

08 Annual Report



Managed by
Askari Investment Management Ltd.

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Annual Report **08**



Managed by
Askari Investment Management Ltd.



VISION

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

“service to the customer”

Askari Investment Management Limited
Good People. Sound Advice. Great Returns.

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Board of Directors' Report



Board of Directors' Report

The Board of Directors of Askari Investment Management Limited is pleased to present to you the Annual Reports of its funds comprising of Askari Income Fund (AIF) and Askari Asset Allocation Fund (AAAF) for the financial year ended June 30, 2008.

According to the International Monetary Fund (IMF) report, the world economy grew by 4.94% during CY2007 despite crisis in US sub-prime housing loans market, and soaring crude oil prices. Emerging and developing economies grew by an impressive 7.87%. Inflation escalated globally as food and crude oil prices shot up: crude oil price almost doubled over the financial year. Stock markets in developed countries lost 7.9% since start of CY08 while emerging markets lost 10.07%. Global growth is likely to slow down to 3.7% during CY2008 (IMF estimates).

Pakistan's economy grew at the rate of 5.8% against the target of 7.2% for FY2007-08. Political unrest and international economic problems led to the less than expected growth. Inflation averaged 12.0% for 12 months for FY08. Budget deficit and current account deficit remained high. Portfolio investment saw a net outflow of US\$232,114 million against net inflow of US\$978 million last year. Pak rupee lost 12.8% of its value against the US dollar in the open market. The State Bank of Pakistan tightened monetary policy three times to rein in escalating inflation. In April, credit rating agencies downgraded Pakistan to BB from BB+ and changed the outlook to "negative". Pakistan's stock markets remained turbulent for most of the financial year. The KSE 100 Index closed at 12,289 with a loss of 11% for the year after six year bull run. MSCI Emerging Asia Index fell 6.6% during the same period.

Performance of Funds and Income Distribution

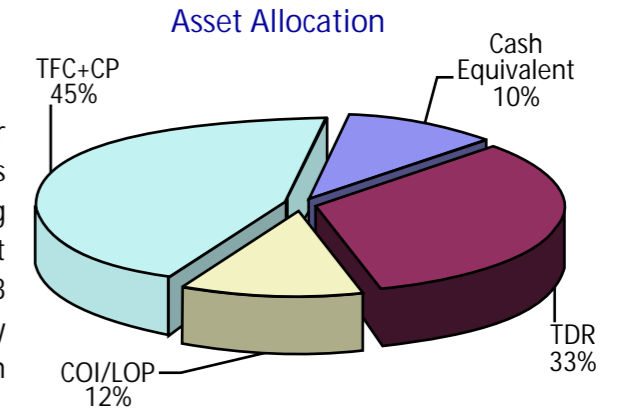
Askari Income Fund

Askari Income Fund (AIF) is an open-end income fund, invested in interest bearing instruments with no exposure to the stock market. AIF successfully completed two and a quarter year of operations. AIF earned a return of 9.3% during FY08. The fund underperformed vis-à-vis its benchmark (3-month KIBOR – 10.3%) by nearly 1% on a year-on-year basis. The fund's annualized return since inception (March 2006) stands at 10.4%, which is one of the best amongst all income funds with more than two years of performance history.

The fund size declined to Rs. 8.3 billion in June 2008 from Rs 9.4 billion last year. At the end of the year, the weighted average credit quality of the fund was A+ and more than 97% of the instruments in the portfolio were rated higher than or equal to A-. Asset allocation of the fund at the end of FY08

was as given in the pie chart to the right.

On an overall basis the fund in the current year earned net income of Rs. 1,019.93 million as against the income of Rs 982.15 million during the last year. The Basic Earnings per Unit amounted to Rs.12.71 as compared to Rs. 11.68 for the last year. Financial income increased by Rs 739.677 million due to better returns on almost all forms of investment avenues.

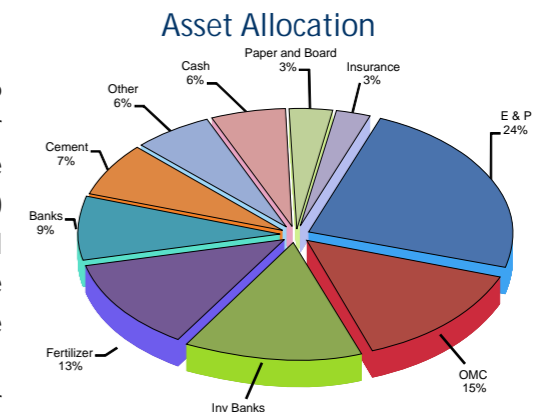


The Board of Directors is pleased to inform you that for the current year Bonus Distribution of Rs. 9.026 per unit has been approved. Current year's distribution in amount represents Rs 997.851 million which is 7.26 % higher as compared to the last year. The amount of Rs 997.851 million represents 97.83 % of current year's profit. The percentage of distribution shall ensure that tax exemption under clause 99 of Part 1 of the Second Schedule of the Income Tax Ordinance 2001, is availed by the fund and the returns for the year are exempt from Income Tax.

Askari Asset Allocation Fund

Askari Asset Allocation Fund (AAAF) is an open-end multi-asset fund, which invests in interest bearing securities and equities with a medium risk objective. AAAF received its core capital from Askari Bank Limited on May 25, 2007 and started investments from June 02, 2007. IPO of the Fund took place between September 10 and 13, 2007. We are thankful to our unit holders for placing their confidence in us. As at June 30, 2008 the fund size was Rs 489.7 million, compared to Rs 640.9 million at the start of the financial year.

The Fund's return for FY08 was a loss of 12.28% compared to 2.27% profit (27.33% annualized) for FY07 (operating period of the Fund was only one month in FY07). Against the benchmark KSE 100 Index, which fell 10.77%, the Fund underperformed by 1.51% during the same period. Since inception, the Fund's return was -10.16%. At the end of FY08, the Fund was invested 94% in equities and 6% in cash. The investment composition of the fund at the year end was as in the pie chart to the right.



AAAF Fund yield, based on Net Asset Value, was -12.24% for the financial year.

The fund has lost Rs 40.77 million on investments with expenses of Rs 27.90 million, thereby suffering a total loss of Rs 68.67 million for the financial year.

As the fund has incurred loss during the financial year, therefore no distribution of bonus and cash dividend has been made.

Code of Corporate Governance

AIF was listed on the Lahore Stock Exchange (Guarantee) Ltd on April 13, 2006 and AAAF was listed on Islamabad Stock Exchange (Guarantee) Limited on September 18, 2007 and AIM, as an Asset Management Company, is committed to observe the Code of Corporate Governance that is prescribed for listed companies.

The details as required by the Code of Corporate Governance regarding the pattern of unit holding as on June 30, 2008 are as given below:

Askari Income Fund

Description	No of Unit Holders	No of units Held	Percentage
DFIs/ Banks	11	25,793,073	32.13%
Public Limited Companies	6	10,361,047	12.91%
Individuals	312	9,082,695	11.31%
Retirement Funds	50	8,569,998	10.68%
Associated Companies/ Directors	13	7,827,350	9.75%
Insurance	3	1,853,609	2.31%
Others	35	16,788,629	20.91%
Total	430	80,276,401	100%

Askari Asset Allocation Fund

Description	No of units Holders	No of Units Held	Percentage
DFIs/Banks	4	1,536,980	27.58%
Individuals	20	73,765	1.32%
Retirement Funds	2	366,018	6.57%
Associated Companies/ Directors	4	2,899,212	52.03%
NBFC	2	171,928	3.09%
Others	3	524,622	9.41%
Total	35	5,572,525	100%

The Board of Directors state that:

1. The financial statements 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 2007, 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 statements and any deviation therefrom 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.

Trades in the unit of the funds by the Directors, CEO, CFO and Company Secretary, their spouses has been disclosed in Note 20 to the financial statements in the case of AIF and in Note 16 to the financial statements in the case of AAAF.

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

Attendance at these meetings were as follows:

	Meetings Attended
Lt. Gen (R) Zarrar Azim	6
Mr. Shaharyar Ahmad	3
Mr. Mohammad Naseem	6
Mr. Mohammad Arif Mian	5
Mr. Kashif Mateen Ansari	4
Mr. Shahid Hafeez Azmi	5
Dr. Bashir Ahmad Khan	6
Mr. Adnan Afaq	2
Mr. Saeed Aziz Khan	4

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

AIF

	June 2008	June 2007	June 2006
Net Assets	8,346,972,640	9,399,362,925	1,163,679,611
Net Asset Value per unit	103.98	111.74	104.98
Net Income	1,019,929,464	982,145,998	55,216,301
Dividend Distribution	997,851,205	930,230,410	49,783,007

AAAF

	June 2008	June 2007
Net Assets	489,738,434	640,996,992
Net Asset Value per unit	87.88	102.17
Net Income	(68,677,504)	13,622,967
Dividend Distribution	-	12,459,565
Basic Earning per unit	(12.32)	2.17

Short-Term Future Plans

In response to the changing landscape, emerging requirements of our existing and potential investors, and recent developments in the asset management industry in Pakistan, the company plans to diversify the products available to our investors. To that end, an aggressive strategy has been evolved to launch multiple innovative mutual funds that not only add to the choices available to our valued investors but also add to our corporate strength and image. Our team will continue to do its best to offer the best choices to our customers and earn the best possible returns on their money in the new financial year.

The company is determined to emulate international industry practice by enhancing and institutionalizing its staffing structure and distribution outreach.

Future Outlook

Political stability is the biggest challenge facing the country at the moment. Achievement of budgetary targets in terms of growth, inflation, exchange rate, budget deficit and current account deficit is highly uncertain at this point.

On the downside: There is a risk that Pakistan's GDP growth could decline significantly from its impressive record over the last six years. The corporate sector could stagnate due to higher energy costs, shortage of electricity, outflow of foreign investment, and lower demand due to higher indirect taxes. The global slowdown may result in stagnant or marginally growing foreign remittances and dwindling foreign investment. The rupee could depreciate significantly if crude oil prices remain high and Pakistan does not manage its current account prudently. SBP is likely to keep the monetary policy tight for the financial year. We, therefore, see the interest rates rising further or staying at the same level at least during the first half of FY09.

INDICATIVE BALANCE OF PAYMENTS FY09 (US \$ Million)	
Current Account	
Items	2008-09F
1. Trade Balance	(17,900)
<i>Exports (f.o.b)</i>	22,100
<i>Imports (f.o.b)</i>	40,000
2. Services (Net)	(7,500)
3. Private Unrequited Transfers (net)	12,000
<i>Workers Remittances</i>	8,000
4. Current Account Balance (1+2+3)	(13,400)
Capital Account (Financing)	
5. Long-term Capital (net)	11,500
<i>Private Capital (net)</i>	4,000
<i>Official Capital (net)</i>	7,500
Saudi Oil Facility	5,900
Borrowing from WB	1,400
Borrowing from ADB	500
Democracy Dividend	1,500
Disaster Relief and other	700
Aid	700
Debt Service	(2,500)
6. Basic Balance (5 - 4)	(1,900)
7. Change in Forex Reserves	(1,900)

Fund Manager's Report

The Optimistic View: Calls for an end to the current political impasse over the next few months, lower Oil and commodity prices going forward into the year end, reestablishment of the writ of the government in areas currently under the control of militants/pressure groups and increased international cooperation to reign in obscurantist elements and firmly lead the country on the path of economic and social progress. Lower commodity prices could eventually lead to an easing of the debilitating cost push inflation pressure we have been experiencing over the last few months and could enable the monetary authority to eventually ease its grip on monetary policy. This would also lower the trade and current account deficits and ease the pressure on the Rupee. A text box above illustrating some relief on our current account and balance of payments given foreign aid commitments is enclosed to give some credence to a not so gloomy picture during the current fiscal.

For and on behalf of the Board



Saeed Aziz Khan
Chief Executive Officer



Lt. Gen (R) Zarrar Azim
Chairman

Islamabad: August 20, 2008



Fund Manager's Report

Overall Economic Scenario

Global Economic Scenario

According to the International Monetary Fund (IMF) the world economy grew by 4.94% during CY2007 despite crisis in US sub-prime housing loans market, and soaring crude oil prices. Advanced economies grew only by 2.67% while emerging and developing economies grew by an impressive 7.87%. The United States was particularly badly hit by the housing loans financial crisis. Growth in Western Europe also decelerated but Japan remained more resilient. China and India led the emerging economies in terms of growth. Inflation picked up all over the world due to increase in food and crude oil prices. World food inflation grew by 45.45% while general inflation grew by 4.15% (State Bank of Pakistan). Crude oil price (Arabian Light) almost doubled over the same period. Demand for bio-fuel has led to increase in food prices, and strong demand from emerging economies has led to higher commodity prices. US dollar has been weakened due to the credit crisis, weakening of growth prospects, and lower policy rates. Euro has emerged as the most robust currency in the current scenario.

As the US housing market crisis deepened back in January 2008, 50 stock markets out of 52 lost ground in January (Standard and Poor's). Markets recovered somewhat during March and April but began falling again in May and June. Developed markets have lost 7.9% since start of CY08 while emerging markets have lost 10.07%. Central banks in the United States and Europe took joint steps to ease liquidity in the economy and stimulate growth by lowering discount rates and supplying funds against low quality assets. However, rising inflation is forcing central banks to think hard about the tradeoff between price stability and growth. Bank for International Settlements has blamed easy credit for the current financial turmoil and has asked central banks to tighten monetary policy to control inflation and credit.

World growth may slow down to 3.7% during CY2008, according to the IMF (April 2008). US economy is expected to dip into a mild recession. Growth in Western Europe is also expected to decelerate. Growth in the emerging economies is expected to moderate somewhat but is likely to remain strong. Risk of inflationary pressure has risen, as commodity prices surge and core inflation drifts upward.

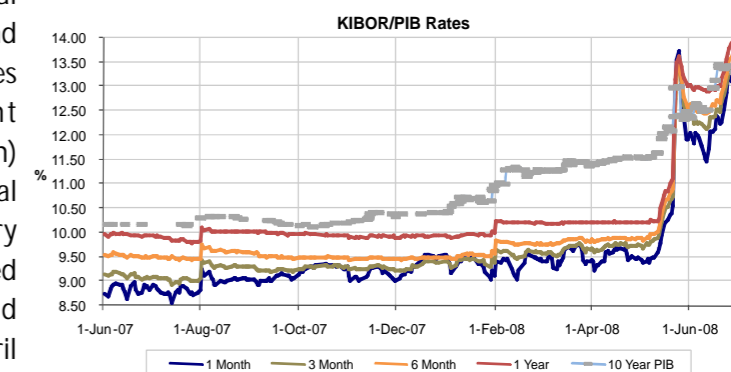
Performance of Pakistan's Economy

Pakistan's economy grew by a respectable 5.8% against the target of 7.2% for FY2007-08. Political unrest and international economic problems (high crude oil and food prices and slowdown in world

economy) led to the less than expected growth. The agricultural and manufacturing sectors posted lower than expected growth while the services sector surpassed the growth target. In the services sector the finance and insurance sub-sector showed a remarkable growth of 17% compared to 15% last year. National savings fell from 18% of Gross Domestic Product (GDP) last year to 14% this year. However, total investment remained almost at the same proportion (21.6%) of GDP. Inflation showed moderate growth during the first half of FY08. However, exponential growth was seen during the second half. Consumer Price Index (CPI) based average inflation touched 12.0% for the 12 months of FY08.

Budget deficit for FY08 was estimated at 8.3% of GDP, against the target of 4.0% while current account deficit was projected at US\$14.02 billion or 8.4% of GDP against target of 5.0%. Foreign exchange reserves were down to US\$11.4 billion on June 30, 2008. During the year, net foreign investment inflows fell from US\$8.428 billion last year to US\$5.193 billion this year, a decline of 38.4%. Portfolio investment saw a net outflow of US\$232,114 million against net inflow of US\$978 million last year. A number of international investors acquired stakes in telecommunication companies, commercial banks, and oil and gas exploration companies of Pakistan during the year. During the financial year, Pak rupee lost 12.8% of its value against the US dollar in the open market. Moody's Investors Service has predicted that Pak rupee may be trading at Rs. 78 per US dollar within the next two years.

