

Askari Mutual Funds  
Managed by



## 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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## 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 year ended June 30, 2007.

### **Overall Economic Scenario**

#### *Global Economic Scenario*

The global economy is growing at a fast pace compared to recent history. This trend (5.2%) is likely to continue this year and into the next. The US, the world's largest economy, however, is showing signs of cooling. Japan, in the number two slot, is not showing any signs of robust growth and the Euro Area is expected to perform only slightly better. Global growth at the moment is being primarily driven by the emerging markets. There is a lot of excitement about future growth especially in Brazil, Russia, India, and China, (BRIC).

According to IMF, downside risks to global growth related to the U.S. housing sector, supply-side inflation pressures and a possible disorderly adjustment of global imbalances are all seen to have receded somewhat recently, but they still raise concerns. Risks related to overextension of financial markets are viewed as moderately increased. There appears to be a fairly good chance that domestic demand in emerging markets would lead to further growth, and domestic demand in Western Europe is similarly expected to grow. However, central banks all over the world are worried about rising inflation in the wake of a robust global economy and don't seem to be in a mood to cut interest rates.

Private capital flows reached their peak worldwide last year and are expected to decrease slightly in 2007. After the recent bull-run in most stock markets, portfolio investment is likely to go down. Foreign direct investment may increase as mergers and acquisitions and private equity business continue to be in favor.

#### *Performance of Pakistan's Economy*

Pakistan's economy has grown at a robust pace of 7.0% over the last five years. This pace is likely to continue this year. Last year, investment in Pakistan reached at the highest proportion of Gross Domestic Product. Growth came from all sectors of the economy: agriculture, manufacturing, and services. Foreign remittances, FDI, and portfolio investment registered impressive growth. Financial markets were flooded with liquidity, which found its way mainly into the surging stock market. Foreign exchange reserves reached new all time highs and the rupee remained stable around Rs 60 per US dollar.

Slower growth in the developed world means more money flowing to Pakistan in search of higher returns. This could be in the form of higher foreign direct investment (new businesses, acquisitions by foreigners and listing of Pakistani companies in foreign markets), higher portfolio investment (in Pakistani stocks and bonds), and higher remittances. Floatation of Pakistan's sovereign bonds at attractive rates should also be relatively easier. This increase in foreign assets in Pakistan are likely to bring down interest rates, while international monetary tightening and fears of double-digit food inflation will force SBP to keep liquidity in check and interest rates on higher side. Higher food prices in international markets will

benefit Pakistan's farmers and exporters. Slowing developed economies, however, may import less from Pakistan and emerging markets due to lower demand.

On the monetary front, State Bank mopped up liquidity from the money market to sterilize inflows from abroad and to keep liquidity in check (and consequently inflation under control). In fact, Pakistan did succeed in bringing core inflation (non-food, non-energy) under control. Food inflation, however, remained a major source of concern mainly due to global pressure in food prices and supply chain issues in Pakistan. SBP's tight monetary stance however, reduced borrowing by businesses, to the detriment of growth in the economy.

### ***Performance of Pakistan Stock Market***

The Karachi Stock Exchange (KSE) remained bullish for the sixth consecutive year, as the benchmark KSE-100 index grew by 38% over FY2006-2007 on the back of interest from foreign investors, strong economic growth and higher corporate earnings expectations. Pakistani Stocks got a favorable boost after Goldman Sachs ranked Pakistan among Next-11 Emerging Economies after Brazil, Russia, India, and China. Despite this, the Pakistan market under-performed Morgan Stanley Composite Index for Emerging Markets (MSCI), which gave a 43 percent return.

Foreign investment inflows were this year's highlight. Pakistan's equity market attracted \$2.5 billion worth of foreign buying during FY07 including three GDRs (OGDC, MCB and UBL). Continuous Funding System rates dropped as more suppliers entered the market to provide financing.

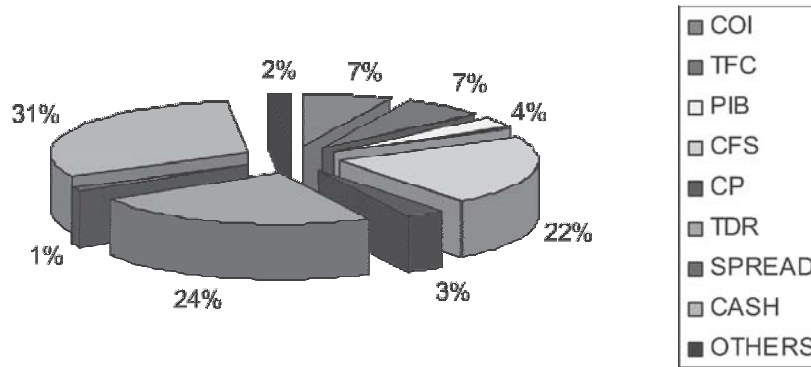
### **Performance of Funds and Income Distribution**

#### ***Askari Income Fund***

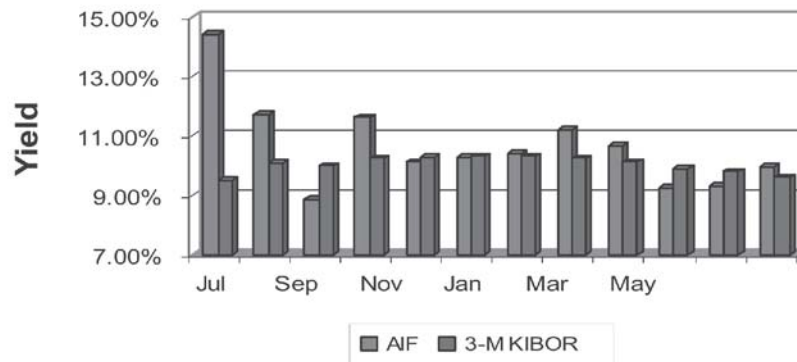
By the end of FY 07 AIF had successfully completed one and a quarter year of operations. AIF earned an impressive return of 11.20% during FY07 and has remained amongst the top 3 performing income funds during the time frame. The fund has consistently out-performed its benchmark (3-month KIBOR @ average 10.1%) by nearly 1% on a year-on-year basis. The political situation started to deteriorate during March, at which point the fund manager decided to adopt a more conservative approach and shifted the portfolio more towards bank and cash placements. At that point, the fund manager moved his focus from higher yield to capital preservation, which is the single most important factor for us. The situation was further exacerbated by high liquidity, which led to the lower yield highlighted above. Since June 15, we have re-evaluated our strategy and adopted a more aggressive approach leading to a higher yield of nearly 11% in the last two weeks of June.

AIF size crossed Rs. 9.4 billion during the month of June. Our growth rate was one of the highest among all income funds in the country.

