year	Not exposed to yield / interest rate risk	Total
		Rupees				
On-balance sheet financial instruments						
Financial assets						
Bank balances	7% to 11.5%	68,617,630	-	-	-	68,617,630
Investments		-	17,985,600	-	132,435,211	150,420,811
Receivable against sale of investments		-	-	-	-	-
Dividend and other receivables		-	-	-	750,000	750,000
Security deposits		-	-	-	3,600,000	3,600,000
Total financial assets		68,617,630	17,985,600	-	136,785,211	223,388,441
Financial liabilities						
Remuneration payable to Askari Investment ManagementLimited- Management Company		-	-	-	563,516	563,516
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	57,533	57,533
Payable against purchase of investments		-	-	-	1,708,967	1,708,967
Payable against redemption of units		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	779,274	779,274
Total financial liabilities		-	-	-	3,109,290	3,109,290
On-balance sheet gap		68,617,630	17,985,600	-	133,675,921	220,279,151
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		68,617,630	17,985,600	-	133,675,921	220,279,151
Cumulative interest rate sensitivity gap		68,617,630	86,603,230	86,603,230		

19.1.3 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.

The Fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2011, net income for the year would increase / decrease by Rs 1,211,911 (2010: Rs. 6,621,761) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as 'at fair value through profit or loss'.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved accroding to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regards to the historical volatility of the index. The composition of the Fund's investement portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

19.2 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 debt securities, balances with banks, dividend receivable and profit receivable on balances with banks. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection. The internal risk management policies and investment guidelines (approved by the Board) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency. 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. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2011and June 30, 2010:

	2011	2010
	-----------------(Rupees)-----------------	
Bank balances by rating category	41,272,093	59,040,259
A1+	37,126	9,577,371
A1		
Term finance certificates by rating category	20,617,586	-
AA	-	17,985,600
Non performing		

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial instruments is broadly diversified and mostly concentrated in government securities, term finance certificates and deposits held with commercial banks having high credit ratings thereby mitigating any significant concentrations of credit risk.

19.3 Liquidity risk

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

The Fund is exposed to the daily settlement of equity 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 listed securities are considered readily realisable, as they are listed on the Karachi Stock Exchange.

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.

	As at June 30, 2011			
	Upto three months	More than three months and up to one year	More than one year	Total
	------------------------- Rupees -------------------------			
Financial assets				
Bank balances	41,309,219	-	-	41,309,219
Investments	76,490,451	33,188,981	16,991,705	126,671,137
Receivable against sale of investments	202,365	-	-	202,365
Dividend and other receivables	6,503,177	-	-	6,503,177
Security deposits	-	-	3,600,000	3,600,000
	124,505,212	33,188,981	20,591,705	178,285,898

	As at June 30, 2011			
	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	420,580	-	-	420,580
Limited- Management Company				
Payable to Central Depository Company of Pakistan	57,534	-	-	57,534
Limited - Trustee	-	-	-	-
Payable against purchase of investments	304,314	-	-	304,314
Payable against redemption of units	937,323	-	-	937,323
Accrued expenses and other liabilities	1,719,751	-	-	1,719,751

	As at June 30, 2010			
	Upto three months	More than three months and up to one year	More than one year	Total
	------------------------- Rupees -------------------------			
Financial assets				
Bank balances	68,617,630	-	-	68,617,630
Investments	132,435,211		17,985,600	150,420,811
Receivable against sale of investments	-	-	-	-
Dividend and other receivables	750,000	-	-	750,000
Security deposits	-	-	3,600,000	3,600,000
	201,802,841	-	21,585,600	223,388,441

	As at June 30, 2011			
	Upto three months	More than three months and up to one year	More than one year	Total
	------------------------- Rupees -------------------------			
Financial liabilities				
Payable to Askari Investment Management	563,516	-	-	563,516
Limited- Management Comapany				
Payable to Central Depository Company of Pakistan	57,533	-	-	57,533
Limited - Trustee	1,708,967	-	-	1,708,967
Payable against purchase of investments	-	-	-	-
Payable against redemption of units	779,274	-	-	779,274
Accrued expenses and other liabilities	3,109,290	-	-	3,109,290

20 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restriction on the subscription and redemption of units. There is no specific capital requirement which is applicable on 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 to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

21 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 year end date. The estimated fair value of all other financial assets and liabilities is not considered significantly different from book values as the items are either short term in nature or periodically repriced.