Rising inflation was a concern for the State Bank of Pakistan (SBP) since the start of the financial year. Inflation during FY08 jumped to 12.00% compared to 7.84% during the same period last year. Six month KIBOR rate increased from 10.02% to 14.19% during the same period. In July 2007, the SBP raised the discount rate from 9.5% to 10.0% to reduce money supply in the economy. Again, in January 2008, the SBP raised the discount rate from 10.0% to 10.5% and cash reserve requirement from 7% to 8% in the wake of higher crude price and surging food prices. As the country's political situation worsened, higher crude price forced the government to bear the burden of colossal oil subsidies, and foreign capital inflows through privatization and floating of sovereign securities dried up, the government borrowed heavily (Rs 633 billion) from the SBP and commercial banks to meet its budgetary deficit. This led to unanticipated increase in inflation and depreciation of Pak rupee. In April Standard & Poor's and Moody's

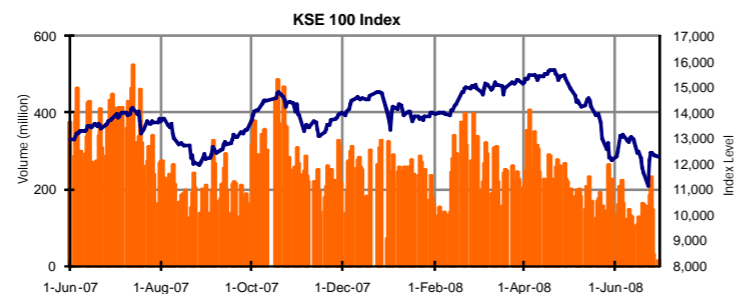


Investors Service cut Pakistan's credit ratings for foreign currency and local currency debt and changed the outlook to "negative". On May 22, the SBP had to announce an interim monetary policy to control the fast deteriorating situation: discount rate was raised from 10.5% to 12.0%, cash reserve requirement from 8.0% to 9.0%, and statutory liquidity requirement from 18.0% to 19.0%. The SBP advised the government to borrow from the private sector to meet its budgetary demands.

The government presented a Rs. 2.01 trillion budget for FY08-09, seeking to bring fiscal discipline, with higher taxes, increase in salaries of government employees, and some relief measures for the poor. Subsidies on wheat, oil and electricity were cut. In the budget, the government has set the following targets for the current financial year: 5.5% growth in GDP, 12.0% increase in inflation, 4.7% fiscal deficit as percent of GDP, and 6.0% current account deficit as percent of GDP. Higher government spending and reduced subsidies are likely to cause inflation, increase interest rates, and adversely affect the exchange rate. Given the current political stalemate, ongoing global slowdown, and high oil and food prices, Pakistan's economy may face uncertainty and there is a real risk that economic targets for the year may not be achieved.

Performance of Pakistan's Stock Markets

Pakistan's stock markets remained turbulent for most of the financial year. The KSE 100 Index closed at 12,289 with a loss of 11% for the year after six years of bullish run. MSCI Emerging Asia Index fell 6.6% during the same period. As the housing loan market crisis began to unfold in the United States, Pakistan's stock market, along with most of the international markets, showed a bearish trend during the 1st quarter of FY08. Ongoing political crisis in the country kept the market choppy in the 2nd quarter. However, for the 3rd quarter, the Morgan Stanley Capital International had declared Pakistan as the best performing market in the world. The market rallied after the general election in February and touched its highest level of 15,676 on April 18. After that the market lost ground steadily, as the future of the coalition government became more and more uncertain. By the end of June, the KSE 100 Index had fallen 29% from its peak in April. The fertilizer and oil exploration and production sectors performed best during the year with gains of 18.5% and 5.0%, respectively.



Fertilizer prices shot up during the year against a relatively inelastic demand, thus boosting profits in this sector. The banking and telecom sectors showed the worst losses, declining by 40.6% and 30.8%. Banks were hit as regulators withdrew "Forced Sale Value" benefit, and announced mandatory increase in deposit rates on saving accounts. Telecom sector was affected due to heavy competition from mobile segment and downsizing of Pakistan Telecom. During the year, eight equity IPOs and seven TFCs were floated compared to 12 IPOs and eight TFCs last year.

Performance of Funds

Askari Income Fund

Askari Income Fund (AIF) is an open-end income fund, invested in interest bearing instruments with no exposure to stock market. The objective of the Fund is to provide investors a broad range of asset classes so as to diversify fund risk and to optimize potential returns. Thus even an investor with only one unit will get invested into spread transactions, a range of debt instruments, short maturity securities and certificates of investment. This fund also offers investors the opportunity to exit at short notice. At the moment 3-Month KIBOR rate is the benchmark for the Fund.

By the end of FY 08, AIF successfully completed two and a quarter year of operations. AIF earned a return of 9.3% during FY08. The Fund remained amongst the top 3 performing income funds during most of the year but lost this position towards the end of the year as higher inflation led to unexpected escalation in the interest rates and capital losses on fixed coupon assets. The fund underperformed vis a vis its benchmark (3-month KIBOR –

Askari Income Fund

General Information

Minimum Investment	Rs 5,000
Sales Load	None
Management Fee	1.5%
Benchmark	3-month KIBOR
Risk	Low
Manag'nt Company Rating	AM3 by PACRA
Performance Rating	5-Star by PACRA

Fund Size and Growth

	June 30 08	June 30 07
Fund Size	Rs 8.4 billion	Rs 9.4 billion
NAV*	103.98	111.74

* Dividend of Rs. 6.038 paid as of March 31, 2008

Fund Performance

Return	1-Month	QTD	FY08	Since IPO
AIF	8.5%	9.0%	9.3%	10.5%
Benchmark*	13.1%	11.5%	10.3%	10.4%

*Monthly Average

Standard Deviation*	1.05%
Sharpe Ratio**	(0.3)
Duration (months)	2.7
Expense Ratio	1.79%

* On monthly basis – last twelve months
** Risk-free Rate is 3-Month Treasury Bill Rate

Economic Data

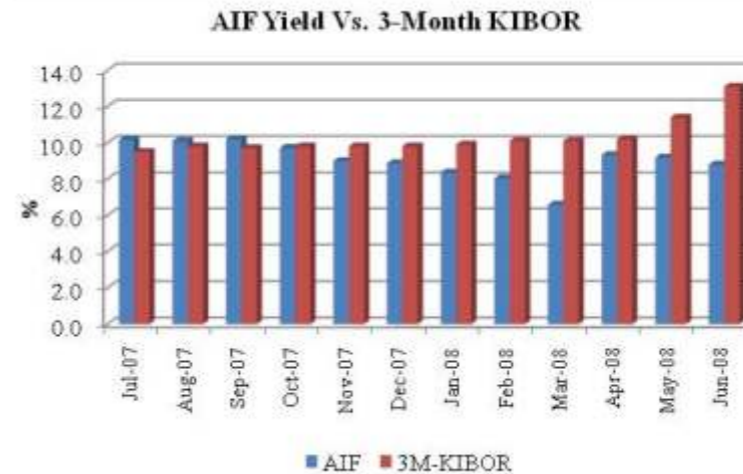
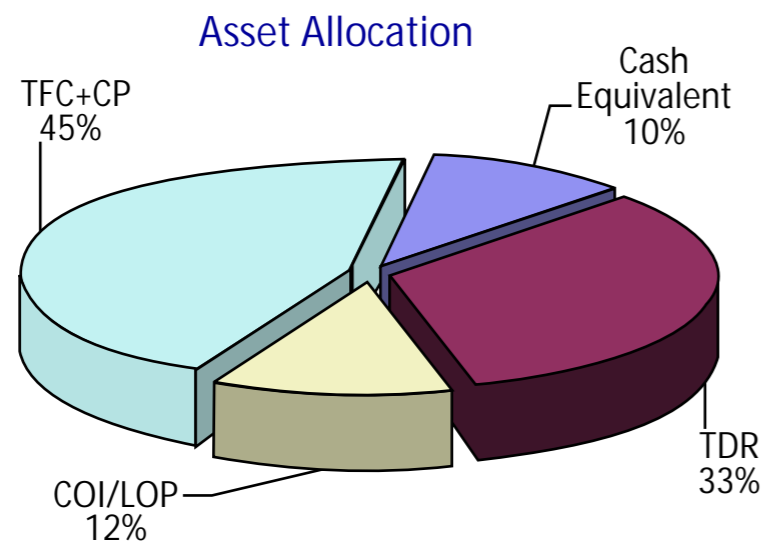
	Jun/07	Sep/07	Dec/07	Mar/07	Jun/08
KSE100 Index	13,772.5	13,351.8	14,075.8	15,125.3	12,289
6M KIBOR	10.02%	9.97%	10.00%	10.32%	14.19%
CPI	7.00%	8.37%	8.79%	14.12%	-
Inflation					

10.3%) by nearly 1% on a year-on-year basis. The funds' annualized return since inception (March 2006) stands at 10.4%, which is one of the best amongst all income funds with more than two years of performance history. The Fund holds a significant proportion of high credit quality KIBOR-linked floating TFCs, whose coupons have yet to reset. Once these coupons reset in the 15%-16% range in the next month or so, the TFC portfolio return are expected to increase significantly. Overall, given the high interest-rate environment, the funds' M-o-M return is expected to improve significantly over the next 3 months.

The fund size declined to Rs. 8.3 billion in June 2008 from Rs 9.4 billion last year. In January 2008, the fund size reached a peak of Rs 13.9 billion. The fund size declined subsequently as many commercial banks redeemed their investments from mutual funds to meet their own liquidity needs after SBP drained a large chunk of liquidity from the money market due to increased cash reserve requirement and other measures.

Asset allocation of the Fund changed over the year as proportion of TFCs increased gradually to 45% compared to 10% last year. The allocation was changed to hedge against higher interest rate risk in the wake of high inflation, as TFC coupon rates are KIBOR-linked. Investments in CFS were significantly reduced as stock market lost its appeal to investors against attractive rates in the fixed income market.

At the end of the year, the weighted average credit quality of the fund was A+ and more than 97% of the instruments in the portfolio were rated higher than or equal to A-. Duration of the portfolio was 2.7 months. Asset allocation of the fund at the end of FY08 was as follows:



On an overall basis the fund in the current year earned net income of Rs 1,019.93 million as against the income of Rs 982.15 million during the last year. . The Basic Earnings per Unit amounted to Rs 12.71 as compared to 11.68 for the last year. Financial income increased by Rs 783.67 million due to better returns on almost all forms of investment avenues.

The Board of Directors has approved a Bonus Distribution of Rs. 9.026 per unit. Current year's distribution in amount represents Rs 997.851 million which is 7.26 % higher as compared to the last year. The amount of Rs 997.851 million represents 97.83% of current year's profit. The percentage of distribution shall ensure that tax exemption under clause 99 of Part 1 of the Second Schedule of the Income Tax Ordinance 2001, is availed by the fund and the returns for the year are exempt from Income Tax.

The distribution of income comprises of interim and final distribution. The interim distribution of Rs. 6.038 was made on April 04, 2008 resulting in the decline in NAV from Rs. 107.72/ unit to an ex dividend NAV after bonus distribution of Rs. 101.68/ unit. The final distribution of Rs. 2.99/unit was made on July 07, 2008 resulting in the decline of NAV from Rs. 103.98/unit to an ex dividend NAV after bonus distribution of Rs. 100.99/unit.

Askari Asset Allocation Fund

Askari Asset Allocation Fund (AAAF) is an open-end multi-asset fund, which invests in interest bearing securities and equities. The fund seeks to maximize long-term total return (stocks 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 (Redi-Future), etc. The fund seeks

to provide its investors with returns that are 5% higher than the benchmark (KSE-100 index).

Financial year 2007-08 was the 2nd year of operation of AAAF. The Fund was launched (Pre-IPO) on June 2, 2007 and the IPO took place between September 10-13, 2007. We are thankful to our unit holders for posing their confidence in us. AAAF received its core capital from the Askari Bank on May 25, 2007 and started the investments from June 02, 2007. As at June 30, 2008 the fund size was Rs 489.7 million, compared to Rs 640.9 million at the start of the financial year.

The Fund's return for FY08 was -12.28% compared to 2.27% (27.33% annualized) for FY07 (operating period of the Fund was only one month in FY07). Against the benchmark KSE 100 Index, which fell 10.77%, the Fund slightly underperformed (-1.51%) during the same period. Since inception, the Fund's return was -10.16%.

The stock market remained volatile during the period due to domestic political instability and unfavorable global economic conditions, which led to lackluster performance. Generally, the Fund invested more in equities and less in fixed income instruments when price-earnings ratio of the KSE 100 Index was comparatively low and vice versa.

At the end of FY08, the Fund was invested 94% in equities and 6% in cash. Portfolio of the Fund was fairly diversified and major positions of the Fund were in the oil and fertilizer sectors. The investment composition of the fund at the year end was as follows:

Askari Asset Allocation Fund

General Information

Minimum Investment	Rs 5,000
Sales Load	2.5% front-end, 0.0% back-end
Management Fee	3.0%
Risk	Medium
Manag'nt Company Rating	AM3 by JCR-VIS and PACRA

Fund Size and Growth

	<u>30 Jun 08</u>	<u>30 June 07</u>
Fund Size	Rs 498 mn	Rs 641 mn
NAV*	87.8845	102.1714

* Dividend of Rs. 1.99 paid as of June 30, 2007

Fund Performance

Rolling Return	<u>1-Month</u>	<u>3-Month</u>	<u>Since Inc.</u>	<u>FY08</u>
AAAF	6.68%	-10.89%	-10.16%	-12.28%
KSE 100	1.31%	-18.75%	-4.98%	-10.77%

Portfolio Details

P/E (FY08)	10.99
Beta	0.79
R ²	82.97%
Max Drawdown (DD)	20.13%
Number of days in DD	322
Standard Deviation*	5.74%

* On monthly basis

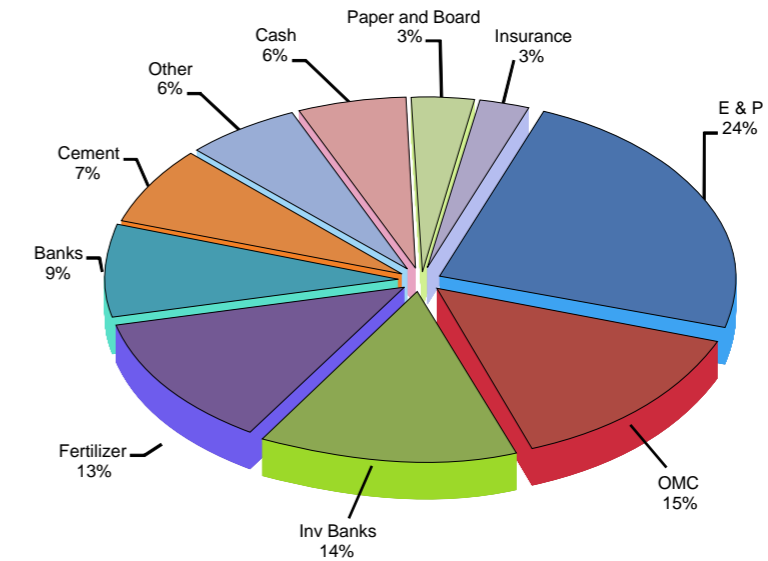
Economic Data

	Jun/07	Sep/07	Dec/07	Mar/08	Jun/08
KSE100 Index	13,772.5	13,351.8	14,075.8	15,125.3	12,289.0
6M KIBOR	10.02%	9.97%	10.00%	10.32%	14.19%
CPI Inflation	7.00%	8.37%	8.79%	14.12%	-

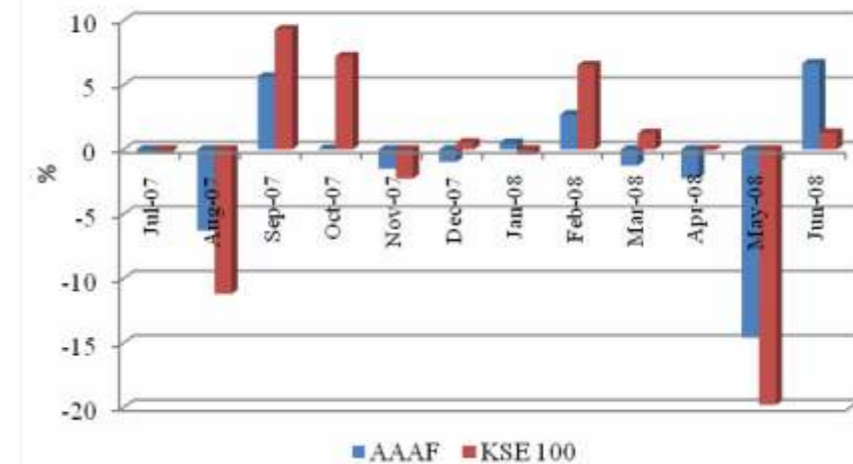
Top Ten Holdings of the AAAF

MCB Bank	Pakistan Oilfields Limited
Oil & Gas Development Company	JS Investments
Lucky Cement	Sui Northern Gas Pipelines
Arif Habib Securities	Pakistan State Oil
Engro Chemical	Pakistan Petroleum

Asset Allocation



AAAF Return Vs. KSE 100



AAAF Fund yield, based on Net Asset Value, was -12.24% for the financial year.