### ASKARI INCOME FUND



AIF Yield Vs. 3-M Kibor FY2006-07



On an overall basis the fund in the current year earned net income of Rs 982.15 million as against the income of Rs 55.22 million during the last year. The Basic Earnings per Unit amounted to Rs 11.68. Financial income increased by Rs 466.14 million due a much larger fund size and better returns on almost all forms of investment avenues.

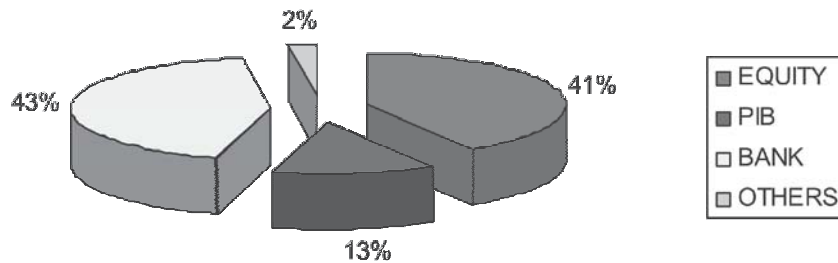
The Board of Directors is pleased to inform you that for the current year Bonus Distribution of 11.06 per unit have been approved. Distribution amounting to Rs 930.23 million represents 95.35% of current year's profit. The percentage of distribution shall ensure that tax exemption under clause 99 of 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***

The year 2006-07 is the first year of operation for Askari Asset Allocation Fund (AAAF), which is in the Pre-IPO stage as of June-30<sup>th</sup>, 2007. We are thankful to our unit holders for posing their confidence in us. AAAF received its core capital from Askari bank on May-25, 2007 and started investments from June-02, 2007. As at June 30, 2007 the fund size increased to Rs 640 million.

The investment composition of the fund at the year end remained as follows:

### ASKARI ASSET ALLOCATION FUND



AAAF Fund yield, based on Net Asset Value, was 27.33% annualized since its launch on June 02, 2007.

The fund has earned a gross income of Rs 15.75 million along with expenses of Rs 2.13 million, thereby generating a net income of Rs 13.62 million.

Considering the overall results, the Board of Directors is pleased to inform you that for the current year a bonus distribution of 1.99 per unit has been approved. This bonus distribution represents 91.46% of current year's net income as reduced by capital gains. This percentage of distribution shall ensure that taxation 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.

#### Qualification in the Audit Report

Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 provide that the quoted securities should be valued at the closing rates at the stock exchange. TFCs quoted on the stock exchange are neither actively traded on the exchange nor the quotes available are indicative of fair value of the underlying security. In accordance with the guidelines of IAS-39, to reflect the reliable measure of fair value for Term Finance Certificates, the Management Company has adopted policy of valuation of TFCs based on the average quotes available from reputable brokerage houses dealing in money market transaction. The same point has been mentioned by external auditors of the fund in their audit report. This treatment adopted by AIF and AAAF is common with many other mutual funds in Pakistan.

## Code of Corporate Governance

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

The Board of Directors, in their meeting held on August 04, 2006 has taken following measures to further strengthen the system of compliance with the Code:

1. Adoption of Vision statement;
2. Approval of overall policy for code of corporate governance; and
3. Formulation and approval of Code of Ethics for Directors and employees.

The details as required by the Code of Corporate Governance regarding the pattern of unit holding as on June 30, 2007 are as given below:

### Askari Income Fund

Description	No of Accounts	No of units Held	Percentage
Individuals	243	8,334,188.8371	9.91
Banks & Financial Institutions	20	41,009,040.326	48.75
Insurance/leasing & other corporates	47	32,967,805.0047	39.19
Non Banking Financial Institutions	1	197,297.0307	0.24
Retirement Funds	24	1,483,606.2133	1.76
Welfare/Social Organizations	4	125,876.1583	0.15
<b>Total</b>	<b>339</b>	<b>84,117,813.5701</b>	<b>100</b>

### Askari Asset Allocation Fund

Description	No of Accounts	No of units Held	Percentage
Individuals	14	233,651.1893	3.72
Banks & Financial Institutions	10	4,243,634.1659	67.64
Other Corporate	8	1,786,523.3560	28.48
Retirement Funds	1	9,931.5123	0.16
<b>Total</b>	<b>33</b>	<b>6,273,740.2235</b>	<b>100</b>

### 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,

requirements of the trust deed and directives issued by the Securities and Exchange Commission of Pakistan have been followed in the preparation of the financial statement and any deviation therefrom has been disclosed.

5. The system of internal controls is sound in design and have 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 regulation.
8. The funds units held by directors and executives of Askari Investment Management Ltd. are disclosed in the notes of financial statements.

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

Attendance of this meeting was as follows:

	<b>Meetings Attended</b>
Lt. Gen (R ) Zarrar Azim	4
Mr. Shaharyar Ahmad	5
Mr. Mohammad Naseem	4
Mr. Mohammad Arif Mian	2
Mr. Kashif Mateen Ansari	4
Mr. Shahid Hafeez Azmi	1
Dr. Bashir Ahmad Khan	4
Mr. Adnan Afaq	5

Key operating and financial data for the period is as follows:

	<b>Askari Income Fund</b>	<b>Askari Asset Allocation Fund</b>
Net Assets	9,399,362,925	640,996,990
Net Asset Value per unit	111.74	102.17
Net Income	982,145,998	13,622,967
Dividend Distribution	930,230,411	12,459,566
Basic Earning per unit	11.68	2.17

### Future Outlook

Sustaining growth momentum is the biggest challenge for Pakistan. Job creation, poverty alleviation, improving social indicators, and strengthening the country's physical infrastructure capable of sustaining growth in the range of 7-8% in the medium term are particular matters of concern. Growth in corporate profitability is expected to sustain at current level. We see interest rates staying at the current levels for the second half of CY07. Continuous Funding System (CFS) rates may rise somewhat as more companies are likely to become eligible for CFS financing and the cap on maximum funding is revised. Given the uncertain political situation in the country in the run-up to elections, the stock market may remain range bound. Assuming the political outlook becomes stable, the stock market might gain significantly in an effort to match our emerging market peers which are trading at



relatively higher PE's. We don't see budget deficit going down this year, which means that credit availability to private sector may remain stifled. The current account deficit is not likely to improve as there are no signs of any significant improvement in Pakistan's exports or reduction in imports. Real Estate, in general, is likely to under perform other asset classes as property prices are still high relative to their ability to generate rental income.