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- inputs other than quoted prices included within level 1 that are observable for the asset or liability, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	----------------------------- Rupees	-----------------------------		
Listed equity securities	74,677,511	-	-	74,677,511
Government securities	-	31,376,040	-	31,376,040
Term finance certificates	-	20,617,586	-	20,617,586

22 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

		2011
1	Foundation Securities (Private) Limited	11.66%
2	Shehzad Chamdia Securities (Private) Limited	10.63%
3	Habib Metropolitan Financial Services Limited	8.38%
4	Pearl Securities Limited	8.28%
5	Invest and Finance Securities Limited	8.10%
6	Taurus Securities Limited	7.43%
7	Askari Securities Limited	5.80%
8	Pearl Capital Management (Private) Limited	5.11%
9	KASB Securities Limited	5.05%
10	AKD Securities Limited	4.34%

		2010
1	Foundation Securities (Private) Limited	16.86%
2	Taurus Securities Limited	14.19%
3	Invest and Finance Securities Limited	13.69%
4	Invest Capital Investment Bank Limited	13.36%
5	Pearl Securities (Private) Limited	12.88%
6	Shehzad Chamdia Securities (Private) Limited	9.61%
7	BMA Capital Management Limited	5.01%
8	Al-Habib Capital Markets (Private) Limited	3.28%
9	AKD Securities Limited	2.80%
10	Pearl Capital Management (Private) Limited	2.01%

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 and Company Secretary	FPA, CA (Finalist)	10
3	Mr. Muhammad Farrukh	Senior Compliance Officer	CMA (Finalist)	11
4	Mr. Agha Tariq Ali	Head of Research	B.A. (Hons.) (Canada)	4

23.1 Mr. Agha Tariq is the Manager of the Fund. He is also the fund manager of Askari Islamic Asset Allocation Fund.

24 PATTERN OF UNIT HOLDING

----------------- As at June 30, 2011 -----------------

Category	Number of unit holders	Number of units held	Investment amount	Percentage of total investment
			(Rupees)	
Individuals	32	81,114	3,329,870	1.88%
Associated companies / Directors	2	2,525,903	103,692,705	58.53%
Banks / DFI's	1	254,956	10,466,387	5.91%
Retirement funds	3	954,147	39,169,391	22.11%
Others	2	499,158	20,491,303	11.57%
	40	4,315,278	177,149,656	100.00%

----------------- As at June 30, 2010 -----------------

Category	Number of unit holders	Number of units held	Investment amount	Percentage of total investment
			(Rupees)	
Individuals	15	49,025	2,881,610	1.31%
Associated companies / Directors	1	2,500,000	146,945,954	66.95%
Banks / DFI's	1	254,955	14,985,842	6.83%
Retirement funds	2	355,890	20,918,638	9.53%
Others	4	574,529	33,769,885	15.38%
	23	3,734,399	219,501,929	100.00%

25 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	32nd, 34th & 37th meeting
3	Mr. Muhammad Naseem	7	7	-	-
4	Mr. Mohammad Rafiquddin Mehkari	7	6	1	34th meeting
5	Maj Gen.(R) Saeed Ahmed Khan	7	6	1	33rdmeeting
6	Mr. Tahir Aziz	7	7	-	-
7	Mr. Sufian Mazhar	7	4	3	32nd, 33rd & 35th meeting
8	Mr. Adnan Siddiqui	7	7	-	-

26 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.

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **August 18, 2011** by the Board of Directors of the Management Company.

28 GENERAL

28.1 Figures have been rounded off to the nearest rupee.

For Askari Investment Management Limited
(Management Company)

Chief Executive	Chairman	Director

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