The fund has lost Rs 40.77 million on investments with expenses of Rs 27.90 million, thereby suffering a total loss of Rs 68.67 million for the financial year.

Considering the overall results, the Board of Directors has approved –Nil- bonus units and –Nil- cash dividend for the current year.

Future Outlook

Political stability is the biggest challenge facing the country at the moment. Achievement of budgetary targets in terms of growth, inflation, exchange rate, budget deficit and current account deficit is highly uncertain at this point.

On the downside: There is a risk that Pakistan's GDP growth could decline significantly from its impressive record over the last six years. The corporate sector could stagnate due to higher energy costs, shortage of electricity, outflow of foreign investment, and lower demand due to higher indirect taxes. The global slowdown may result in stagnant or marginally growing foreign remittances and dwindling foreign investment. The rupee could depreciate significantly if crude oil prices remain high and Pakistan does not manage its current account prudently. SBP is likely to keep the monetary policy tight for the financial year. We, therefore, see the interest rates rising further or staying at the same level at least during the first half of FY09.

The Optimistic View: Calls for an end to the current political impasse over the next few months, lower oil and commodity prices going forward into the year end, reestablishment of the writ of the government in areas currently under the control of militants/pressure groups and increased international cooperation to reign in obscurantist elements and firmly lead the country on the path of economic and social progress. Lower commodity prices could eventually lead to an easing of the debilitating cost push inflation pressure we have been experiencing over the last few months and could enable the monetary authority to eventually ease its grip on monetary policy. This would also lower the trade and current account deficits and ease the pressure on the rupee. A text box above illustrates some relief on our current account and balance of payments given foreign aid commitments is enclosed to give some credence to a not so gloomy picture during the current fiscal.

INDICATIVE BALANCE OF PAYMENTS FY09 (US \$ Million)	
Items	2008-09F
Current Account	
1. Trade Balance	(17,900)
Exports (f.o.b)	22,100
Imports (f.o.b)	40,000
2. Services (Net)	(7,500)
3. Private Unrequited Transfers (net)	12,000
Workers Remittances	8,000
4. Current Account Balance (1+2+3)	(13,400)
Capital Account (Financing)	
5. Long -term Capital (net)	11,500
Private Capital (net)	4,000
Official Capital (net)	7,500
Saudi Oil Facility	5,900
Borrowing from WB	1,400
Borrowing from ADB	500
Democracy Dividend	1,500
Disaster Relief and other Aid	700
Debt Service	(2,500)
6. Basic Balance (5 - 4)	(1,900)
7. Change in Forex Reserves	(1,900)



Financial Statements for the Year ended 30 June 2008



FUND'S INFORMATION

Management Company	Head Office & Registered Address Askari Investment Management Ltd. Room 501 & 502, 5th Floor, Green Trust Tower, Blue Area, Jinnah Avenue, Islamabad UAN: 111-246-111 – Fax: 051- 2813017 Email: info@askariinvestments.com
Board of Directors of the Management Company	Lt. Gen. (R.) Zarrar Azim H.I.(M) – Chairman Mr. Shahid Hafeez Azmi Mr. Muhammad Naseem- FCA Mr. Kashif Mateen Ansari Mr. Mohammad Arif Mian – FCA, CFA Mr. Mohammad Rafiq-ud-din Mehkari Mr. Saeed Aziz Khan- CEO
Executive Committee	Mr. Mohammad Rafiq-ud-din Mehkari - Chairman Mr. Shahid Hafeez Azmi Mr. Mohammad Arif Mian – FCA, CFA Mr. Saeed Aziz Khan - CEO
Audit Committee	Mr. Muhammad Naseem- FCA (Chairman) Mr. Shahid Hafeez Azmi Mr. Mohammad Arif Mian – FCA, CFA Mr. Mohammad Rafiq-ud-din Mehkari
Chief Financial Officer	Mr. Rizwan Hasan Khan
Company Secretary	Syed Shoab Jaffery
Trustee	Central Depository Company of Pakistan Ltd. (CDC) Suite # M-6-7, Mezzanine Floor Progressive Plaza, Beaumont Road, Karachi. Tel: (92-021) 111-232-725

Bankers to the Fund	Askari Bank Ltd. Bank Alfalah Ltd. Arif Habib Bank Limited Al Baraka Islamic Bank ABN Amro Pakistan Limited
Auditors	Ernst and Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants 4- Mall View Building, Bank Square The Mall, Lahore. Ph. 042- 7211536-8 Fax. 042-7211530
Legal Advisors	Haidermota & Co. Barristers-at-Law & Corporate Counselors D-79, Block 5, Clifton K.D.A. Scheme No.5, Karachi. Ph. 021-111-520-000, Fax. 021-5862329
Registrar	Technology Trade (Pvt.) Ltd. Dagia House: 241-C, P.E.C.H.S Block-2, Shahrah-e-Quaideen, Karachi.
Distributors	Askari Bank Ltd. & others

TRUSTEE REPORT TO THE UNIT HOLDERS ASKARI INCOME FUND

Report of the Trustee pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

The Askari Income Fund (Fund), an open-end fund was established under a trust deed dated December 05, 2005, 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, 2008 in accordance with the provisions of the following;

- (1) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (2) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (3) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and the constitutive documents of the Fund.



Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 15, 2008

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in regulation No XIII of Listing Regulations of Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, where by a listed company is engaged in compliance with the best practices of corporate governance. Askari Investment Management Limited (the company), the management company of Askari Income Fund "AIF or fund" whose units are listed on Lahore Stock Exchange (Guarantee) Limited and is managed in the following manner:

1. The company encourages representation of independent non executive directors. At present all the board members are non executive except for the Chief Executive Officer.
2. The existing directors have confirmed that none of them is serving in more than ten listed companies, including the management company.
3. All the resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Mr. Adnan Afaq resigned from the office of Chief Executive on September 15, 2007.
5. Mr. Saeed Aziz Khan was appointed as new Chief Executive Officer through circular resolution dated September 29, 2007 (subject to the approval of SECP). The SECP gave its approval in accordance with NBFC Rules 2003 and NBFC and Notified Entities Regulations, 2007 on January 18, 2008.
6. The management company has prepared a "Statement of Ethics and Business Practices" for the fund which has been signed by all the directors and employees of the company.
7. The management company has developed a vision/ mission statement and significant policies of the fund that has been approved by the board.
8. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and term of employment of the CEO and CFO and the Company Secretary have been taken by the board.
9. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the Board meetings, along with agenda and

working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The Board will arrange orientation course for its directors to apprise them of their duties and responsibilities, where necessary. Furthermore, the directors are conversant of the relevant laws applicable to the management company, its policies and procedures and provision of memorandum and articles of association and are aware of their duties and responsibilities.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The Financial Statements of the fund were duly endorsed by the CEO and CFO of the management company before approval of the board.
13. Units held by Directors, CEO, CFO and executives in AIF are disclosed in the note 20 where as units held by Directors, CEO, CFO and executives in AAAF are disclosed in the note 16 of the financial statements. Shares held by the directors are disclosed in the pattern of shareholding.
14. The management company has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The board has formed an audit committee. It comprises of four members, all of whom are non executive directors including the Chairman of the committee.
16. The meetings of the audit committee were held once in every quarter and prior approval of interim and final results of the fund and as required by the code. The terms of reference has been formed and advised to the committee for compliance.
17. The management company has outsourced the internal audit function of the fund to Anjum Asim Shahid Rahman and Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
18. The statutory auditors have confirmed that they were given satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any the partners of the firm, their spouses and minor children do not hold shares of the fund 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 Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they observe IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.



Lt. Gen (R) Zarrar Azim
Chairman



Saeed Aziz Khan
CEO

August 20, 2008

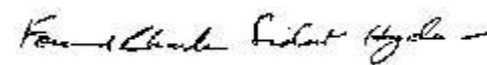
REVIEW REPORT TO THE MEMBERS ON STATEMENT
OF COMPLIANCE WITH BEST PRACTICES OF CODE
OF CORPORATE GOVERNANCE

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 the Management Company of Askari Income Fund (the Fund) to comply with the Listing Regulations No. 43 of Chapter XIII of the Lahore 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 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.

Based on our review, except for the orientation course as explained in note no. 10 of the Statement of Compliance, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective for the year ended 30 June 2008.



Lahore

Chartered Accountants

Date: August 20, 2008

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Askari Income Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2008, and the related statements of income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management'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 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, 2007 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards 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 misstatement.

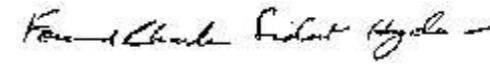
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2008, 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 accordance with the relevant provisions of the Trust Deed, the NBFC Rules and the NBFC Regulations.



CHARTERED ACCOUNTANTS

Lahore

Date: August 20, 2008

ASKARI INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
Assets			
Balances with banks	4	568,015,916	2,912,318,604
Placements with banks and financial institutions	5	3,775,394,862	2,950,203,186
Receivable against Continuous Funding System	6	15,797,094	2,087,623,395
Investments	7	3,776,757,816	1,360,068,652
Deposits and other receivables	8	264,026,045	146,363,423
Deferred formation cost	9	1,243,830	1,745,202
Total Assets		8,401,235,563	9,458,322,462
Liabilities			
Remuneration payable to management company	10	10,329,070	9,706,469
Remuneration payable to trustee	11	769,066	730,302
Annual fee payable to Securities and Exchange Commission of Pakistan	12	11,745,932	3,864,175
Amount payable against redemption of units		21,512,502	41,859,504
Creditors, accrued and other liabilities	13	9,906,354	2,799,087
Total Liabilities		54,262,923	58,959,537
Contingencies and commitments	14	-	-
Net assets		8,346,972,640	9,399,362,925
Unit holders' fund		8,346,972,640	9,399,362,925
Number of units in issue	16	80,276,401	84,117,814
Net asset value per unit - Rupees		103.98	111.74

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

For Askari Investment Management Limited
 (Management Company)



Chief Executive



Chairman



Director

ASKARI INCOME FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
Income			
Net gain / income from sale of marketable securities		44,352,329	31,599,860
Unrealised gain on remeasurement of investments at fair value through profit or loss and derivatives at fair value		39,665,344	6,550,392
		84,017,673	38,150,252
Mark-up on term finance certificates		313,611,866	46,369,659
Return on bank deposits and placements		606,324,281	265,743,101
Income from Continuous Funding System		223,296,672	108,480,286
Income from Government Securities		8,568,953	12,957,785
Income from Commercial Paper		22,789,858	13,525,954
Dividend Income		971,650	1,542,250
Other Income	15	271,684	290,908
		1,175,834,964	448,909,943
Element of (loss) / income and capital (losses) / gains in prices of units issued less those in units redeemed - net			
		(27,626,753)	568,216,864
		1,232,225,884	1,055,277,059
Expenses			
Remuneration of management company	10	176,189,089	56,938,115
Remuneration of trustee	11	12,745,935	4,868,154
SECP annual fee	12	11,745,932	3,864,175
Amortisation of formation costs	9	501,372	500,002
Auditors' remuneration	17	407,325	569,447
Custody charges		4,192,756	1,648,100
Brokerage commission		2,340,376	2,719,286
Settlement charges		3,187,237	1,485,145
Bank charges		83,321	52,237
Other charges		903,077	486,399
		212,296,420	73,131,061
Net income		1,019,929,464	982,145,998

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


For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



Director

ASKARI INCOME FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	2008 Rupees	2007 Rupees
Undistributed income at the beginning of the year	987,579,292	55,216,301
Distribution at the rate of Rs. 11.059 per unit declared on July 09, 2007 (2007: Rs. 4.49 per unit declared on July 03, 2006)	(930,230,410)	(49,783,007)
Distribution at the rate of Rs. 6.038 (2007: Nil) per unit declared on April 04, 2008		
- Bonus Units	(375,502,619)	-
- Cash	(382,443,527)	-
	(757,946,146)	
Net income for the year	1,019,929,464	982,145,998
Undistributed income carried forward	319,332,200	987,579,292

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

For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



Director

ASKARI INCOME FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2008

	2008 Rupees	2007 Rupees
Net assets at the beginning of the year [Rs. 111.74 per unit (2007: Rs.104.98 per unit)]	9,399,362,925	1,163,679,611
Amount received on issuance of units*	26,158,750,983	21,467,337,363
Amount paid on redemption of units**	(27,876,253,958)	(13,645,583,183)
	(1,717,502,975)	7,821,754,180
Element of loss / (income) and capital losses / (gains) in prices of units issued less those in units redeemed - transferred to income statement	27,626,753	(568,216,864)
Distribution to unit holders during the year- cash	(382,443,527)	-
Net income for the year	1,019,929,464	982,145,998
Net assets at the end of the year [Rs. 103.98 per unit (2007: Rs. 111.74 per unit)]	<u>8,346,972,640</u>	<u>9,399,362,925</u>
	-----Number of units-----	
*Number of units issued [includes 12,737,197 (2007:495,402) bonus units]	<u>263,751,506</u>	<u>198,009,603</u>
** Number of units redeemed	<u>267,592,919</u>	<u>124,976,409</u>

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

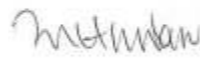
For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



Director

ASKARI INCOME FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

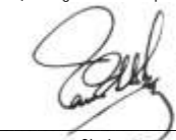
Note	2008 Rupees	2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	1,019,929,464	982,145,998
Adjustments to reconcile net income to net cash flows:		
Non-cash		
Element of loss / (income) and capital losses / (gains) in prices of units issued less those in units redeemed - net	27,626,753	(568,216,864)
Unrealised gain on investments at fair value through profit or loss and derivatives at fair value	(39,665,344)	(6,550,392)
Unrealised mark up on reverse repurchase transactions	-	(56,982,867)
Amortisation of deferred formation costs	501,372	500,002
	(11,537,219)	(631,250,121)
Working capital adjustments:		
Current assets		
Placements with banks and financial institutions	(125,240,799)	(325,097,830)
Receivable against Continuous Funding System	2,071,826,301	(2,054,670,911)
Income from Continuous Funding System	56,877,535	-
Return on placements with banks	(63,164,833)	(56,471,134)
Mark-up on placements with financial institutions	(11,111,829)	(14,490,046)
Mark-up on term finance certificates	(96,246,034)	(5,473,211)
Mark-up on government securities	4,537,674	(4,537,674)
Receivable against sale/maturity of marketable securities	(10,000)	-
Deposits and other receivables	(8,545,135)	(2,885,842)
Investments - net	(2,377,023,820)	(1,023,170,913)
	(548,100,940)	(3,486,797,561)
Current liabilities		
Remuneration payable to management company	622,601	9,400,722
Remuneration payable to trustee	38,764	666,293
Annual fee payable to Securities and Exchange Commission of Pakistan	7,881,757	(3,715,775)
Amount payable on redemption of units	(20,347,002)	41,859,504
Creditors, accrued and other liabilities	7,107,267	(132,253,574)
	(4,696,613)	(84,042,830)
Cash generated from / (used in) operating activities	455,594,692	(3,219,944,514)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts in respect of issuance of units	26,158,750,983	21,467,337,363
Payments against redemption of units	(27,876,253,958)	(13,645,583,183)
Cash dividend paid	(382,443,527)	-
Net cash (used in) / generated from financing activities	(2,099,946,502)	7,821,754,180
Net (decrease) / increase in cash and cash equivalents during the year	(1,644,351,810)	4,601,809,666
Cash and cash equivalents at the beginning of the year	5,537,423,960	935,614,294
Cash and cash equivalents at the end of the year	3,893,072,150	5,537,423,960

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

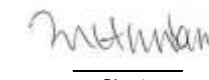
For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



Director

ASKARI INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1. LEGAL STATUS AND NATURE OF BUSINESS

Askari Income Fund (the Fund) was constituted in Pakistan under a Trust Deed (the Trust Deed) executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited), as its management company and Central Depository Company of Pakistan Limited (CDC), as its trustee. The Trust Deed was executed on December 05, 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 16, 2005 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The head office of the management company is situated at 501 and 502, 5th floor, Green Trust Tower, Jinnah Avenue, Blue Area, Islamabad.