For and on behalf of the Board



**Adnan Afaq**  
**Chief Executive Officer**



**Lt. Gen (R) Zarrar Azim**  
**Chairman**

Islamabad: August 03, 2007

Askari Income Fund  
*Managed by*



**ASKARI INCOME FUND**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2007**

## FUND INFORMATION

Management Company	Head Office Askari Investment Management Ltd. 501 & 502, Green Trust Tower, Blue Area, Jinnah Avenue, Islamabad UAN: 111-246-111 – Fax. 051- 2813016 Email: <a href="mailto:info@askariinvestments.com">info@askariinvestments.com</a>
	Registered Address 4th Floor, AWT Plaza, I.I. Chundrighar Road, Karachi.
Board of Directors of the Management Company	Lt. Gen. (R.) Zarrar Azim H.I.(M) – Chairman Mr. Shaharyar Ahmad Mr. Kashif Mateen Ansari Mr. Adnan Afaq- F.C.A.(Chief Executive) Mr. Muhammad Naseem- FCA Mr. Shahid Hafeez Azmi Dr. Bashir Ahmad Khan Mr. Arif Mian – FCA, CFA
Executive Committee	Mr. Shaharyar Ahmad (Chairman) Mr. Adnan Afaq – FCA Mr. Shahid Hafeez Azmi Dr. Bashir Ahmad Khan Mr. Arif Mian – FCA, CFA
Audit Committee	Mr. Muhammad Naseem- FCA (Chairman) Mr. Shaharyar Ahmad Dr. Bashir Ahmad Khan Mr. Arif Mian – FCA, CFA
Chief Financial Officer	Mr. Rizwan Hasan Khan
Company Secretary	Syed Shoaib Jaffery

Askari Income Fund  
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Trustee	Central Depository Company of Pakistan Ltd. (CDC) Suit# M-6-7, Mezzanine Floor Progressive Plaza, Beaumont Road Karachi Te. 1: (92-021) 111-232-725
Bankers to the Fund	Askari Bank Ltd. Bank Alfalah Ltd.
Auditor	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 Ph. 021-111520000 – Fax. 021-5862329
Registrar	Technology Trade (Pvt.) Ltd. Dagia House: 241-C, P.E.C.H.S Block-2, Shah rah-e-Quaideen, Karachi.
Distributors	Askari Bank Ltd. Flow (Pvt.) Ltd. Star Funds First International Investment Bank Ltd.

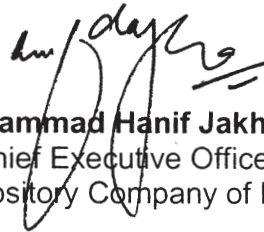
**REPORT OF THE TRUSTEE  
ASKARI INCOME FUND**

**Report of the Trustee Pursuant to Rule 76(h) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.**

Askari Income Fund, an open-end fund was established under a trust deed executed between Askari Investment Management Limited, as the Asset Management Company and Central Depository Company of Pakistan Limited as Trustee on December 5, 2005. The Scheme was authorized by the Securities and Exchange Commission of Pakistan (SECP) on December 16, 2005.

In our opinion, Askari Investment Management Limited, the Asset Management Company of Askari Income Fund has in all material respects managed Askari Income Fund during the year ended June 30, 2007 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

For the purpose of information, the attention of the Unit Holders is drawn towards the Other Matters in the Independent Auditors' Report where in it is specified that Term Finance Certificates (quoted and unquoted) and the Government Securities have been valued on the basis of quotation obtained from reputable brokerage houses, however, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 requires the same to be valued on the basis of closing price of stock exchange and the investment price.



**Mohammad Hanif Jakhura**  
Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: August 27, 2007

## 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 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 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A director was elected at AGM held at September 22, 2006 (subject to the approval of SECP). The SECP gave its approval in accordance with NBFC Rules 2003 on November 14, 2006.
5. 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.
6. The management company has developed a vision/ mission statement and significant policies of the fund that has been approved by the board.
7. 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.
8. 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 recoded and circulated.
9. 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 article of association and are aware of their duties and responsibilities.
10. 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.

11. The financial Statements of the fund were duly endorsed by the CEO and CFO of the management company before approval of the board.
12. Units held by Director, CEO, CFO and executives are disclosed in the note 20 of the financial statements. Shares held by the directors are disclosed in the pattern of shareholding.
13. The management company has complied with all the applicable corporate and financial reporting requirements of the Code.
14. 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.
15. 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.
16. 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.
17. 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.
18. 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.
19. We confirm that all other material principles contained in the Code have been complies with.



Shaharyar Ahmad  
Director



Adnan Afaq  
Director

August 03, 2007

**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 Management Company of the Askari Income Fund (Fund) to comply with the Listing Regulations No. 43 Chapter XIII of the Lahore Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the 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. 9 of 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 June 30, 2007.

**Lahore**

03 August 2007

  
**Chartered Accountants**



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **Askari Income Fund** which comprises of the statement of assets and liabilities as at June 30, 2007 and the income statement, distribution statement, cash flow statement and statement of movement in unit holders funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

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 (NBFC Rules) 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 the 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 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 opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2007 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved standards as applicable in Pakistan

### Other matters

Except for the effects on the valuation of the Term Finance Certificate (quoted and unquoted), Government securities as fully explained in note 7.1 read with note 3.2 of the financial statement, In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the NBFC Rules.

LAHORE:  
AUGUST 03, 2007

  
CHARTERED ACCOUNTANTS

**ASKARI INCOME FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2007**

	<u>Note</u>	<u>June 30, 2007</u> Rupees	<u>June 30, 2006</u> Rupees
<b>Assets</b>			
Balances with banks	4	2,912,318,604	49,236,131
Placements with banks and financial institutions	5	2,950,203,186	886,378,163
Receivable against Continuous Funding System	6	2,087,623,395	32,952,484
Investments	7	1,346,542,699	330,347,347
Deposits and other receivables	8	159,889,376	5,522,649
Deferred Formation Cost	9	1,745,202	2,245,204
<b>Total Assets</b>		<b>9,458,322,462</b>	<b>1,306,681,978</b>
Remuneration payable to management company	10	9,706,469	305,747
Amount Payable on redemption of Units		41,859,504	-
Remuneration payable to trustee	11	730,302	64,009
Creditors, accrued and other liabilities	12	6,663,262	142,632,611
<b>Total Liabilities</b>		<b>58,959,537</b>	<b>143,002,367</b>
Contingencies and commitments	13	-	-
 Net assets		 <b>9,399,362,925</b>	 <b>1,163,679,611</b>
<b>Unit holders' fund</b>		<b>9,399,362,925</b>	<b>1,163,679,611</b>
Number of units in issue	15	84,117,814	11,084,619
Net asset value per unit	Rs.	111.74	104.98

The annexed notes 1 to 27 form an integral part of these financial statements.