The management company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.

The Fund is an open ended income fund and is listed on the Lahore Stock Exchange (Guarantee) Limited. Units of the Fund have been offered for public subscription on a continuous basis since March 15, 2006 and are transferable and redeemable by surrendering them to the Fund at the option of unit holder.

As per the offering document, the Fund shall invest in a mix of spread transactions, Continuous Funding System transactions (CFS), debt securities, currency forwards, money market instruments and short maturity reverse repurchase transactions.

Title to the assets of the Fund is held in the name of CDC as the Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of 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, 2007 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Measurement

These financial statements have been prepared under the historical cost convention except for investments and derivatives which are accounted for as stated in note 3.2 and 3.3 below.

3.2 Investments

All investments are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of investments at fair value through profit or loss, in which case the transaction costs are taken directly to the income statement in the period in which they arise.

The Fund determines the appropriate classification of investments at the time of purchase and classifies these investments in the following categories:

Investments at Fair Value Through Profit or Loss

This category has two sub-categories: financial instruments held for trading and those designated at fair value through profit or loss at inception.

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.
- Investments designated at fair value through profit or loss upon initial recognition include those that are not held for trading purposes and which may be sold.

Held to Maturity

Investment securities with fixed maturities where management has both the intent and the ability to hold to maturity are classified as held to maturity.

Available for sale

Investments which are not classified in any of the preceding categories are classified as available for sale.

After initial recognition, investments which are classified as investments at fair value through profit or loss and available-for-sale are re-measured at fair value. Gains or losses on investments at fair value through profit or loss are recognised in the income statement. Gains or losses on available-for-sale investments are recognised in the unit holders' fund until the investment is sold, derecognised or is determined to be

impaired, at which time the cumulative gain or loss previously reported in unit holders' fund is included in the income statement. Investments classified as held to maturity are stated at amortised cost less accumulated impairment losses, if any.

For investments in quoted marketable securities other than TFCs / Sukuk certificates, fair value is determined by reference to Stock Exchange quoted market prices at the close of business on balance sheet date. Unquoted securities, other than government and debt securities, are valued at investment price or the break-up value as per last audited accounts, whichever is later, in accordance with the NBFC Regulations.

Fair value of the investments in federal government securities comprising Pakistan Investment Bonds is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page. The fair value of debt securities listed but not traded regularly on the stock exchange, including TFCs / Sukuk certificates, is determined on the basis of average rates notified by the Mutual Funds Association of Pakistan (MUFAP). Previously, investments in TFCs were valued at the average bid rates quoted by three brokerage houses. Fair value of unlisted debt securities, other than government securities, is also determined by reference to the average rates notified by MUFAP and where such rates are not so notified, with reference to the quotations obtained from brokerage houses.

3.3 Derivatives

These are initially recognised at cost and are subsequently remeasured at their fair value. The fair values of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the Statement of Assets and Liabilities. The resultant gains and losses are included in the income statement in the period in which these arise.

3.4 Receivable Under Continuous Funding System

Securities purchased under an agreement to resell are included as receivable against Continuous Funding System at the fair value of the consideration given and are accounted for on the settlement date. The difference between purchase and resale price is treated as income from Continuous Funding System and accrued over the life of the agreement.

3.5 Issue and Redemption of Units

Units issued are recorded at the offer price, as determined by the Fund, for the

applications received by it. The offer price represents the net assets value of units as of the close of the previous business day plus provision of duties and charges, transaction costs and front end load, if any. Sales load is payable to the management company as processing fee, if applicable.

Units redeemed are recorded at the redemption price, applicable on units for which the Fund receives redemption applications. The redemption price represents the net assets value of units as of the previous day less back-end load, duties, taxes, charges on repurchase and provision of transaction costs, if applicable.

3.6 Element of Income / (Loss) and Capital Gains / (Losses) in Prices of Units Issued Less those in Units Redeemed

To prevent the dilution of per unit income and distribution of income already paid as dividend, an equalisation account called 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' is created.

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 and capital gains accounted for in the last announced 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 and capital gains accounted for in the last announced net asset value and included in the redemption price.

The net 'element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed' during an accounting year/ period is transferred to income statement in the period in which it arises.

3.7 Net Asset Value Per Unit

The net asset value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year / period end.

3.8 Taxation

Current

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 / period excluding realised and unrealised capital gains for the year / period is distributed amongst the unit holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no

provision has been made in these financial statements for tax liability for the current year.

Deferred

The Fund accounts for deferred taxation on all material temporary differences using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the Fund believes that the timing differences will not reverse in the foreseeable future due to the fact that it intends to continue availing the tax exemption through distribution to the extent of ninety percent of its accounting income excluding realised and unrealised capital gains for the year / period.

3.9 Offsetting of Financial Assets and Liabilities

A financial asset and financial liability is set off and the net amount is reported in the statement of assets and liabilities, if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.10 Revenue Recognition

Gain / loss arising on disposal of investments is included in income currently and is accounted for on the date at which the transaction takes place.

Dividend income is recorded at the time of the closure of share transfer book of the investee declaring the dividend. Dividend received on marketable securities acquired after the announcement of dividend till the book closure date is accounted for as reduction in the cost of investment.

Income on bank deposits, reverse repurchase agreement, certificates of investment, placements, government securities, commercial paper and term finance certificates is recognised on an accrual basis.

3.11 Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of bank balances and short term placements with banks and financial institutions having maturities of upto three months.

3.12 Financial Instruments

All the financial assets and financial liabilities are recognised at the time when the Fund

becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Fund loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to income currently.

3.13 Deferred Formation Costs

Deferred formation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years.

3.14 Trade Date Accounting

All regular way purchases / sales of investments are recognised on the trade date, i.e., the date on which the Fund commits to purchase / sell the investment. Regular way purchases / sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

3.15 Distribution to Unit Holders

Distribution to unit holders is recognised upon declaration and approval by the Board of Directors of the management company.

3.16 Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements.

3.17 Provision

A provision is recognised when the Fund has a 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 can be made of the amount of the obligation.

3.18 Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be

reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes in the financial statements.

3.19 Accounting Standards and Interpretations not Yet Effective

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

Standard or Interpretation		Effective Date (Periods Beginning on or After)
IAS 1	Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23	Borrowing Costs (Revised)	January 01, 2009
IAS 27	Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IAS 29	Financial Reporting in Hyperinflationary Economies	April 28, 2008
IFRS 3	Business Combinations	January 01, 2009
IFRS 7	Financial Instruments: Disclosures	April 28, 2008
IFRS 8	Operating Segments	January 01, 2009
IFRIC 12	Service Concession Arrangements	January 01, 2009
IFRIC 13	Customer Loyalty Programs	July 01, 2008
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2009

The Fund expects that the adoption of the above standards and interpretations will have no material impact on the Fund's financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosure in the financial statements.

Askari Income Fund

7.4.1	Term Finance Certificates/ Sukuk Certificates Certificates have a face value of Rs. 5,000/- each	As at July 01, 2007			As at June 30, 2008		Market Value Rupees	% of total investments %
		Number	Purchased	Sold/ Redeemed	Number	Market Value		
	Investment companies and banks							
	Escorts Investment Bank - I	16	-	-	16	82,304	0.00	
	Jahangir Siddiqui & Company Limited	20,000	-	2,000	18,000	90,954,000	2.41	
	KASB Securities Limited	10,000	-	-	10,000	50,770,000	1.34	
	First Dawood Investment Bank Limited	-	6,000	-	6,000	30,324,000	0.80	
	Trust Investment Bank Limited	-	10,000	-	10,000	51,625,000	1.37	
	Electronics							
	Pak Elektron Limited - Sukuk I	-	14,000	-	14,000	72,100,000	1.91	
	Pak Elektron Limited - Sukuk I	-	10,000	-	10,000	50,585,000	1.34	
	Prime Electronics Securitization Company	-	14,000	14,000	-	-	-	
	New Allied Electronics Industries (Pvt.) Limited	5,000	-	-	5,000	25,167,500	0.67	
	Cement Industries							
	3 Star Cement Limited *	850	-	850	-	-	-	
	Maple Leaf Cement Factory Limited - Sukuk	-	55,000	20,000	35,000	177,625,000	4.70	
	Leasing Companies							
	ORIX Leasing Pakistan Limited *	-	1,000	-	1,000	100,174,000	2.65	
	Security Leasing Corporation Limited - Sukuk	-	8,000	-	8,000	40,400,000	1.07	
	Al-Zamin Leasing Modarba - Sukuk	-	7,000	-	7,000	35,787,500	0.95	
	Textile composite							
	Azgard Nine Limited.	25,000	32,000	25,000	32,000	160,576,000	4.25	
	Sugar Industries							
	Al-Abbas Sugar Mills Limited	-	7,000	-	7,000	35,182,000	0.93	
	Telecommunication							
	Pakistan Mobile Communication Limited	-	72,000	10,000	62,000	310,000,000	8.21	
	Fertilizer							
	Pak American Fertilizer Limited	-	27,000	-	27,000	135,250,000	3.58	
	Engro Chemical Pakistan Limited	-	105,000	12,000	93,000	478,398,500	12.67	
	Hotel Industry							
	Avari Hotel Limited	-	15,200	-	15,200	78,470,000	2.08	
	Miscellaneous							
	Kashf Foundation	-	10,000	-	10,000	51,625,000	1.37	
	Karachi Shipyard & Engineering Limited	-	20,000	20,000	-	-	-	
	House Building Finance Company Limited	-	20,000	-	20,000	102,750,000	2.72	
						2,077,845,804	55.01	

* These Term Finance Certificates have a face value of Rs. 100,000/- each.

7.4.2	Government Securities	As at July 01, 2007			As at June 30, 2008		Market Value Rupees	% of total investments %	
		Number	Purchased	Sold/ Redeemed	Number	Market Value			
	Pakistan Investment Bonds	14	15	29	-	-	-		
	These have a face value of Rs. 25,000,000/- each								
7.5	Commercial paper - Unsecured	Markup rate	As at July 01, 2007	Purchased	Sold/ Redeemed	As at June 30, 2008	Maturity	Market Value	% of total investments
	Azgard Nine Limited (Face Value of Rs. 1,000,000/- each)	11.46%	100	-	50	50	November 2008	47,973,946	1.27
	Dewan Farooq Motors Limited (Face Value of Rs. 75,000,000/- each)	-	1	-	1	-	-	-	-
	Dewan Cement Limited (Face Value of Rs. 125,000,000/- each)	-	1	-	1	-	-	-	-
	Pak Electron Limited (Face Value of Rs. 5,000,000/- each)	10.56%	-	6	-	6	July 2008	29,900,967	0.79
	Packages Limited (Face Value of Rs. 5,000,000/- each)	-	-	5	5	-	-	-	-
	PACE Pakistan Limited (Face Value of Rs. 20,000,000/- each)	-	-	5	5	-	-	-	-
	IGI Insurance Limited (Face Value of Rs. 5,000,000/- each)	10.66%	-	2	-	2	October 2008	9,680,911	0.26
								87,555,824	2.32

Askari Income Fund

7.6 Significant terms and conditions of debt securities held as at June 30, 2008 are as follows:

NAME	Quoted/Unquoted	Mark Up Rate (Per Annum)	Maturity	Floor	Cap	Secured / Unsecured	Rating
Investment Companies and Banks							
Escorts Investment Bank - I	Unquoted	6 Months KIBOR + 250 bps	March, 2012	8%	17%	Secured	A+
NIB Bank Limited	Quoted	6 Months KIBOR + 115 bps	March, 2016	Nil	Nil	Unsecured	A
United Bank Limited - II	Quoted	6 Months KIBOR + 85 bps	February, 2018	Nil	Nil	Unsecured	AA
Jahangir Siddiqui & Company Limited	Unquoted	6 Months KIBOR + 170 bps	July, 2013	Nil	Nil	Secured	AA+
KASB Securities Limited	Unquoted	6 Months KIBOR + 190 bps	June, 2012	Nil	Nil	Secured	AA-
First Dawood Investment Bank Limited	Unquoted	6 Months KIBOR + 160 bps	September, 2012	Nil	Nil	Secured	AA-
Trust Investment Bank Limited	Unquoted	6 Months KIBOR + 185 bps	August, 2012	Nil	Nil	Secured	Unrated
Fertilizers							
Engro Chemical Pakistan Limited	Quoted	6 Months KIBOR + 155 bps	June, 2016	Nil	Nil	Secured	AA
Pak Arab Fertilizer Limited	Quoted	6 Months KIBOR + 150 bps	February, 2013	Nil	Nil	Secured	AA
Pak American Fertilizer Limited	Unquoted	6 Months KIBOR + 175 bps	November, 2014	Nil	Nil	Secured	N/A
Pak American Fertilizer Limited	Unquoted	6 Months KIBOR + 175 bps	January, 2015	Nil	Nil	Secured	N/A
Engro Chemical Pakistan Limited	Unquoted	6 Months KIBOR + 170 bps	March, 2018	Nil	Nil	Secured	AA
Leasing Companies							
ORIX Leasing Pakistan Limited	Quoted	6 Months KIBOR + 150 bps	May, 2012	Nil	Nil	Secured	AA+
ORIX Leasing Pakistan Limited	Quoted	6 Months KIBOR + 120 bps	January, 2013	Nil	Nil	Secured	AA+
ORIX Leasing Pakistan Limited	Unquoted	6 Months KIBOR + 120 bps	January, 2013	Nil	Nil	Secured	AA+
Saudi Pak Leasing Limited	Quoted	6 Months KIBOR + 150 bps	March, 2013	Nil	Nil	Secured	A
Security Leasing Corporation Limited - Sukuk	Unquoted	6 Months KIBOR + 195 bps	September, 2012	Nil	Nil	Secured	N/A
Al-Zamin Leasing Modarba - Sukuk	Unquoted	6 Months KIBOR + 190 bps	May, 2012	Nil	Nil	Secured	A
Sugar Industries							
Al-Abbas Sugar Mills Limited	Unquoted	6 Months KIBOR + 175 bps	November, 2013	Nil	Nil	Secured	A+
Technology and Communication							
Pakistan Mobile Communications Limited	Quoted	6 Months KIBOR + 165 bps	June, 2013	Nil	Nil	Unsecured	AA-
Pakistan Mobile Communications Limited	Unquoted	6 Months KIBOR + 130 bps	September, 2010	Nil	Nil	Unsecured	AA-
Telecard Limited	Quoted	6 Months KIBOR + 375 bps	May, 2011	Nil	Nil	Secured	BBB
Worldcall Telecom Limited	Quoted	6 Months KIBOR + 275 bps	November, 2011	Nil	Nil	Secured	AA-
Worldcall Telecom Limited	Quoted	6 Months KIBOR + 160 bps	May, 2013	Nil	Nil	Secured	AA-
Cement							
Dewan Cement Limited	Quoted	6 Months KIBOR + 200 bps	January, 2014	Nil	Nil	Secured	Unrated
Electronics							
Pak Elektron Limited - Sukuk I	Unquoted	3 Months KIBOR + 100 bps	March, 2015	8%	25%	Secured	Unrated
Pak Elektron Limited - Sukuk I	Unquoted	3 Months KIBOR + 175 bps	September, 2012	10%	25%	Secured	Unrated
New Allied Electronics Industries (Pvt.) Limited	Unquoted	3 Months KIBOR + 275 bps	May, 2011	Nil	Nil	Secured	A-
Cement Industries							
Maple Leaf Cement Factory - Sukuk	Unquoted	6 Months KIBOR + 170 bps	December, 2013	Nil	Nil	Secured	N/A
Textile composite							
Azgard Nine Limited	Unquoted	6 Months KIBOR + 225 bps	December, 2014	Nil	Nil	Secured	AA-
Hotel Industry							
Avari Hotel Limited	Unquoted	6 Months KIBOR + 325 bps	November, 2014	Nil	Nil	Secured	Unrated
Miscellaneous							
Pace Pakistan Limited	Quoted	6 Months KIBOR + 150 bps	August, 2012	Nil	Nil	Secured	AA-
Kashf Foundation	Unquoted	3 Months KIBOR + 245 bps	July, 2010	Nil	Nil	Secured	N/A
House Building Finance Company Limited	Unquoted	6 Months KIBOR + 100 bps	May, 2014	Nil	Nil	Secured	Unrated

7.7 In accordance with Circular no. NBFC/ED/MISC/791 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan for the implementation of the Financial Institutions Margining Systems, the Fund has opted to provide collateral to the National Clearing Company of Pakistan Limited (NCCPL), as collateral against the Financial Institutions Margining System for CFS Trades in the form of pledge of Term Finance Certificates (TFCs). Certain TFCs are pledged with National Clearing Company of Pakistan Limited for such purpose and the market value of the pledged TFCs is Rs. 331,203,800 (2007: Nil).

Askari Income Fund

	Note	2008 Rupees	2007 Rupees
8. DEPOSITS AND OTHER RECEIVABLES - Considered Good			
Security deposits	8.1	3,600,000	1,100,000
Receivable against Continuous Funding System		106,502	56,984,037
Return on placements with banks		120,555,497	57,390,664
Mark-up on placements with financial institutions		26,249,821	15,137,992
Mark-up on Term Finance Certificates		104,573,248	8,327,214
Mark-up on Government Securities		-	4,537,674
Dividend receivable		-	2,334,100
Prepayments		-	17,541
Withholding tax receivable on dividend and interest income		76,687	-
Derivatives		-	534,201
Receivable against issuance of units		8,687,606	-
Participation fee receivable on private placement of TFCs		166,684	-
Other receivables		10,000	-
		<u>264,026,045</u>	<u>146,363,423</u>
8.1 This includes security deposits with:			
Central Depository Company of Pakistan Limited		100,000	100,000
National Clearing Company of Pakistan Limited		3,500,000	1,000,000
		<u>3,600,000</u>	<u>1,100,000</u>
9. DEFERRED FORMATION COST			
Preliminary and floatation costs		2,500,000	2,500,000
Less: Amortisation of preliminary and floatation costs			
Balance at the beginning of the year		(754,798)	(254,796)
Amortisation for the year		(501,372)	(500,002)
Balance at the end of the year		<u>(1,256,170)</u>	<u>(754,798)</u>
		<u>1,243,830</u>	<u>1,745,202</u>
10. REMUNERATION PAYABLE TO MANAGEMENT COMPANY			
The management company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Regulations, upto a maximum of 3% per annum based on the daily average net assets of the Fund during the first five years and 2% per annum based on such assets thereafter. However, the management company has charged 1.5% per annum (2006: 1% per annum) based on such assets as remuneration in respect of the current year.			
11. REMUNERATION PAYABLE TO TRUSTEE			
The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, based on the daily average net assets value of the Fund.			
The trustee has charged its remuneration at Rs. 2.0 million plus 0.10% per annum (2007: 0.10% per annum) on amounts exceeding Rs. 1 billion of the daily average net assets during the year.			
12. ANNUAL FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
This represents annual fee payable to SECP in accordance with the NBFC Regulations whereby the Fund is required to pay the SECP an amount equal to one tenth of 1% (2007: one tenth of 1%) of the average daily net assets.			
13. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Payable to brokers against transactions in marketable securities		5,952,313	113,425
Reimbursements to management company	13.1	316,395	321,395
Payable against government and debt securities		-	496,881
Audit Fee		400,000	395,675
Dividend payable		1,790,233	1,056,360
Tax deducted at source		1,283,398	274,957
Other payables		164,015	140,394
		<u>9,906,354</u>	<u>2,799,087</u>
		<u>2008</u>	<u>2007</u>
		<u>Rupees</u>	<u>Rupees</u>
13.1 Reimbursements to management company			
Tax return filing charges		105,000	105,000
Stability rating fee		108,895	108,895
Tax exemption certificate processing charges		-	105,000
CDC documentation charges		2,500	2,500
Fund rating fee		100,000	-
		<u>316,395</u>	<u>321,395</u>

Askari Income Fund

		2008 Rupees	2007 Rupees
14. CONTINGENCIES AND COMMITMENTS			
14.1 Contingencies		-	-
14.2 Commitments			
Continuous Funding System transactions entered into by the Fund in respect of which the purchase transactions have not been settled as at period end		-	1,961,832,800
Continuous Funding System transactions entered into by the Fund in respect of which the sale transactions have not been settled as at period end		-	1,314,761,318
Forward sale transactions of securities entered into by the Fund in respect of which the sale transactions have not been settled as at period end		-	93,765,052
15. OTHER INCOME			
Participation Fee		<u>271,684</u>	<u>290,908</u>
16. NUMBER OF UNITS IN ISSUE			
	Class	2008 Number	2007 Number
Description			
Units that shall be charged with no sales load (Restrictive)	A	-	2,500,000
Units that shall be charged with no sales load (Non-restrictive)	A	<u>80,276,401</u>	<u>81,617,814</u>
		<u>80,276,401</u>	<u>84,117,814</u>
16.1 The par value of each unit is Rs. 100. The management of the Fund has set a minimum investment size of Rs. 5,000. All units carry equal rights and are entitled to dividend and payment of net assets value on liquidation.			
17. AUDITORS' REMUNERATION			
Audit fee		250,000	175,000
Half yearly review		100,000	75,000
Certification and other services		50,000	156,000
Out of pocket expenses		7,325	163,447
		<u>407,325</u>	<u>569,447</u>
18. CASH AND CASH EQUIVALENTS			
Balances with banks		568,015,916	2,912,318,604
Placements with banks and financial institutions with maturities of upto three months	18.1	<u>3,325,056,234</u>	<u>2,625,105,356</u>
		<u>3,893,072,150</u>	<u>5,537,423,960</u>
18.1 This represents:			
Placements with banks and financial institutions	5	3,775,394,862	2,950,203,186
Less: Placements with banks and financial institutions with maturities of more than three months		<u>450,338,628</u>	<u>325,097,830</u>
Placements with banks and financial institutions with maturities of upto three months		<u>3,325,056,234</u>	<u>2,625,105,356</u>
19. TAXATION			
No provision for taxation has been made in the financial statements in view of the exemption under clause 99 of Part I of the 2nd schedule of the Income Tax Ordinance, 2001.			

Askari Income Fund

20. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include Askari Investment Management Limited being the management company; Askari Bank Limited being the holding company of the management company; Askari Cement Limited, Askari General Insurance Company Limited, Islamabad Stock Exchange (Guarantee) Limited, Askari Cement Education Trust, Army Welfare Trust and Askari Securities Limited being group companies; and Askari Bank Employee Provident Fund, President Askari Bank Limited Fund, Askari Investment Management Limited Employee Provident Fund, Askari Investment Management Limited Employee Gratuity Fund and Askari Cement Workers' Profit Participation Fund being post-employment benefit plans of the said companies.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with the market rates.

	Units	2008 Rupees	2007 Rupees
Transactions with the management company			
Remuneration for the year		176,189,089	56,938,115
Payable as at year end		10,645,465	10,027,864
Units at the beginning of the year	283,668	31,697,038	-
Units purchased	713,271	75,151,351	35,000,000
Bonus Units	76,989	7,797,081	-
Units redeemed	110,475	11,151,351	5,000,081
Outstanding Units	963,452	100,177,754	31,697,038
Transactions with Trustee			
Remuneration for the year		12,745,935	4,868,154
Payable as at year end		769,066	730,302
Units at the beginning of the year	191,975	21,451,374	-
Units purchased	1,227,685	125,685,839	20,000,000
Bonus Units	62,631	6,347,274	-
Units redeemed	982,575	100,685,839	-
Outstanding units	499,716	51,959,468	21,451,374
Transactions with Askari Bank Limited			
Bank balance as at year end		20,546,874	117,370,982
Mark-up on a deposit account during the year		7,454,311	4,653,301
PIB's Purchased		-	-
PIB's sold		-	-
TFC's Purchased		-	-
Units at beginning of year	4,290,350	479,403,709	250,000,000
Units purchased	1,923,447	200,000,000	200,000,000
Bonus Units	471,251	47,445,526	11,467,054
Units redeemed	2,261,601	235,161,248	11,227,948
Outstanding units	4,423,447	459,940,768	479,403,709
Gross dividend paid in cash		28,751,164	-
PIBs Purchased		100,988,400	-
Transactions with Askari Cement Limited			
Units at beginning of year	3,397,058	379,588,762	22,050,411
Units purchased	1,184,717	120,000,000	350,000,000
Bonus Units	552,299	55,784,609	943,345
Units redeemed	4,352,789	450,000,000	943,345
Outstanding units	781,284	81,236,331	379,588,762
Transactions with Askari General Insurance Company Limited			
Units at beginning of period	-	-	-
Units purchased	47,769	5,000,000	-
Bonus Units	2,837	288,437	-
Units redeemed	-	-	-
Outstanding units	50,606	5,261,895	-
Transactions with Islamabad Stock Exchange (Guarantee Limited)			
Units at beginning of year	506,346	56,579,102	50,000,000
Units purchased	-	-	55,591,713
Bonus Units	88,988	8,992,711	2,176,802
Units redeemed	-	-	55,917,713
Outstanding units	595,334	61,901,602	56,579,102
Transactions with Army Welfare Trust			
Units at beginning of year	4,578,569	511,609,314	-
Units purchased	-	-	600,000,000
Bonus Units	502,909	50,632,844	-
Units redeemed	5,081,478	519,022,140	103,650,918
Outstanding units	-	-	511,609,314
Transactions with Executives / Directors of the management company			
Units at beginning of the year	289,253	32,321,269	-
Units purchased	720,473	74,463,690	38,304,047
Bonus Units	46,050	4,650,593	-
Units redeemed	609,333	63,346,171	7,818,651
Outstanding units	446,443	46,421,231	32,321,269
Transactions with Askari Bank Employee Provident Fund			
Units at beginning of the year	255,239	28,520,536	-
Units purchased	-	-	28,500,000
Bonus Units	44,068	4,452,829	-
Units redeemed	13,286	1,402,456	-
Outstanding units	286,022	29,739,924	28,520,536

Askari Income Fund

	Units	2008 Rupees	2007 Rupees
Transactions with President Askari Bank Limited Fund			
Units at beginning of the year	66,540	7,435,201	-
Units purchased	-	-	7,000,000
Bonus Units	11,694	1,181,750	-
Outstanding units	78,234	8,134,613	7,435,201
Transactions with Askari Investment Management Limited Employee Provident Fund			
Units at the beginning of the year	-	-	-
Units purchased	4,440	462,006	-
Bonus Units	174	17,711	-
Units redeemed	-	-	-
Outstanding units	4,614	479,738	-
Transactions with Askari Investment Management Limited Employee Gratuity Fund			
Units purchased	3,598	373,032	-
Bonus Units	111	11,243	-
Outstanding units	3,709	385,660	-
Transactions with Askari Securities Limited			
Finance Income on Continuous Funding System		20,500	2,178,793
Brokerage Paid		1,930,228	326,819
Transactions with Askari Cement Education Trust			
Units at beginning of the year	-	-	-
Units purchased	-	-	-
Bonus Units	-	-	-
Units redeemed	-	-	-
Outstanding units	-	-	-
Transactions with Askari Cement Workers' Profit Participation Fund			
Units at beginning of the year	-	-	28,476,982
Units purchased	-	-	-
Bonus Units	-	-	1,218,282
Units redeemed	-	-	28,704,010
Outstanding units	-	-	-

Askari Income Fund

21. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION

21.1 The Fund's MROR sensitivity related to financial assets and financial liabilities can be determined from the following:

	2008				Total Rupees
	Exposed to MROR Risk			Not exposed to MROR risk Rupees	
	Upto three months Rupees	More than three months and upto one year Rupees	More than one year Rupees		
On Balance sheet financial instruments					
Financial assets					
Balances with banks	568,015,916	-	-	-	568,015,916
Placements with banks and financial institutions	2,025,000,000	1,600,000,000	150,394,862	-	3,775,394,862
Receivable against Continuous Funding System	15,797,094	-	-	-	15,797,094
Investments	28,515,031	55,593,167	3,689,201,992	-	3,773,310,190
Deposits and other receivables	-	-	-	267,473,671	267,473,671
	<u>2,637,328,041</u>	<u>1,655,593,167</u>	<u>3,839,596,854</u>	<u>267,473,671</u>	<u>8,399,991,734</u>
Financial liabilities					
Remuneration payable to management company	-	-	-	10,329,070	10,329,070
Remuneration payable to trustee	-	-	-	769,066	769,066
Annual fee payable to Securities and Exchange Commission of Pakistan	-	-	-	11,745,932	11,745,932
Amount payable on redemption of units	-	-	-	21,512,502	21,512,502
Creditors, accrued and other liabilities	-	-	-	9,906,354	9,906,354
	-	-	-	<u>54,262,924</u>	<u>54,262,924</u>
On balance sheet gap	<u>2,637,328,041</u>	<u>1,655,593,167</u>	<u>3,839,596,854</u>	<u>213,210,747</u>	<u>8,345,728,810</u>
Off balance sheet financial instruments					
Future sale commitments of held for trading investments	-	-	-	-	-
Commitments in respect of continuous funding system	-	-	-	-	-

	2007				Total Rupees
	Exposed to MROR Risk			Not exposed to MROR risk Rupees	
	Upto three months Rupees	More than three months and upto one year Rupees	More than one year Rupees		
On Balance sheet financial instruments					
Financial assets					
Balances with banks	2,912,318,604	-	-	-	2,912,318,604
Placements with banks and financial institutions	1,425,203,186	1,375,000,000	150,000,000	-	2,950,203,186
Receivable against Continuous Funding System	2,087,623,395	-	-	-	2,087,623,395
Investments	239,747,875	244,275,975	769,728,399	92,790,450	1,346,542,699
Deposits and other receivables	-	-	-	159,889,376	159,889,376
	<u>6,664,893,060</u>	<u>1,619,275,975</u>	<u>919,728,399</u>	<u>252,679,826</u>	<u>9,456,577,260</u>
Financial liabilities					
Remuneration payable to management company	-	-	-	9,706,469	9,706,469
Remuneration payable to trustee	-	-	-	730,302	730,302
Annual fee payable to Securities and Exchange Commission of Pakistan	-	-	-	3,864,175	3,864,175
Amount payable on redemption of units	-	-	-	41,859,504	41,859,504
Creditors, accrued and other liabilities	-	-	-	2,799,087	2,799,087
	-	-	-	<u>58,959,537</u>	<u>58,959,537</u>
On balance sheet gap	<u>6,664,893,060</u>	<u>1,619,275,975</u>	<u>919,728,399</u>	<u>193,720,289</u>	<u>9,397,617,723</u>
Off balance sheet financial instruments					
Future sale commitments of held for trading investments	-	-	-	93,765,052	93,765,052
Commitments in respect of continuous funding system - Purchase	-	-	-	1,961,832,800	1,961,832,800
Commitments in respect of continuous funding system - Sale	-	-	-	1,314,761,318	1,314,761,318

21.2 Effective Interest rates have been disclosed in the respective notes to the financial statements.

22. RISK MANAGEMENT

The Fund primarily invests in a diversified portfolio of rated corporate debts, certificates of investment, and other money market instruments. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include but are not limited to:

22.1 Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market prices.

The Fund manages market risk by monitoring exposure on securities by following the internal risk management policies and investment guidelines approved by the board of directors of the management company and regulations laid down by the Securities and Exchange Commission of Pakistan.

22.2 Credit Risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties to the financial instrument to fulfill their obligations. The risk is generally limited to principal amounts and accrued interest thereon, if any.

22.2.1 Credit Risk Management

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the board of directors of the management company. In addition, the risk is managed through assignment of credit limits, obtaining adequate collaterals and by following strict credit evaluation criteria. The fund does not expect to incur material losses on financial assets.

22.2.2 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. Financial assets subject to credit risk amount to Rs. 8,399,915,047 (2007: Rs. 9,456,577,260). The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

22.3 Liquidity Risk

Liquidity risk is the risk that the enterprise may encounter difficulty in raising funds to meet its obligations and commitments. The management company of the Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

22.4 Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. As at balance sheet date, the Fund has exposure to interest rate risk on bank balances and debt instruments and their respective effective interest rates are disclosed in the relevant notes.

22.5 Capital Management

The Fund's objective when managing unit holder's funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holder's and to ensure reasonable safety of capital.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units.

Askari Income Fund

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset can be exchanged, or liability can be 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 values 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 on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

24. NON-ADJUSTING EVENT AFTER THE STATEMENT OF ASSETS AND LIABILITIES DATE

The Board of Directors of the management company of the Fund in their meeting held on July 07, 2008 has approved Rs. 2.99 (2007: Rs. 11.06) per unit as the distribution for the last quarter of financial year 2008.

25. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of management company on 20 August, 2008.