For Askari Investment Management Limited  
 (Management Company)



Chief Executive



Chairman



Director

**Askari investment Management Ltd**

Askari Income Fund

Managed by



**ASKARI INCOME FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

For the period  
 from December  
 27 2005 to June

	Note	June 30, 2007	For the period from December 27 2005 to June 30, 2006
		Rupees	Rupees
<b>INCOME</b>			
Net gain/ income from sale of marketable securities		31,599,860	2,243,411
Unrealised gain/ (loss) on remeasurement of held for trading investments and derivatives at fair value		6,550,392	(61,264)
Net gain/ income from marketable securities		38,150,252	2,182,147
Mark-up on term finance certificates		46,369,659	1,305,661
Return on bank deposit and placements		265,743,101	10,388,261
Finance income on Continuous Funding System		108,480,286	5,211,188
Income from Government Securities		12,957,785	-
Income from Commercial Paper		13,525,954	-
Dividend Income		1,542,250	-
Other Income	14	290,908	-
		448,909,943	16,905,110
<b>Element of income and capital gains in prices of units sold less those in units redeemed</b>		568,216,864	38,692,333
		1,055,277,059	57,779,590
<b>EXPENSES</b>			
Remuneration of management company	10	56,938,115	1,483,883
Remuneration of trustee	11	4,868,154	209,909
SECP Annual Fee	12.1	3,864,175	148,400
Amortisation of formation costs	9	500,002	254,796
Auditors' remuneration	16	569,447	200,000
Custody Charges		1,648,100	46,085
Brokerage commission		2,719,286	93,056
Bank charges		52,237	4,300
Other charges		1,971,544	122,860
Total Expenses		73,131,061	2,563,289
Net Income		982,145,998	55,216,301
Earning per unit	17	11.68	4.98

The annexed notes 1 to 27 form an integral part of these financial statements.

For Askari Investment Management Limited  
 (Management Company)

Chief Executive

Chairman

Director

**Askari investment Management Ltd**

**ASKARI INCOME FUND**  
**DISTRIBUTION STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>June 30, 2007</u> Rupees	<u>For the Period from December 27, 2005 to June</u> Rupees
Undistributed income as at the beginning of the year/ period	55,216,301	-
Net Income for the year/ period	982,145,998	55,216,301
Distribution- bonus units @ 4.49% of the face value of Rs. 100/- per unit for the period ended June 30, 2006 as approved by the BOD in their meeting held on July 3, 2006.	(49,783,007)	-
Undistributed income carried forward	<u>987,579,292</u>	<u>55,216,301</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For Askari Investment Management Limited  
 (Management Company)



Chief Executive



Chairman



Director

**Askari investment Management Ltd**

**ASKARI INCOME FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>June 30, 2007</u> Rupees	<u>For the period from December 27, 2005 to June 30, 2006</u> Rupees
Net assets at the beginning of the year/ period	1,163,679,611	-
Issue of 198,009,603* (2006: 11,426,654) units	21,467,337,363	1,182,998,608
Redemption of 124,976,409 (2006: 342,035) units	(13,645,583,183)	(35,842,965)
	7,821,754,180	1,147,155,643
Element of income and capital gains in prices of units sold less those in units redeemed- transferred to income statement	(568,216,864)	(38,692,333)
Net Income for the year/ period	982,145,998	55,216,301
<b>Net assets at the end of the year/ period</b>	<b>9,399,362,925</b>	<b>1,163,679,611</b>
*Including 495,402 bonus units issued during the year		
<b>Net assets as at the end of the year/ period consist of:</b>		
Capital account	8,411,783,633	1,108,463,310
Undistributed income carried forward	987,579,292	55,216,301
	9,399,362,925	1,163,679,611

The annexed notes 1 to 27 form an integral part of these financial statements.

For Askari Investment Management Limited  
(Management Company)



Chief Executive



Chairman



Director

Askari Income Fund

Managed by



**ASKARI INCOME FUND**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Note	June 30, 2007	For the Period from December 27, 2005 to June 30, 2006
		Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year/ period		982,145,998	55,216,301
<b>Adjustments</b>			
Elements of income and capital gains included in prices of units issued less those in units repurchased		(568,216,864)	(38,692,333)
Markup on term finance certificates		(5,473,211)	(1,305,661)
Return on bank deposit and placements		(56,471,134)	(1,567,476)
Unrealised gain/ (loss) on remeasurement of held for trading investments and derivatives at fair value		(6,550,392)	61,264
Unrealised markup on reverse repurchase transactions		(56,982,867)	(1,170)
Amortization of preliminary expenses		500,002	254,796
		(693,194,466)	(41,250,580)
<b>(Increase)/ decrease in assets</b>			
Receivable against Continuous Funding System		(2,054,670,911)	(32,952,484)
Mark-up on placement with financial institution		(14,490,046)	-
Mark-up on government securities		(4,537,674)	-
Mark-up on commercial paper		(13,525,953)	-
Receivable against Future contracts		-	-
Deposits and other receivables		(2,885,842)	(1,100,000)
Purchase of held for trading investments- net		(1,009,644,960)	(330,408,610)
Purchase of interest on term finance certificates		-	(1,548,343)
Preliminary expenses and flotation costs		-	(2,500,000)
		(3,099,755,386)	(368,509,437)
<b>Increase/ (decrease) in liabilities</b>			
Remuneration payable to management company		9,400,722	305,747
Remuneration payable to trustee		666,293	64,009
Payable against redemption of units		41,859,504	-
Creditors, accrued and other liabilities		(135,969,349)	142,632,611
		(84,042,830)	143,002,367
<b>Cash generated from operating activities</b>		(2,894,846,683)	(211,541,349)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Cash used in investing activities		-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipts in respect of sale of units		21,467,337,363	1,182,998,608
Paid on redemption of units		(13,645,583,183)	(35,842,965)
		7,821,754,180	1,147,155,643
Net increase in cash and cash equivalents during the year/ period		4,926,907,497	935,614,294
Cash and cash equivalents at the start of the year/ period		935,614,294	-
Cash and cash equivalents at the end of the year/ period	19	5,862,521,790	935,614,294

The annexed notes 1 to 27 form an integral part of these financial statements

For Askari Investment Management Limited  
(Management Company)

Chief Executive

Chairman

Director

**Askari investment Management Ltd**

**ASKARI INCOME FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

Askari Income Fund (the Fund) was constituted under a trust deed (the Trust Deed) executed between the Askari Investment Management 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 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 Fund at the option of unit holders.

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

**2. STATEMENT OF COMPLAINT**

These financial statements have been prepared in accordance with the requirements of the Trust Deed, the NBFC Rules and the directives issued by the SECP and approved accounting standards as applicable in Pakistan. Wherever, the requirements of the NBFC Rules and the said directives differ with the requirements of these standards, the requirements of the NBFC Rules and the directives take precedence.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Basis of Measurement**

These financial statements have been prepared under the historical cost convention except for those investments and derivatives that are measured at their fair value.

**3.2 INVESTMENTS**

The management of the company determines the appropriate classification of investments at the time of purchase and classifies these investments as held to maturity, available for sale and held for trading.

**Held To Maturity**

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

**Available For Sale**

Investments intended to be held for an indefinite period of time which may be sold in response to need for liquidity or changes to interest rates or exchange rates are classified as available for sale.