26. COMPARATIVE FIGURES

Prior year's figures have been reclassified as follows, for better presentation:

From	To	Rupees
Deposits and other receivables	Investments	13,525,953
Creditors, accrued and other liabilities	Annual fee payable to Securities and Exchange Commission of Pakistan	3,864,175
Other charges	Settlement charges	1,485,145

27. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top ten brokers, members of the Investment Committee, fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company has been disclosed in Annexure - I to the financial statements.

28. GENERAL

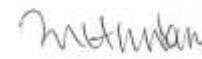
Figures have been rounded off to the nearest rupee.



Chief Executive



Chairman



Director

ANNEXURE - 1: SUPPLEMENTARY NON FINANCIAL INFORMATION AS REQUIRED UNDER SECTION 6(D), (F), (G), (H), (I), (J) AND (K) OF THE FOURTH SCHEDULE TO THE NBFC REGULATIONS

(i) UNIT HOLDING PATTERN OF THE FUND

Category	Number of unit holders	Amount Rupees (at par value of Rs. 100/- per unit)	% of total
DFIs/Banks	11	2,579,307,321	32.13%
Public Limited Companies	6	1,036,104,748	12.91%
Individuals	312	908,269,466	11.31%
Retirement Funds	50	856,999,800	10.68%
Associated Companies/ Directors	13	782,735,049	9.75%
Insurance	3	185,360,912	2.31%
Others	35	1,678,862,810	20.91%
	430	8,027,640,107	100%

(ii) LIST OF TOP BROKERS BY PERCENT OF THE COMMISSION PAID

Name of broker	Percentage of commission paid
IGI Finex Securities Limited	9.85%
Al Habib Capital Markets (Pvt.) Limited	8.32%
Jahangir Siddiqui Capital Market Limited	8.14%
Switch Securities (Pvt.) Limited	7.93%
Dr. Arslan Razzaque Securities (Pvt.) Limited	7.45%
Noman Abid & Company Limited	6.78%
Arif Habib Securities Limited	6.77%
Escorts Investment Bank Limited	6.26%
Invest & Finance Securities (Pvt.) Limited	6.04%
Shehzad Chamdia Securities (Pvt.) Limited	5.65%
	73.19%

(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE

Following are the members of the Investment Committee of the Fund:

Name	Designation	Qualification	Overall experience
Saeed Aziz Khan	CEO	BBA	26 Years
Rizwan Hasan Khan	CFO	MBA Executive	12 Years
Tauheed Siddiqui	Head of Business Development	MBA	16 years
Adnan Muzaffar	Fund Manager*	MBA	11 years

* The Fund Manager is not managing any other fund



Financial Statements for the Year ended 30 June 2008

(iv) ATTENDANCE AT BOARD MEETINGS

The details of dates of Board meetings of the Management Company of the Fund, and the attendance of the Board members are given below:

Name of Director	Designation	Meeting held on					
		09.07.2007	03.08.2007	24.10.2007	12.02.2008	04.04.2008	25.04.2008
Lt Gen.(R) Zarrar Azim	Chairman	P	P	P	P	P	P
Mr. Muhammad Naseem	Director	P	P	P	P	P	P
Mr.Kashif Mateen Ansari	Director	P	P	P	P	L	L
Dr.Bashir A Khan (till 02-06-08)	Director	P	P	P	P	P	P
Mr. Adnan Afaq (till 15-09-07)	CEO	P	P	N/A	N/A	N/A	N/A
Mr.Shaharyar Ahmed (till 10-04-08)	Director	L	P	P	P	L	N/A
Mr. Muhammad Arif Mian	Director	L	P	P	P	P	P
Mr.Shahid Hafeez Azmi	Director	L	P	P	P	P	P
Mr.Saeed Aziz Khan (w.e.f. 29-09-07)	CEO	N/A	N/A	P	P	P	P

P Present

L Leave of absence

(v) RATING OF THE FUND AND THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of "AM3" to the Company. The rating reflects the Company's strong capacity to manage the risks inherent in asset management and the asset manager meets high investment management industry standards and benchmarks.

PACRA has assigned a "5 star" rating to the Fund. The rating is a composite measure of returns and risk associated with the returns, along with the credit quality rating of the assets, and reflects a superior performance relative to its peers.



FUND'S INFORMATION

Management Company	Head Office & Registered Address Askari Investment Management Ltd. Room 501 & 502, 5th Floor, Green Trust Tower, Blue Area, Jinnah Avenue, Islamabad UAN: 111-246-111 – Fax. 051- 2813017 Email: info@askariinvestments.com
Board of Directors of the Management Company	Lt. Gen. (R.) Zarrar Azim H.I.(M) – Chairman Mr. Shahid Hafeez Azmi Mr. Muhammad Naseem- FCA Mr. Kashif Mateen Ansari Mr. Mohammad Arif Mian – FCA, CFA Mr. Mohammad Rafiq-ud-din Mehkari Mr. Saeed Aziz Khan- CEO
Executive Committee	Mr. Mohammad Rafiq-ud-din Mehkari - Chairman Mr. Shahid Hafeez Azmi Mr. Mohammad Arif Mian – FCA, CFA Mr. Saeed Aziz Khan - CEO
Audit Committee	Mr. Muhammad Naseem- FCA (Chairman) Mr. Shahid Hafeez Azmi Mr. Mohammad Arif Mian – FCA, CFA Mr. Mohammad Rafiq-ud-din Mehkari
Chief Financial Officer	Mr. Rizwan Hasan Khan
Company Secretary	Syed Shoaib Jaffery
Trustee	Central Depository Company of Pakistan Ltd. (CDC) Suite # M-6-7, Mezzanine Floor Progressive Plaza, Beaumont Road, Karachi. Tel: (92-021) 111-232-725

Bankers to the Fund	Askari Bank Ltd. JS Bank Limited
Auditors	Ernst and Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants 4- Mall View Building, Bank Square The Mall, Lahore. Ph. 042- 7211536-8 Fax. 042-7211530
Legal Advisors	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.
Distributors	Askari Bank Ltd. & others

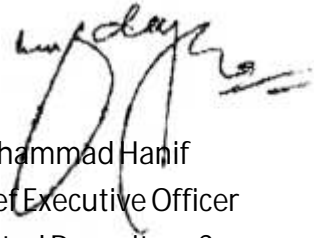
TRUSTEE REPORT TO THE UNIT HOLDERS ASKARI ASSET ALLOCATION FUND

Report of the Trustee pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

The Askari Asset Allocation Fund (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, 2008 in accordance with the provisions of the following;

- (1) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (2) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (3) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and the constitutive documents of the Fund.



Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 15, 2008

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in regulation No XI of Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, for the purpose of establishing a framework of good governance, where by a listed company is engaged in compliance with the best practices of corporate governance. Askari Investment Management Limited (the company), the management company of Askari Asset Allocation Fund "AAAF or fund" whose units are listed on Islamabad Stock Exchange (Guarantee) Limited is managed in the following manner:

1. The company encourages representation of independent non executive directors. At present all the board members are non executive except for the Chief Executive Officer.
2. The existing directors have confirmed that none of them is serving in more than ten listed companies, including the management company.
3. All the resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Mr. Adnan Afaq resigned from the office of chief Executive on September 15, 2007.
5. Mr. Saeed Aziz Khan was appointed as new Chief Executive Officer through circular resolution dated September 29, 2007 (subject to the approval of SECP). The SECP gave its approval in accordance with NBFC Rules 2003 and NBFC and Notified Entities Regulations, 2007 on January 18, 2008.
6. The management company has prepared a "Statement of Ethics and Business Practices" for the fund which has been signed by all the directors and employees of the company.
7. The management company has developed a vision/ mission statement and significant policies of the fund that has been approved by the board.
8. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and term of employment of the CEO and CFO and the Company Secretary have been taken by the board.
9. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The Board will arrange orientation course for its directors to apprise them of their duties and responsibilities, where necessary. Furthermore, the directors are conversant of the relevant laws applicable to the management company, its policies and procedures and provision of memorandum and articles of association and are aware of their duties and responsibilities.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial Statements of the fund were duly endorsed by the CEO and CFO of the management company before approval of the board.
13. Units held by Directors, CEO, CFO and executives in AIF are disclosed in the note 20 where as units held by Directors, CEO, CFO and executives in AAAF are disclosed in the note 16 of the financial statements. Shares held by the directors are disclosed in the pattern of shareholding.
14. The management company has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The board has formed an audit committee. It comprises of four members, all of whom are non executive directors including the Chairman of the committee.
16. The meetings of the audit committee were held once in every quarter and prior approval of interim and final results of the fund and as required by the code. The terms of reference has been formed and advised to the committee for compliance.
17. The management company has outsourced the internal audit function of the fund to Anjum Asim Shahid Rahman and Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
18. The statutory auditors have confirmed that they were given satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any the partners of the firm, their spouses and minor children do not hold shares of the fund 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 Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they observe IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.



Lt. Gen (R) Zarrar Azim
Chairman



Saeed Aziz Khan
CEO

August 20, 2008

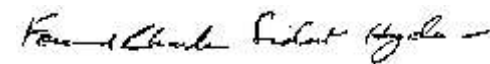
REVIEW REPORT TO THE MEMBERS ON STATEMENT
OF COMPLIANCE WITH BEST PRACTICES OF CODE
OF CORPORATE GOVERNANCE

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 the Management Company of Askari Asset Allocation Fund (the Fund) to comply with the Listing Regulation No. 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 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 controls covers all controls and the effectiveness of such internal controls.

Based on our review, except for the orientation course as explained in note no. 10 of the Statement of Compliance, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective for the year ended 30 June 2008.



Lahore

Chartered Accountants

Date: August 20, 2008

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Askari Asset Allocation Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2008, and the related statements of income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management'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 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, 2007 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards 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 misstatement.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2008, 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 accordance with the relevant provisions of the Trust Deed, the NBFC Rules and the NBFC Regulations.

Lahore


CHARTERED ACCOUNTANTS

Date: August 20, 2008

ASKARI ASSET ALLOCATION FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
Assets			
Balances with banks	4	33,247,090	313,348,923
Receivable against sale of marketable securities		-	8,296,921
Investments	5	469,315,845	393,475,545
Deposits and other receivables	6	5,880,972	5,595,754
Deferred formation cost	7	2,033,239	1,476,164
Total Assets		510,477,146	722,193,307
Liabilities			
Remuneration payable to management company	8	1,158,165	1,064,882
Remuneration payable to trustee	9	77,207	70,992
Annual fee payable to Securities and Exchange Commission of Pakistan	10	665,776	35,496
Amount payable against redemption of units		9,709,125	-
Payable against purchase of marketable securities		8,696,174	74,744,945
Accrued and other liabilities	11	432,265	5,280,000
Total Liabilities		20,738,712	81,196,315
Contingencies and Commitments	12	-	-
Net assets		489,738,434	640,996,992
Unit holders' fund		489,738,434	640,996,992
Number of units in issue	14	5,572,525	6,273,740
Net asset value per unit		87.88	102.17

The annexed notes from 1 to 23 form an integral part of these financial statements.

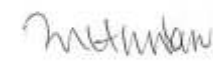
For Askari Investment Management Limited
(Management Company)



Chief Executive Officer



Chairman



Director

ASKARI ASSET ALLOCATION FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	Year ended	For the period
		June 30, 2008	from May 25, 2007 to June 30, 2007
		Rupees	Rupees
Income			
Net (loss) / gain from sale of marketable securities		(43,721,927)	10,589,132
Unrealised loss on remeasurement of investments at fair value through profit or loss		(14,691,334)	(1,622,137)
		<u>(58,413,261)</u>	<u>8,966,995</u>
Income from Continuous Funding System		534,851	-
Mark-up on Term Finance Certificates		1,536,682	-
Return on bank balances		15,248,513	1,962,184
Income from Government Securities		1,912,771	678,260
Dividend income		8,418,800	-
		<u>27,651,617</u>	<u>2,640,444</u>
Element of (loss) / income and capital (losses) / gains in prices of units issued less those in units redeemed - net		(10,009,067)	4,144,449
		<u>(40,770,711)</u>	<u>15,751,888</u>
Expenses			
Remuneration of management Company	8	19,973,428	1,064,882
Remuneration of trustee	9	1,331,558	70,992
SECP annual fee	10	665,776	35,496
Amortisation of formation costs	7	442,925	23,836
Auditors' remuneration	13	253,710	150,000
Brokerage commission		4,850,259	679,265
Settlement charges		172,461	-
Bank charges		13,443	4,450
Other charges		203,233	100,000
		<u>27,906,793</u>	<u>2,128,921</u>
Net (loss) / income for the year / period		<u>(68,677,504)</u>	<u>13,622,967</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

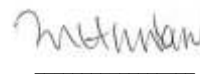
For Askari Investment Management Limited
(Management Company)



Chief Executive Officer



Chairman



Director

ASKARI ASSET ALLOCATION FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Year ended June 30, 2008	For the period from May 25, 2007 to June 30, 2007
	Rupees	Rupees
Undistributed income at the beginning of the year / period	13,622,967	-
Distribution at the rate of Rs. 1.99 per unit (2007: Nil) declared on July 9, 2007.	(12,459,565)	-
Net (loss) / income for the year / period	(68,677,504)	13,622,967
Accumulated (loss) / undistributed income carried forward	<u>(67,514,102)</u>	<u>13,622,967</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

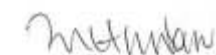
For Askari Investment Management Limited
(Management Company)



Chief Executive Officer



Chairman



Director

ASKARI ASSET ALLOCATION FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Year ended June 30, 2008 Rupees	For the period from May 25, 2007 to June 30, 2007 Rupees
Net assets at the beginning of the year / period [Rs. 102.17 per unit (2007: Nil)]	640,996,992	-
Amount received on issuance of units*	396,165,749	631,518,474
Amount paid on redemption of units**	(488,755,870) (92,590,121)	- 631,518,474
Element of loss / (income) and capital losses / (gains) in prices of units issued less those in units redeemed - transferred to income statement	10,009,067	(4,144,449)
Net (loss) / income for the year / period	(68,677,504)	13,622,967
Net assets at the end of year / period [Rs. 87.88 per unit (2007: Rs. 102.17 per unit)]	<u>489,738,434</u>	<u>640,996,992</u>
-----Number of units-----		
*Number of units issued [includes 124,372 (2007: Nil)] bonus units	<u>4,161,642</u>	<u>6,273,740</u>
** Number of units redeemed	<u>4,862,857</u>	<u>-</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)



Chief Executive Officer



Chairman



Director

ASKARI ASSET ALLOCATION FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

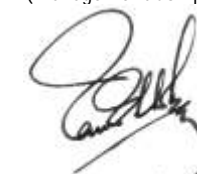
Note	Year Ended June 30, 2008 Rupees	For the period from May 25, 2007 to June 30, 2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the year / period	(68,677,504)	13,622,967
Adjustments to reconcile net (loss) / income to net cash flows:		
Non-cash		
Element of loss / (income) and capital losses / (gains) in prices of units issued less those in units redeemed - net	10,009,067	(4,144,449)
Unrealised loss on remeasurement of investments at fair value through profit or loss	14,691,334	1,622,137
Amortisation of deferred formation costs	442,925	23,836
	25,143,326	(2,498,476)
Working capital adjustments:		
Current assets		
Receivable against sale of marketable securities	8,296,921	(8,296,921)
Deposits and other receivables	(285,218)	(5,595,754)
Investments - net	(90,531,634)	(395,097,682)
Deferred formation cost	(1,000,000)	(1,500,000)
	(83,519,931)	(410,490,357)
Current liabilities		
Remuneration payable to management company	93,282	1,064,882
Remuneration payable to trustee	6,215	70,992
Annual fee payable to Securities and Exchange Commission of Pakistan	630,280	35,496
Amount payable against redemption of units	9,709,125	-
Payable against purchase of marketable securities	(66,048,770)	74,744,945
Accrued and other liabilities	(4,847,735)	5,280,000
	(60,457,603)	81,196,315
Net cash used in operating activities	(187,511,712)	(318,169,551)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts in respect of issuance of units	396,165,749	631,518,474
Payments against redemption of units	(488,755,870)	-
Net cash (used in) / generated from financing activities	(92,590,121)	631,518,474
Net (decrease) / increase in cash and cash equivalents during the year / period	(280,101,833)	313,348,923
Cash and cash equivalents at the beginning of the year / period	4	-
Cash and cash equivalents at the end of the year / period	<u>33,247,090</u>	<u>313,348,923</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

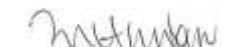
For Askari Investment Management Limited
(Management Company)



Chief Executive Officer



Chairman



Director

**ASKARI ASSET ALLOCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

1. LEGAL STATUS AND NATURE OF BUSINESS

Askari Asset Allocation Fund (the Fund) was constituted in Pakistan under a Trust Deed (the Trust Deed) executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited), as its management company and Central Depository Company of Pakistan Limited (CDC), as its trustee. The Trust Deed was executed on January 17, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on March 19, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The head office of the management company is situated at 501 & 502, Green Trust Tower, Jinnah Avenue, Blue Area, Islamabad.

The management company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.

The Fund is an open ended Asset Allocation Fund and is listed on the Islamabad Stock Exchange (Guarantee) Limited. The Fund received core investment (seed capital) amounting to Rs. 250 million from Askari Bank Limited on May 25, 2007 against the issuance of 2,500,000 units and commenced its operations on June 02, 2007. Units of the Fund have been offered for public subscription on a continuous basis since September 10, 2007 and are transferable and redeemable by surrendering them to Fund at the option of unit holders.

The principal activity of the Fund is to make investments primarily in equity securities, fixed rate corporate debt instruments, government securities and other money market instruments.

Title to the assets of the Fund is held in the name of CDC as the Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of 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, 2007 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Measurement

These financial statements have been prepared under the historical cost convention except for investments and derivatives which are accounted for as stated in note 3.2 and 3.3 below.

3.2 Investments

All investments are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of investments at fair value through profit or loss, in which case the transaction costs are taken directly to the income statement in the period in which they arise.

The Fund determines the appropriate classification of investments at the time of purchase and classifies these investments in the following categories:

Investments at Fair Value Through Profit or Loss

This category has two sub-categories: financial instruments held for trading and those designated at fair value through profit or loss at inception.

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.
- Investments designated at fair value through profit or loss upon initial recognition include those that are not held for trading purposes and which may be sold.

Held to Maturity

Investment securities with fixed maturities where management has both the intent and the ability to hold to maturity are classified as held to maturity.

Available for sale

Investments which are not classified in any of the preceding categories are classified as available for sale.

After initial recognition, investments which are classified as investments at fair value through profit or loss and available-for-sale are re-measured at fair value. Gains or losses on investments at fair value through profit or loss are recognised in the income statement. Gains or losses on available-for-sale investments are recognised in the unit holders' fund until the investment is sold, derecognised or is determined to be impaired, at which time the cumulative gain or loss previously reported in unit holders' fund is included in the income statement. Investments classified as held to maturity are stated at amortised cost less accumulated impairment losses, if any.

For investments in quoted marketable securities other than TFCs / Sukuk certificates, fair value is determined by reference to Stock Exchange quoted market prices at the

close of business on balance sheet date. Unquoted securities, other than government and debt securities, are valued at investment price or the break-up value as per last audited accounts, whichever is later, in accordance with the NBFC Regulations.

Fair value of the investments in federal government securities comprising Pakistan Investment Bonds is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page. The fair value of debt securities listed but not traded regularly on the stock exchange, including TFCs / Sukuk certificates, is determined on the basis of average rates notified by the Mutual Funds Association of Pakistan (MUFAP). Fair value of unlisted debt securities, other than government securities, is also determined by reference to the average rates notified by MUFAP and where such rates are not so notified, with reference to the quotations obtained from brokerage houses.

3.3 Derivatives

These are initially recognised at cost and are subsequently remeasured at their fair value. The fair values of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the Statement of Assets and Liabilities. The resultant gains and losses are included in the income statement in the period in which these arise.

3.4 Receivable Under Continuous Funding System

Securities purchased under an agreement to resell are included as receivable against Continuous Funding System at the fair value of the consideration given and are accounted for on the settlement date. The difference between purchase and resale price is treated as income from Continuous Funding System and accrued over the life of the agreement.

3.5 Issue and Redemption of Units

Units issued are recorded at the offer price, as determined by the Fund, for the applications received by it. The offer price represents the net assets value of units as of the close of the business day on which funds are realised in the bank account of the Fund plus provision of duties and charges, front end load if any, and provision of transaction costs, if applicable. Sales load is payable to the management company as processing fee.

Units redeemed are recorded at the redemption price, applicable on units for which the Fund receives redemption applications. The redemption price represents the net assets value of units as of the close of the business day on which application for

redemption is received less back-end load, duties, taxes, charges on repurchase and provision of transaction costs, if applicable.

3.6 Element of Income / (Loss) and Capital Gains / (Losses) in Prices of Units Issued Less those in Units Redeemed

To prevent the dilution of per unit income and distribution of income already paid as dividend, an equalisation account called 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' is created.

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 and capital gains accounted for in the last announced 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 and capital gains accounted for in the last announced net asset value and included in the redemption price.

The net 'element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed' during an accounting year/ period is transferred to income statement in the period in which it arises.

3.7 Net Asset Value Per Unit

The net asset value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year / period end.

3.8 Taxation

Current

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 / period excluding realised and unrealised capital gains for the year / period is distributed amongst the unit holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no provision has been made in these financial statements for tax liability for the current year.

Deferred

The Fund accounts for deferred taxation on all material temporary differences using the liability method arising between the amounts attributed to assets and liabilities for

financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the Fund believes that the timing differences will not reverse in the foreseeable future due to the fact that it intends to continue availing the tax exemption through distribution to the extent of ninety percent of its accounting income excluding realised and unrealised capital gains for the year / period.

3.9 Offsetting of Financial Assets and Liabilities

A financial asset and financial liability is set off and the net amount is reported in the statement of assets and liabilities, if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.10 Revenue Recognition

Gain / loss arising on disposal of investments is included in income currently and is accounted for on the date at which the transaction takes place.

Dividend income is recorded at the time of the closure of share transfer book of the investee declaring the dividend. Dividend received on marketable securities acquired after the announcement of dividend till the book closure date is accounted for as reduction in the cost of investment.

Income on bank deposits, reverse repurchase agreement, certificates of investment, placements, government securities, commercial paper and term finance certificates is recognised on an accrual basis.

3.11 Cash and Cash Equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of bank balances and short term placements with banks and financial institutions having maturities of upto three months.

3.12 Financial Instruments

All the financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Fund loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to income currently.

3.13 Deferred Formation Costs

Deferred formation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years.

3.14 Trade Date Accounting

All regular way purchases / sales of investments are recognised on the trade date, i.e., the date on which the Fund commits to purchase / sell the investment. Regular way purchases / sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

3.15 Distribution to Unit Holders

Distribution to unit holders is recognised upon declaration and approval by the Board of Directors of the management company.

3.16 Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements.

3.17 Provision

A provision is recognised when the Fund has a 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 can be made of the amount of the obligation.

3.18 Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of

material adjustment are explained in the relevant accounting policies / notes in the financial statements.

3.19 Accounting Standards and Interpretations not Yet Effective

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

Standard or Interpretation	Effective Date (Periods Beginning on or After)
IAS 1 Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 Borrowing Costs (Revised)	January 01, 2009
IAS 27 Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IAS 29 Financial Reporting in Hyperinflationary Economies	April 28, 2008
IFRS 3 Business Combinations	January 01, 2009
IFRS 7 Financial Instruments: Disclosures	April 28, 2008
IFRS 8 Operating Segments	January 01, 2009
IFRIC 12 Service Concession Arrangements	January 01, 2009
IFRIC 13 Customer Loyalty Programs	July 01, 2008
IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2009

The Fund expects that the adoption of the above standards and interpretations will have no material impact on the Fund's financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosure in the financial statements.

Askari Asset Allocation Fund

	Notes	2008 Rupees	2007 Rupees				
4. BALANCES WITH BANKS							
Cash at bank- local currency :							
- in PLS saving accounts	4.1	33,247,090	313,348,923				
4.1 Profit rates on these accounts range between 5.50 % and 10.25% per annum (2007: 8.50% and 9.50% per annum) and include balance of Rs. 2.37 million (2007: Rs. 61.93 million) with Askari Bank Limited (a related party) on which profit is earned at 8.50% per annum (2007: 8.50% per annum).							
	Notes	2008 Rupees	2007 Rupees				
5. INVESTMENTS							
At fair value through profit or loss							
- Held for trading							
Quoted equity securities	5.2	469,315,845	296,296,545				
Un-quoted government securities	5.3	-	97,179,000				
		<u>469,315,845</u>	<u>393,475,545</u>				
5.1 The cost of investments amounts to Rs. 484,007,179 (2007: Rs. 297,918,682).							
		As at July 01, 2007	Purchased	Sold/ Redeemed	As at June 30, 2008	Market Value	% of total investments
				Number		Rupees	%
5.2 Quoted equity securities							
Ordinary shares have a face value of Rs. 10/- each							
Investment Banks/ Companies/ Securities							
Arif Habib Securities Limited		100,000	2,235,900	2,085,900	250,000	40,370,000	8.60
Arif Habib Limited		-	112,000	112,000	-	-	-
IGI Investment Bank Limited		-	30,000	30,000	-	-	-
Pervaiz Ahmad Securities Limited		-	85,000	85,000	-	-	-
First National Equities Limited		-	*272,500	172,500	100,000	8,415,000	1.79
Javed Omar Vohra & Company Limited		-	227,900	227,900	-	-	-
JS Investments Limited		-	738,500	513,500	225,000	21,390,750	4.56
Jahangir Siddiqui & Company Limited		-	59,500	59,500	-	-	-
ORIX Investment Bank Pakistan Limited		-	40,000	40,000	-	-	-
Commercial Banks							
Askari Bank Limited		100,000	150,000	250,000	-	-	-
JS Bank Limited		50,000	35,000	85,000	-	-	-
National Bank of Pakistan		125,000	*1,626,800	1,701,800	50,000	7,375,000	1.57
United Bank Limited		100,000	447,500	547,500	-	-	-
Atlas Bank Limited		-	20,000	20,000	-	-	-
BankIslami Pakistan Limited		-	190,000	90,000	100,000	1,481,000	0.32
Bank Al-Falah Limited		-	2,360,500	2,360,500	-	-	-
Standard Chartered Bank Limited		-	150,000	150,000	-	-	-
MCB Bank Limited		-	1,261,700	1,161,700	100,000	32,638,000	6.95
NIB Bank Limited		-	770,000	770,000	-	-	-
The Bank of Punjab		-	*1,610,000	1,610,000	-	-	-
Arif Habib Bank Limited		-	110,000	110,000	-	-	-
Habib Bank Limited		-	80,000	80,000	-	-	-
Meezan Bank Limited		-	*60,000	-	60,000	1,829,400	0.39
Bank Al-Habib Limited		-	20,000	20,000	-	-	-
Insurance							
Adamjee Insurance Company Limited		25,000	497,600	472,600	50,000	13,536,000	2.88
EFU General Insurance Limited		30,000	44,000	74,000	-	-	-
New Jubilee Life Insurance Company Limited		45,000	105,000	150,000	-	-	-
Silver Star Insurance Company Limited		-	9,500	9,500	-	-	-
Progressive Insurance Company Limited		-	10,000	10,000	-	-	-
Pakistan Reinsurance Company Limited		-	134,300	134,300	-	-	-
Premier Insurance Limited		-	15,000	15,000	-	-	-
Cement							
D.G. Khan Cement Company Limited		100,000	2,020,100	2,120,100	-	-	-
Maple Leaf Cement Factory Limited		-	984,500	984,500	-	-	-
Pakistan Cement Company Limited		-	400,000	400,000	-	-	-
Lucky Cement Limited		-	2,869,300	2,519,300	350,000	34,275,500	7.30
Pioneer Cement Limited		-	71,500	-	71,500	2,014,155	0.43

Askari Asset Allocation Fund

	As at July 01, 2007	Purchased	Sold/ Redeemed	As at June 30, 2008	Market Value Rupees	% of total investments %
Power Generation and Distribution						
The Hub Power Company Limited	250,000	1,050,000	1,300,000	-	-	-
Japan Power Generation Limited	200,000	-	200,000	-	-	-
Kot Addu Power Company Limited	100,000	50,000	150,000	-	-	-
Karachi Electric Supply Company Limited	-	600,000	600,000	-	-	-
Sitara Energy Limited	-	5,000	5,000	-	-	-
Oil & Gas Marketing Companies						
Pakistan State Oil Company Limited	2,100	1,091,200	983,300	110,000	45,896,400	9.78
Attock Petroleum Limited	-	164,700	151,700	13,000	5,619,640	1.20
Sui Northern Gas Pipelines Limited	-	1,594,800	1,094,800	500,000	21,785,000	4.64
Oil & Gas Exploration Companies						
Oil & Gas Development Company Limited	300,000	4,893,500	4,893,500	300,000	37,308,000	7.95
Pakistan Oilfields Limited	100,000	1,628,100	1,608,100	120,000	43,780,800	9.33
Pakistan Petroleum Limited	-	2,160,000	1,995,000	165,000	40,588,350	8.65
Mari Gas Company Limited	-	100	100	-	-	-
Automobile Assemblers						
Honda Atlas Cars (Pakistan) Limited	50,000	-	50,000	-	-	-
Indus Motor Company Limited	30,000	118,200	148,200	-	-	-
Pak Suzuki Motor Company Limited	35,000	108,500	93,500	50,000	5,989,500	1.28
Dewan Farooque Motors Limited	-	425,000	425,000	-	-	-
Cable & Electrical Goods						
Pak Elektron Limited	50,000	*11,250	61,250	-	-	-
Technology & Communication						
Pakistan Telecommunication Company Limited	100,000	4,951,100	5,051,100	-	-	-
NetSol Technologies Limited	-	*1,005,900	1,005,900	-	-	-
TRG Pakistan Limited	-	2,367,500	2,367,500	-	-	-
Fertilizers						
Engro Chemical Pakistan Limited	50,000	1,952,300	1,842,300	160,000	44,929,600	9.57
Fauji Fertilizer Company Limited	35,000	285,000	320,000	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	1,950,500	1,450,500	500,000	17,985,000	3.83
Chemicals						
ICI Pakistan Limited	50,000	117,600	142,600	25,000	4,034,250	0.86
Nimir Industrials Chemical Limited	-	280,000	280,000	-	-	-
Sitara Chemical Industries Limited	-	6,000	6,000	-	-	-
Sitara Peroxide Limited	-	156,000	156,000	-	-	-
BOC Pakistan Limited	-	7,000	7,000	-	-	-
Paper & boards						
Packages Limited	35,000	269,600	254,600	50,000	12,594,500	2.68
Century Paper & Board Mills Limited	-	125,000	28,600	96,400	4,820,000	1.03
Refinery						
Attock Refinery Limited	30,000	360,000	390,000	-	-	-
National Refinery Limited	50,000	60,300	110,300	-	-	-
Bosicor Pakistan Limited	-	999,500	999,500	-	-	-
Jute						
Thal Limited	40,000	*47,100	87,100	-	-	-

Askari Asset Allocation Fund

	As at July 01, 2007	Purchased	Sold/ Redeemed	As at June 30, 2008	Market Value Rupees	% of total investments %
Engineering						
Dost Steel Limited	-	280,000	280,000	-	-	-
Crescent Steel and Allied Products Limited	-	115,000	115,000	-	-	-
Sazgar Engineering Works Limited	-	5,000	5,000	-	-	-
Food and Personal Care Products						
Murree Brewery Company Limited	-	*2,700	2,700	-	-	-
Unilever Pakistan Limited	-	2,500	2,500	-	-	-
Nestle Pakistan Limited	-	3,100	-	3,100	5,084,000	1.08
Close End Mutual Funds						
PICIC Growth Fund	-	200,000	200,000	-	-	-
Open End Mutual Funds						
Pak Oman Bank of Punjab Advantage Plus Fund (Unit Price Rs.50 each)	-	400,000	400,000	-	-	-
Pharmaceuticals						
Abbott Laboratories (Pakistan) Limited	-	15,200	15,200	-	-	-
Searle Pakistan Limited	-	10,000	10,000	-	-	-
Synthetic and Rayon						
Ibrahim Fibres Limited	-	35,000	35,000	-	-	-
Dewan Salman Fiber Limited	-	300,000	300,000	-	-	-
Textile Composite						
Nishat Mills Limited	-	1,355,000	1,355,000	-	-	-
Chenab Textile Mills Limited	-	25,000	25,000	-	-	-
Suraj Cotton Mills Limited	-	10,000	-	10,000	535,000	0.11
Dawood Lawn Limited	-	15,000	15,000	-	-	-
Azgard Nine Limited	-	35,000	10,000	25,000	1,539,000	0.33
Transport						
Pakistan International Airlines Limited	-	1,000,000	-	1,000,000	5,000,000	1.07
Vanaspati and Allied Industries						
S.S. Oil Mills Limited	-	15,000	15,000	-	-	-
Miscellaneous						
Pace Pakistan Limited	-	306,000	6,000	300,000	8,502,000	1.81
					4,784,000	100.00
					469,315,845	

* Purchases include bonus shares in respect of following shares:

Script Name	Number of Bonus shares
First National Equities Limited	22,500
National Bank of Pakistan	12,500
The Bank of Punjab	100,000
Meezan Bank Limited	10,000
Pak Elektron Limited	250
NetSol Technologies Limited	20,000
Thal Limited	12,000
Murree Brewery Company Limited	200

5.2.1 In accordance with Circular no. NBFC/ED/MISC/791 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan for the implementation of the Financial Institutions Margining Systems, the Fund has opted to provide collateral to the National Clearing Company of Pakistan Limited (NCCPL), as collateral against the Financial Institutions Margining System for CFS Trades in the form of pledge of quoted equity securities. The equity securities are pledged with National Clearing Company of Pakistan Limited for such purpose and the market value of the pledged equity securities is Rs. 53,779,906 (2007: Nil).