**Held For trading**

Investments which are acquired principally for the purpose of generating profit from short-term fluctuations in price or dealer's margin are classified as held for trading.

All investments are initially recognized at fair value plus, in the case of investments not at fair value through income statement, transaction costs that are directly attributable to acquisition.

After initial recognition, investments which are classified as held-for-trading and available-for-sale are re-measured at fair value. Gains or losses on investments held-for-trading are recognised in income. Gains or losses on available-for-sale investments are recognised in the unit holders' funds 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' funds is included in income. Investments classified as held to maturity are stated at amortised cost.

For investments in quoted marketable securities, fair value is determined by reference to Stock Exchange quoted market prices at the close of business on balance sheet date. Unquoted securities are valued at investment price or the break-up value as per last audit accounts, whichever is later in accordance with the NBFC Rules.

Term Finance Certificates (TFC) quoted on the stock exchange are neither actively traded on the exchange nor the quotes available are indicative of fair value of the underlying security. According to the guidelines of IAS-39, to reflect the reliable measure of fair value to Term Finance Certificates, the Management Company has adopted policy of valuation of TFC based on the average quotes available from reputable brokerage houses dealing in money market transactions.

Term Finance Certificates (TFC) unquoted and government securities have been initially measured valued at investment price and subsequently measured on the average quotes available from reputable brokerage houses dealing in money market transactions. According to the guidelines of IAS-39, to reflect the reliable measure of fair value to Term Finance Certificates, the Management Company has adopted policy of valuation of TFC based on the average quotes available from reputable brokerage houses dealing in money market transactions.

Commercial Paper are initially and subsequently measured at cost.

### 3.3 Derivatives

These are measured 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 (unrealized gains) are included in other assets and derivatives with negative market values (unrealized losses) are included in other liabilities in the Statement of Assets and Liabilities. The resultant gains and losses are included in the income statement.

### 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.

### 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, 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 previous day less back-end load, duties, taxes, charges on repurchase and provision of transaction costs, if applicable.

### 3.6 Element Of Income And Capital Gains In Prices Of Units Issued Less Those In Units Repurchased

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

The "element of income and capital gains in prices of units sold 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 and capital gains in prices of units sold 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 and capital gains in prices of units sold less those in units redeemed” during an accounting period is transferred to income statement.

### 3.7 Net Assets Value Per Unit

The net assets 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 Earnings Per Unit

Earning per unit (EPU) have been calculated based on the number of units in issue at the year/ period end as the management is of the opinion that determination of weighted average units for calculating EPU is not practicable.

### 3.9 Taxation

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 period excluding realized and unrealised capital gains for the period is distributed amongst the unit holders. The fund intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

### 3.10 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.

### 3.11 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 company 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, Certificate of Investments, placements, government securities, commercial paper and term finance certificates is recognised on an accrual basis.

### 3.12 Cash And Cash Equivalents

Cash and cash equivalents comprise of cash , bank balances and short term placements.

### 3.13 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 losses on derecognition of the financial assets and financial liabilities are taken to income currently.

### 3.14 Preliminary Expenses And Flotation Costs

Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of operations of the fund. These costs are being amortized over a period of five years.

### 3.15 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.

### 3.16 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 three days after transaction date as required by stock exchange regulations.

### 3.17 Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

IAS- 1 Presentation of Financial Statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 01, 2007
IAS- 41 Agriculture	effective from accounting period beginning on or after May 22, 2007
IFRS- 2 Share based Payment	effective from accounting period beginning on or after December 06, 2006
IFRS- 3 Business Combinations	effective for business combinations for which agreement date is on or after December 06, 2006
IFRS- 5 Non-current Assets Held for Sale and Discontinued Operations	effective from accounting period beginning on or after December 06, 2006
IFRS- 6 Exploration for and Evaluation of Mineral Resources	effective from accounting period beginning on or after December 06, 2006
IAS 23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009

In addition, interpretations in relation to certain IFRS have been issued by the International Accounting Standards Board that are not yet effective.

The fund expects that the adoption of the above standards, amendments and interpretations will have no impact on the fund's financial statements in the period of initial application.

Askari Income Fund

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	<u>Note</u>	<u>June 30, 2007</u> Rupees	<u>June 30, 2006</u> Rupees
<b>4 BALANCES WITH BANKS</b>			
PLS saving accounts	4.1	<u>2,912,318,604</u>	<u>49,236,131</u>

4.1 The profit rates on these accounts range between 2.75% to 10.50% per annum (2006: 8.5 % to 11% per annum).

	<u>Note</u>	<u>June 30, 2007</u> Rupees	<u>June 30, 2006</u> Rupees
<b>5 PLACEMENTS WITH BANK AND FINANCIAL INSTITUTIONS</b>			
Placement with banks	5.1	2,275,000,000	861,375,047
Placement with financial institutions	5.2	<u>675,203,186</u>	<u>25,003,116</u>
		<u>2,950,203,186</u>	<u>886,378,163</u>

5.1 The rates of return on these placements are between 10.70% to 12.90% per annum (2006: 9.50% to 12% per annum) and are maturing between July 2007 to February 2008.

5.2 This represents certificates of investment and letters of placement issued by various financial institutions. These carry interest ranging between 10.95% to 12% (2006: 11% per annum) and are maturing between July, 2007 to December, 2007.

**6 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM (CFS)**

6.1 The fair value of securities held as collateral against CFS transactions aggregates to Rs.2,248,195,545 (2006: Rs.36,916,407).

6.2 The rates of return on these transactions range between 10% to 15% per annum (2006: 11.5% to 18% per annum) maturing in the month of July 2007.

**7 INVESTMENTS**

	<u>Note</u>	<u>June 30, 2007</u> Rupees	<u>June 30, 2006</u> Rupees
<b>Held for trading</b>			
Quoted debt securities	7.2	254,507,899	101,109,700
Quoted equity securities	7.3	92,790,450	229,237,647
Un-Quoted debt securities:	7.4	999,244,350	-
		<u>1,346,542,699</u>	<u>330,347,347</u>
Cost of held-for-trading investments		<u>1,340,553,421</u>	<u>326,556,935</u>

7.1 As stated in note 3.2, term finance certificates (quoted) are valued with reference to quotation obtained from reputable brokerage houses. However, the Non Banking Finance Companies (establishment and regulations) Rules 2003 require these to be valued on the basis of the closing price of the stock exchange on which the same are listed. Had these been valued on the basis, the net assets and unit holder's funds as at year end would have been greater by Rs.6,595,187 (2006: Rs.1,109,700).

As stated in note 3.2, term finance certificates (unquoted) and government securities are valued with reference to quotation obtained from reputable brokerage houses. However, the Non Banking Finance Companies (establishment and regulations) Rules 2003 require these to be valued on the basis of the investment price. Had these been valued on the basis, the net assets and unit holder's funds as at year end would have been lower by Rs.1,970,000 (2006: Nil) and Rs. 615,150 (2006: Nil) respectively.

Further the net assets value of the fund during the year may also have been lower or higher based on the prevailing stock exchange rates and as such there may be differences in the "element of income and capital gains in prices of units sold less those of units redeemed" accordingly. The impact of the method used by the fund on the "element of income and capital gains in prices of units sold less those of units redeemed" paid or received is not quantifiable.

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Note	As at July 01, 2006	Purchased	Sold / Redeemed Number	As at June 30, 2007	Cost	Market value Rupees	% of net assets %
<b>7.2 Quoted debt securities</b>							
<b>Term finance certificates</b>							
Certificates have a face value of Rs. 5,000/- each							
<b>Commercial banks</b>							
	10,000	30,000	40,000	-	-	-	-
	-	15,000	15,000	-	-	-	-
7.2.1	-	10,016	10,000	16	80,000	82,400	0.001
	-	15,000	15,000	-	-	-	-
	-	9,736	9,736	-	-	-	-
<b>Fertilizers</b>							
7.2.2	-	15,000	-	15,000	75,000,000	76,500,000	0.81
<b>Electronics</b>							
7.2.3	-	14,000	-	14,000	70,000,000	71,400,000	0.76
<b>Leasing Companies</b>							
7.2.4	-	10,000	-	10,000	51,125,000	51,125,000	0.54
<b>Sugar Industries</b>							
7.2.5	-	6,000	-	6,000	30,000,000	30,000,000	0.32
<b>Technology and communication</b>							
7.2.6	-	15,000	10,000	5,000	24,995,000	25,400,499	0.27
	10,000	-	10,000	-	-	-	-
						<b>254,507,899</b>	<b>2.71</b>

7.2.1 The term finance certificates carry a rate of markup equal to six months KIBOR (prevailing one day before commencement of the semi annual period for which the mark up is computed) Plus 250 basis points p.a with a floor of 8% per annum and cap of 17% per annum, receivable in arrears and will mature in March 2012. These are secured by first parri passu charge on present and future assets of Escort Investments Bank Limited with a 25% margin being maintained all times.

7.2.2 These carry a rate of markup equal to six months KIBOR (prevailing on the last working day prior to first disbursement date and subsequently on the immediately preceding day before the start of each six months period) plus 1.55 percent per annum with no floor and no cap, receivable in arrears and will mature in June 2016. These are secured by second parri passu charge over a pool of present and future fixed assets of Engro Chemicals Pakistan Limited to be upgraded within 90 days from the rate of issue to first ranking parri passu charge over all present and future fixed assets of Engro Chemicals Pakistan Limited.

7.2.3 These carry a rate of markup equal to six months KIBOR (prevailing on the last working day prior to first disbursement date and subsequently on the immediately preceding day before the start of each six months period) plus 250 basis points per annum with no floor and no cap, receivable in arrears and will mature in April 2012. These are secured by exclusive hypothecation charge on the designated purchase order proceeds for an amount of Rs. 1,084,000,000 and ranking charge on all the fixed assets of Prime Electronic Limited with 25% margin.

7.2.4 These carry a rate of markup equal to six months KIBOR (prevailing on the last working day prior to first disbursement date and subsequently on the immediately preceding day before the start of each six months period) plus 150 basis points per annum with no floor and no cap, receivable in arrears and will mature in May 2012. These are secured registered charge over specific leased assets and associated lease receivables with a 25% security margin.

7.2.5 These carry a rate of markup equal to six months KIBOR (prevailing on the last working day prior to first disbursement date and subsequently on the immediately preceding day before the start of each six months period) plus 325 basis points per annum with no floor and no cap, receivable in arrears and will mature in June 2012. These are secured by first parri passu charge over a pool of present and future fixed assets of the company including Land and Building, Plant and Machinery inclusive of 25% margin and bank guarantee of Rs. 80,000,000 from A rated scheduled bank.

7.2.6 These carry a rate of markup equal to six months KIBOR (prevailing on the last working day prior to first disbursement date and subsequently on the immediately preceding day before the start of each six months period) plus 275 basis points per annum with no floor and no cap, receivable in arrears and will mature in November 2011. These are secured by first parri passu charge over specific future fixed assets of the issuer with a 25 % margin. The specific fixed assets means identified present and future fixed assets including equipment and machinery in respect of the payphone and prepaid card projects of the issuer. The written down value of assets on which charge has been created, by way of Letter of Hypothecation are payphone and ancillary equipments amounting to Rs. 432,350,000 and IN platform equipments amounting to Rs. 34,650,000.

Askari Income Fund

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	As at July 01, 2006	Purchased	Sold	As at June 30, 2007	Market value	% of net assets
			Number		Rupees	%
<b>7.3 Quoted equity securities</b>						
Ordinary shares have a face value of Rs. 10/- each						
<b>Oil &amp; Gas Exploration Companies</b>						
Oil & Gas Development Company Limited	-	1,946,000	1,560,000	386,000	46,242,800	0.49
Pakistan Oilfields Limited	50,000	490,500	540,500	-	-	-
Pakistan Petroleum Limited	-	1,309,500	1,309,500	-	-	-
<b>Oil &amp; Gas Marketing Companies</b>						
Pakistan State Oil Company Limited	-	25,000	25,000	-	-	-
<b>Commercial Banks</b>						
Union Bank Limited	720,400	-	720,400	-	-	-
Faisal Bank Limited	-	100,000	100,000	-	-	-
Bank Alfalah Limited	-	853,500	778,500	75,000	4,882,500	0.05
MCB Bank Limited	475,000	2,470,000	2,945,000	-	-	-
National Bank of Pakistan Limited	80,500	6,087,000	6,167,500	-	-	-
The Bank of Punjab	-	2,455,000	2,455,000	-	-	-
P.I.C.I.C Commercial Bank Limited	-	401,500	-	401,500	17,666,000	0.19
<b>Fertilizers</b>						
Engro Chemical Limited	-	1,278,000	1,228,000	50,000	12,650,000	0.13
Fauji Fertilizer Bin Qasim Limited	-	36,000	36,000	-	-	-
<b>Cement</b>						
Dera Ghazi Khan Cement Limited	-	287,000	287,000	-	-	-
<b>Synthetic &amp; Rayon</b>						
Dewan Salman Fiber Limited	-	240,500	240,500	-	-	-
<b>Textile Composite</b>						
Nishat Mills Limited	-	196,500	109,500	87,000	11,349,150	0.12
<b>Power Generation &amp; Distribution</b>						
Hub Power Company Limited	-	1,333,500	1,333,500	-	-	-
<b>Investment Banks/Companies/Securities</b>						
P.I.C.I.C	-	2,000	2,000	-	-	-
<b>Technology &amp; Communication</b>						
Telecard Limited	3,704,000	-	3,704,000	-	-	-
Pakistan Telecommunication Company Limited	-	332,000	332,000	-	-	-
					<u>92,790,450</u>	<u>0.99</u>

The above securities have been sold under the future contracts at contracted prices.