	As at July 01, 2007	Purchased	Sold/ Redeemed	As at June 30, 2008	Cost	Market Value	% of total investments

5.3 Unquoted government securities

Pakistan Investment Bonds	4	2	6	-	-	-	-
These have a face value of Rs. 25,000,000/- each							

Askari Asset Allocation Fund

	Note	2008 Rupees	2007 Rupees
6. DEPOSITS AND OTHER RECEIVABLES - Considered Good			
Security deposits	6.1	3,600,000	3,500,000
Return on bank deposits		-	206,515
Markup on Government Securities		-	1,121,739
Dividend receivable		2,032,500	767,500
Withholding tax receivable		248,472	-
		<u>5,880,972</u>	<u>5,595,754</u>
6.1 This includes security deposits with:			
Central Depository Company of Pakistan Limited		100,000	-
National Clearing Company of Pakistan Limited		3,500,000	3,500,000
		<u>3,600,000</u>	<u>3,500,000</u>
7. DEFERRED FORMATION COST			
Preliminary and floatation costs		2,500,000	1,500,000
Less: Amortisation of preliminary and floatation costs- accumulated			
Balance at the beginning of the year		(23,836)	-
Amortisation for the year		(442,925)	(23,836)
Balance at the end of the year		<u>(466,761)</u>	<u>(23,836)</u>
		<u>2,033,239</u>	<u>1,476,164</u>
8. REMUNERATION PAYABLE TO MANAGEMENT COMPANY			
The management company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Regulations, upto a maximum of 3% per annum based on the daily average net assets of the Fund during the first five years and 2% per annum based on such assets thereafter. Accordingly, the management company has charged 3% per annum (2007: 3% per annum) based on the such assets as remuneration in respect of the current year.			
9. REMUNERATION PAYABLE TO TRUSTEE			
The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, based on the daily average net assets value of the Fund.			
The trustee has charged its remuneration at 0.2% per annum (2007: 0.2% per annum) on the daily average net assets during the year.			
10. ANNUAL FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
This represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP an amount equal to one tenth of 1% (2007: one tenth of 1%) of the daily average net assets of the Fund.			
11. ACCRUED AND OTHER LIABILITIES			
Reimbursements to management company	11.1	73,987	4,610,000
Audit Fee		250,710	150,000
Other liabilities		107,568	520,000
		<u>432,265</u>	<u>5,280,000</u>
11.1 Reimbursements to management company			
		2008 Rupees	2007 Rupees
Security deposit paid to National Clearing Company of Pakistan Limited		-	3,500,000
Preliminary and floatation costs payable		-	1,110,000
Tax Exemption Certificate processing fee		50,000	-
Front end sales load payable		23,987	-
		<u>73,987</u>	<u>4,610,000</u>

Askari Asset Allocation Fund

12. CONTINGENCIES AND COMMITMENTS				
There were no contingencies and commitments at the year end (period ended June 30, 2007: Nil).				
		Year ended June 30, 2008 Rupees	For the period from May 25, 2007 to June 30, 2007 Rupees	
13. AUDITORS' REMUNERATION				
Audit fee		150,000	100,000	
Half yearly review		75,000	-	
Out of pocket expenses		28,710	50,000	
		<u>253,710</u>	<u>150,000</u>	
13. CONTINGENCIES AND COMMITMENTS				
There were no contingencies and commitments at the year end (period ended June 30, 2007: Nil).				
	Class	Note	2008 Number	2007 Number
14. NUMBER OF UNITS IN ISSUE				
The management of the Fund has issued the following classes of units:				
Description				
Description				
Units that shall be charged with no sales load (Restrictive)	A	14.1	2,500,000	2,500,000
Units that shall be charged with no sales load (Non-Restrictive)	A		-	-
Units that will be charged with front end load	B		75,984	233,651
Units that will be charged with back end load	C		2,996,541	3,540,089
Units that will be charged with both front and back end loads	D		-	-
			<u>5,572,525</u>	<u>6,273,740</u>
14.1 These are the units which were subscribed on May 25, 2007 by Askari Bank Limited with the restriction that these units are not redeemable or transferable for a period of two years from the date of subscription.				
14.2 The par value of each unit is Rs. 100. The management of the Fund has set a minimum investment size of Rs. 5,000. All units carry equal rights and are entitled to dividends and payment of net assets value on liquidation.				
15. TAXATION				
No provision for taxation has been made in the financial statements in view of the exemption under clause 99 of Part 1 of the second schedule of the Income Tax Ordinance, 2001.				
16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES				
Connected persons include Askari Investment Management Limited being the management company; Askari Bank Limited being the holding company of the management company; Askari Cement Limited, Askari General Insurance Company Limited, Islamabad Stock Exchange (Guarantee) Limited, Askari Cement Education Trust, Army Welfare Trust and Askari Securities Limited being group companies; and Askari Bank Employee Provident Fund, President Askari Bank Limited Fund, Askari Investment Management Limited Employee Provident Fund, Askari Investment Management Limited Employee Gratuity Fund and Askari Cement Workers' Profit Participation Fund being post-employment benefit plans of the said companies.				
The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with the market rates.				
			2008 Rupees	2007 Rupees
Transactions with the management company				
Remuneration for the year / period			19,973,428	1,064,882
Payable as at end of the year / period			1,232,152	5,674,882
Units at the beginning of the period			-	-
Units purchased			-	-
Bonus Units			-	-
Units redeemed			-	-
Outstanding Units			-	-
Transactions with the Trustee				
Remuneration for the year / period			1,331,558	70,992
Payable at the end of the year / period			77,207	70,992

Askari Asset Allocation Fund

	Units	2008 Rupees	2007 Rupees
Transactions with Askari Bank Limited			
Bank balance as at the end of the year / period	-	2,373,199	61,933,700
Mark-up on a deposit account during the year / period	-	302,008	624,200
Units at the beginning of the year / period	2,500,000	255,428,577	-
Units purchased	-	-	250,000,000
Bonus units	49,558	4,964,965	-
Units redeemed	49,558	4,954,771	-
Outstanding units	2,500,000	219,711,175	255,428,577
Investment by Fund in shares of the Bank at the beginning of the year / period	100,000	10,590,000	-
Shares of the Bank purchased by Fund during the year / period	150,000	25,645,000	-
Shares of the Bank sold by Fund during the year / period	250,000	34,972,240	-
Profit on spread transactions in the Bank's shares	-	330,618	-
PIBs purchased	-	-	97,612,578
Transactions with Islamabad Stock Exchange (Guarantee) Limited			
Units at the beginning of the year / period	201,622	20,599,966	-
Units purchased	191,376	19,400,000	20,600,000
Bonus units	3,997	400,417	-
Outstanding units	396,995	34,889,695	20,599,966
Transactions with Executives / Directors of the management company			
Units at the beginning of the year / period	42,773	4,370,128	-
Units purchased	270,619	24,163,326	4,318,474
Bonus units	848	84,947	-
Units redeemed	307,946	27,675,690	-
Outstanding units	6,293	553,075	4,370,128
Transactions with Askari Cement Education Trust			
Units at the beginning of the year / period	11,413	1,166,083	-
Units purchased	-	-	1,150,000
Bonus units	226	22,664	-
Units redeemed	11,639	1,021,520	-
Outstanding units	-	-	1,166,083

Askari Asset Allocation Fund

17. MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION

The Fund's MROR sensitivity related to financial assets and financial liabilities can be determined from the following:

	2008				Total
	Upto three months	Exposed to MROR Risk More than three months and upto one year	More than one year	Not exposed to MROR risk	
Rupees					
On balance sheet financial instruments					
Financial assets					
Balances with banks	33,247,090	-	-	-	33,247,090
Receivable against sale of marketable securities	-	-	-	-	-
Investments	-	-	-	469,315,845	469,315,845
Deposits and other receivables	-	-	-	5,880,972	5,880,972
	<u>33,247,090</u>	<u>-</u>	<u>-</u>	<u>475,196,817</u>	<u>508,443,907</u>
Financial liabilities					
Remuneration payable to management company	-	-	-	1,158,165	1,158,165
Remuneration payable to trustee	-	-	-	77,207	77,207
Annual fee payable to Securities and Exchange Commission of Pakistan	-	-	-	665,776	665,776
Amount payable against redemption of units	-	-	-	9,709,125	9,709,125
Payable against purchase of marketable securities	-	-	-	8,696,174	8,696,174
Accrued and other liabilities	-	-	-	432,265	432,265
	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,738,712</u>	<u>20,738,712</u>
On balance sheet gap	<u>33,247,090</u>	<u>-</u>	<u>-</u>	<u>454,458,105</u>	<u>487,705,195</u>
2007					
	Exposed to MROR Risk				Total
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	
Rupees					
On balance sheet financial instruments					
Financial assets					
Balances with banks	313,348,923	-	-	-	313,348,923
Receivable against sale of marketable securities	-	-	-	8,296,921	8,296,921
Investments	296,296,545	-	97,179,000	-	393,475,545
Deposits and other receivables	-	-	-	5,595,754	5,595,754
	<u>609,645,468</u>	<u>-</u>	<u>97,179,000</u>	<u>13,892,675</u>	<u>720,717,143</u>
Financial liabilities					
Remuneration payable to management company	-	-	-	1,064,882	1,064,882
Remuneration payable to trustee	-	-	-	70,992	70,992
Annual fee payable to Securities and Exchange Commission of Pakistan	-	-	-	35,496	35,496
Amount payable against redemption of units	-	-	-	-	-
Payable against purchase of marketable securities	-	-	-	74,744,945	74,744,945
Accrued and other liabilities	-	-	-	5,280,000	5,280,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,196,315</u>	<u>81,196,315</u>
On balance sheet gap	<u>609,645,468</u>	<u>-</u>	<u>97,179,000</u>	<u>(67,303,640)</u>	<u>639,520,828</u>

17.1 Effective Interest rates have been disclosed in the respective notes to the financial statements.

Askari Asset Allocation Fund

18. RISK MANAGEMENT

The Fund primarily invests in a diversified portfolio of equity securities, fixed rate corporate debt instruments, government securities and other money market instruments. Such investments are subject to varying degrees of risks. These risks emanate from various factors that include but are not limited to:

18.1 Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market prices

The Fund manages market risk by monitoring exposure on securities by following the internal risk management policies and investment guidelines approved by the Board of Directors of the management company and regulations laid down by the Securities and Exchange Commission of Pakistan.

18.2 Credit Risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties to fulfill their obligations. The risk is generally limited to principal amounts and accrued interest thereon, if any.

18.2.1 Credit Risk Management

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors of the management company. In addition, the risk is managed through assignment of credit limits, obtaining adequate collaterals and by following strict credit evaluation criteria. The Fund does not expect to incur material credit losses on its financial assets.

18.2.2 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. Financial assets subject to credit risk amount to Rs. 38,879,590 (2007: Rs. 720,717,143). The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

18.3 Liquidity Risk

Liquidity risk is the risk that the fund may encounter difficulty in raising funds to meet its obligations and commitments. The management company of the Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

18.4 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. As at the balance sheet date, the Fund has exposure to interest rate risk on bank balances. Their respective effective interest rate is disclosed in the relevant note to the financial statements.

18.5 Capital Management

The Fund's objective when managing unit holder's funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holder's and to ensure reasonable safety of capital.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset can be exchanged, or liability can be 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 values 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 on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the management company on August 20, 2008.

21. COMPARATIVE FIGURES

Prior year's figures have been reclassified as follows, for better presentation:

From	To	Amount Rupees
Creditors, accrued and other liabilities	Annual fee payable to Securities and Exchange Commission of Pakistan	35,496
Creditors, accrued and other liabilities	Payable against purchase of marketable securities	74,744,945

22. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top ten brokers, members of the Investment Committee, fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company has been disclosed in Annexure I to the financial statements.

23. GENERAL

Figures have been rounded off to the nearest rupee.

For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION
AS REQUIRED UNDER SECTION 6(D), (F), (G), (H), (I), (J) AND (K)
OF THE FOURTH SCHEDULE TO THE NBFC REGULATIONS**

(i) UNIT HOLDING PATTERN OF THE FUND

Category	Number of unit holders	Amount	% of total
		Rupees (at par value of Rs. 100/- per unit)	
DFIs/Banks	4	153,697,994	28%
Individuals	20	7,376,612	1%
Retirement Funds	2	36,601,815	7%
Associated Companies/ Directors	4	289,921,166	52%
NBFCs	2	17,192,788	3%
Others	3	52,462,157	9%
	35	557,252,532	100%

(ii) LIST OF TOP BROKERS BY PERCENT OF THE COMMISSION PAID

Name of broker	Percentage of commission paid
Al Falah Securities (Pvt.) Limited	8.11%
Foundation Securities (Pvt.) Limited	8.70%
Jahangir Siddique Capital Market Limited	8.97%
Arif Habib Securities Limited	7.62%
Al Habib Capital Markets (Pvt.) Limited	9.51%
Invest & Finance Securities (Pvt) Limited	9.01%
Noman Abid & Company Limited	5.51%
Escorts Investment Bank Limited	6.26%
IGI Finex Securities Limited	6.26%
ClikTrade Limited	4.29%
	74%

(iii) MEMBERS OF THE INVESTMENT COMMITTEE

Following are the members of the Investment Committee of the Fund:

<u>Name</u>	<u>Designation</u>	<u>Qualification</u>	<u>Overall experienc</u>
Saeed Aziz Khan	CEO / Fund Manager*	BBA	26 Years
Rizwan Hasan Khan	CFO	MBA Executive	12 Years
Tauheed Siddiqui	Head of Business Development	MBA	16 years
Adnan Muzaffar	Fund Manager (Askari Income Fund)	MBA	11 years

* The Fund Manager is not managing any other fund.

(iv) ATTENDANCE AT BOARD MEETINGS

The details of dates of Board meetings of the Management Company of the Fund, and the attendance of the Board members are given below:

Name of Director	Designation	Meeting held on					
		09.07.2007	03.08.2007	24.10.2007	12.02.2008	04.04.2008	25.04.2008
Lt Gen. (R) Zarrar Azim	Chairman	P	P	P	P	P	P
Mr. Muhammad Naseem	Director	P	P	P	P	P	P
Mr.Kashif Mateen Ansari	Director	P	P	P	P	L	L
Dr.Bashir A Khan (till 02-06-08)	Director	P	P	P	P	P	P
Mr. Adnan Afaq (till 15-09-07)	CEO	P	P	N/A	N/A	N/A	N/A
Mr.Shaharyar Ahmed (till 10-04-08)	Director	L	P	P	P	L	N/A
Mr. Muhammad Arif Mian	Director	L	P	P	P	P	P
Mr.Shahid Hafeez Azmi	Director	L	P	P	P	P	P
Mr.Saeed Aziz Khan (w.e.f. 29-09-07)	CEO	N/A	N/A	P	P	P	P
	P	Present					
	L	Leave of absence					

(v) RATING OF THE FUND AND THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of "AM3" to the Company. The rating reflects the Company's strong capacity to manage the risks inherent in asset management and the asset manager meets high investment management industry standards and benchmarks.

PACRA initiated the process of assigning a rating to the Fund in May 2008 after completion of one year of operations by the Fund. The process is currently in progress.