	Note	June 30, 2007 Rupees	June 30, 2006 Rupees
<b>7.4 Un-Quoted debt securities:</b>			
Term Finance Certificates	7.4.1	386,970,000	-
Government Securities	7.4.2	339,500,500	-
Commercial Papers	7.4.3	272,773,850	-
		<u>999,244,350</u>	

Askari Income Fund

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Note	As at July 01, 2006	Purchased	Sold / Redeemed Number	As at June 30, 2007	Cost	Market value Rupees	% of net assets
<b>7.4.1 Term Finance Certificates:</b>							
Certificates have a face value of Rs. 5,000/- each							
<b>Investment companies and banks</b>							
Jahangir Siddiqui Company Limited	7.4.1.1	-	20,000	-	20,000	100,000,000	1.06
KASB Securities Limited	7.4.1.2	-	10,000	-	10,000	50,000,000	0.53
<b>Electronics</b>							
New Allied Electronics Limited	7.4.1.3	-	5,000	-	5,000	25,720,000	0.27
<b>Cement Industries</b>							
3 Star Cement Limited	7.4.1.4	-	850	-	850	85,000,000	0.90
<b>Textile composite</b>							
Azgard Nine Limited	7.4.1.5	-	25,000	-	25,000	126,250,000	1.34
						<b>386,970,000</b>	<b>4.12</b>

7.4.1.1 These carry a rate of markup equal to six months KIBOR (prevailing on the last working day prior to first disbursement date and subsequently on the immediately preceding day before the start of each six months period) plus 170 basis point per annum with no floor and no cap, receivable in arrears and will mature in July 2013. These are secured by first ranking pari passu floating charge over a pool of present and future movable assets including book debts, receivable and investments but excluding pledge of shares and listed securities offered as security alongwith the requisite margin on existing secured TFC of Rs. 500,000,000 and current future overdraft/ short term borrowing limits upto Rs.4,000,000,000 at anytime outstanding and Jhangir Siddiqui Company Limited to ensure minimum value of the movable assets included in the floating charge exceed 133% of the total liabilities secured by the floating charge in favour of the TFC holders.

7.4.1.2 These carry a rate of markup equal to six months KIBOR (prevailing on the last working day prior to first disbursement date and subsequently on the immediately preceding day before the start of each six months period) plus 190 basis points per annum with no floor and no cap, receivable in arrears and will mature in June 2012. These are secured by first ranking pari passu charge by way of hypothecation over a pool of present and future current assets of KASB with 25% margin and first ranking (exclusive) charged over all present and future fixed assets of KASB with 25% margin.

7.4.1.3 These carry a rate of markup equal to three months KIBOR (prevailing on the last working day prior to first disbursement date and subsequently on the immediately preceding day before the start of each three months period) plus 275 basis points per annum with no floor and no cap, receivable in arrears and will mature in May 2011. These are secured by standby letter of credit for one mark-up payment for the first year computing to be Rs. 30,000,000 to be maintained and mortgage deed over property(F-14 and F-15), clifton having a cushion of Rs. 600,000,000 in market value and charge over stocks and receivable of the company created by way of hypothecation with a 25% margin.

7.4.1.4 These carry a rate of markup equal to six months KIBOR (prevailing on the first profit payment will be set on the last subscription date and subsequently on the last working day at the beginning of each quarterly for the profit due at the end of that quarter period) plus 250 basis points per annum with no floor and no cap, receivable in arrears and will mature in May 2008. These are secured by bank guarantee of The Bank of Punjab for Rs. 1,300,000,000.

7.4.1.5 These carry a rate of markup equal to six months KIBOR (prevailing on the last working day prior to first disbursement date and subsequently on the immediately preceding day before the start of each quarterly period) plus 300 basis point per annum with no floor and no cap, receivable in arrears and will mature in August 2007. These are secured by second ranking pari passu charge over pool of present and future assets of Azgard Nine limited including Land and Building, Plant and Machinery, Investments (Excluding PAFL sh ares) to fully secure the facility amount with 25% margin.

Note	As at July 01, 2006	Purchased	Sold / Redeemed Number	As at June 30, 2007	Cost	Market value Rupees	% of net assets
<b>7.4.2 Government Securities</b>							
Pakistan Investments Bonds (Face Value of Rs. 25,000,000 each)	-	45	31	14	338,885,350	339,500,500	3.61

They carry mark-up from 9.3% to 10.50% p.a. and maturing from 2010 to 2027.

Note	As at July 01, 2006	Purchased	Sold / Redeemed Number	As at June 30, 2007	Cost	Market value Rupees	% of net assets
<b>7.4.3 Commercial Paper-Unsecured</b>							
Azgard Nine Limited (Face Value of Rs. 50,000,000 each)	7.4.3.1	-	2	-	2	91,021,400	0.97
Dewan Farooq Motors Limited (Face Value of Rs. 75,000,000 each)	7.4.3.2	-	1	-	1	68,254,575	0.73
Dewan Cement Limited (Face Value of Rs. 125,000,000 each)	7.4.3.3	-	1	-	1	113,497,875	1.21
						<b>272,773,850</b>	<b>2.90</b>

7.4.3.1 These carry a markup rate from 13.30% to 13.37% p.a. and maturing from February 2008 to March 2008.

7.4.3.2 These carry a markup rate of 13.36% p.a. and maturing on January 2008.

7.4.3.3 These carry a markup rate of 13.70% p.a. and maturing on July 2007.

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	Note	June 30, 2007 Rupees	June 30, 2006 Rupees
<b>8 DEPOSITS AND OTHER RECEIVABLES</b>			
Security deposit	8.1	1,100,000	1,100,000
Receivable against Continuous Funding System and future contracts		56,984,037	1,170
Return on placements with banks		57,390,664	919,530
Mark-up on placement with financial institutions		15,137,992	647,946
Mark-up on Term Finance Certificates		8,327,214	2,854,003
Mark-up on Government Securities		4,537,674	-
Mark-up on Commercial Paper		13,525,953	-
Dividend Receivable		2,334,100	-
Prepayments		17,541	-
Derivatives		534,201	-
		<u>159,889,376</u>	<u>5,522,649</u>

8.1 This represents the amount paid to National Clearing Corporation Pakistan Limited and Central Depository Company of Pakistan Limited as security deposit.

	June 30, 2007 Rupees	June 30, 2006 Rupees
<b>9 DEFERRED FORMATION COST</b>		
Preliminary and flotation costs	2,500,000	2,500,000
Amortisation of preliminary and formation costs- accumulated	(754,798)	(254,796)
	<u>1,745,202</u>	<u>2,245,204</u>

**10 REMUNERATION PAYABLE MANAGEMENT COMPANY**

The management company is entitled to a remuneration for services rendered to the fund under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, 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 2.0 million plus 0.10% p.a. on amounts exceeding Rs. 1 billion (2006: 0.2% p.a.) of the daily net assets during the year.

	Note	June 30, 2007 Rupees	June 30, 2006 Rupees
<b>12 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Payable to brokers against transactions in marketable securities		113,425	135,577,869
Sales load payable to management company		-	349,843
SECP Annual Fee	12.1	3,864,175	148,400
Reimbursements to management company	12.2	321,395	2,502,500
Payable against government and debt securities		496,881	-
Audit Fee		395,675	200,000
Dividend Payable		1,056,360	-
Other Payables		140,394	3,851,676
Tax deducted at source		274,957	2,323
		<u>6,663,262</u>	<u>142,632,611</u>

12.1 This represents annual fee payable to SECP in accordance with Rule 79 of the Non-Banking Finance Companies (Establishment & Regulations) Rules 2003, whereby the Fund is required to pay SECP an amount equal to one tenth of 1% (2006: one tenth of 1%) of the daily average net asset of the Fund.

Askari Income Fund

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	<u>Note</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
		<u>Rupees</u>	<u>Rupees</u>
12.2 Reimbursements to Askari Investment Management Company Limited			
Security deposit paid to National Clearing Company of Pakistan		-	1,000,000
Preliminary expenses payable		-	1,500,000
Tax Return filing charges		105,000	-
Stability rating fee		108,895	-
Tax Exemption certificate processing charges		105,000	-
CDC Documentation charges		2,500	2,500
		<u>321,395</u>	<u>2,502,500</u>
13 Commitment for the sale of quoted securities under future contracts		<u>93,765,052</u>	<u>228,771,147</u>
Commitments in respect of continuous funding system in respect of which the purchase transactions have not been settled as at of year end		<u>1,961,832,800</u>	<u>3,112,340</u>
Continuous Funding System transactions entered into by the Fund in respect of which the sale transactions have not been settled as at year end		<u>1,314,761,318</u>	<u>-</u>
14 <b>OTHER INCOME</b>			
Participation Fee		<u>290,908</u>	<u>-</u>
15 <b>NUMBER OF UNITS IN ISSUE</b>			
The management of the Fund has issued the following classes of units:			
<b>Description</b>	<b>Class</b>		
Units that shall be charged with no sales load. (Restrictive)	A	15.1	
Units that shall be charged with no sales load.	A		
Units that shall be charged with front-end load.	B		
Units that shall be charged with back end load.	C		
Units that shall be charged both front and back end loads	D		
Units in issue- non restrictive			
		<u>2,500,000</u>	<u>2,500,000</u>
		-	142,911
		-	568,322
		-	7,873,386
		-	-
		<u>81,617,814</u>	<u>-</u>
		<u>84,117,814</u>	<u>11,084,619</u>
15.1 These are the units which were subscribed on December 27, 2005 by Askari Commercial Bank Limited with the restriction that these units are not redeemable or transferable for a period of two years from the date of such subscription.			
15.2 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 dividend and payment of net assets value on liquidation.			
			<b>For the period</b>
			<b>from</b>
			<b>December 27,</b>
			<b>2005 to June</b>
		<u>June 30, 2007</u>	<u>30, 2006</u>
		<u>Rupees</u>	<u>Rupees</u>
16 <b>AUDITORS' REMUNERATION</b>			
Audit fee		175,000	125,000
Half yearly review		75,000	-
Certification and other services		156,000	-
Out of pocket		163,447	75,000
		<u>569,447</u>	<u>200,000</u>



Askari Income Fund

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For the period  
from  
December 27,  
2005 to June  
30, 2006

	Note	June 30, 2007 Rupees	For the period from December 27, 2005 to June 30, 2006 Rupees
<b>17 EARNINGS PER UNIT</b>			
Net income for the year/ period		982,145,998	55,216,301
		<b>Number</b>	<b>Number</b>
Number of units in issue	15	84,117,814	11,084,619
		<b>Rupees</b>	<b>Rupees</b>
Earnings per unit		11.68	4.98
<b>18 TAXATION</b>			
No provision for taxation has been made in the financial statements in view of the exemption under clause 99 of the Part I of the 2nd schedule of the Income Tax Ordinance, 2001			
<b>19 CASH AND CASH EQUIVALENTS</b>			
Balances with Banks		2,912,318,604	49,236,131
Placements with Banks and Financial institutions		2,950,203,186	886,378,163
		<u>5,862,521,790</u>	<u>935,614,294</u>

**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 and Askari general Insurance being the group 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	June 30, 2007 Rupees	For the Period from December 27, 2005 to June 30, 2006 Rupees
<b>Transactions with the Management company</b>			
Remuneration for the year	-	56,938,115	1,483,883
Payable as at June 30, 2007	-	10,027,854	305,747
Units Purchased	329,082	35,000,000	-
Units Redeemed	45,414	5,000,081	-
Outstanding Units	283,668	31,697,038	-
<b>Transactions with the Trustee</b>			
Remuneration	-	6,516,254	-
Payable as at June 30, 2007	-	730,302	-
<b>Transactions with Askari bank Limited</b>			
Bank balances as at June 30, 2007	-	117,370,982	34,236,182
Mark-up on a deposit account	-	4,653,301	523,498
PIB's Purchased	8	204,524,871	-
PIB's sold	8	200,633,817	-
TFC's Purchased	10,000	52,927,141	-
Units at beginning of the year	2,500,000	250,000,000	-
Units Purchased	1,790,350	200,000,000	-
Units Redeemed	111,732	11,467,054	-
Bonus Units	111,732	11,227,948	-
Outstanding Units	4,290,350	479,403,709	250,000,000
Income received on spread transaction on Askari Bank Limited's shares	-	-	152,116

Askari Income Fund

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		<b>June 30, 2007</b>	<b>For the period from December 27, 2005 to June 30, 2006</b>	
		<b>Rupees</b>	<b>Rupees</b>	
<b>Transactions with Askari Cement Limited</b>				
Units at beginning of the year	481,305	50,000,000		
Units Purchased	3,187,014	399,986,000	-	
Bonus Units	21,511	2,161,627	-	
Units Redeemed	292,772	29,647,355	-	
Outstanding Units	3,397,058	379,587,218	50,000,000	
<b>Transactions with Askari General Insurance Limited</b>				
Units Purchased	47,615	5,000,000	-	
Bonus Units	2,128	213,845	-	
Units Redeemed	49,743	5,280,170	-	
Outstanding Units	-	-	-	
<b>Transactions with Islamabad Stock Exchange</b>				
Units at beginning of the year	484,684	50,000,000		
Units Purchased	506,346	55,591,713	-	
Bonus Units	21,662	2,176,803	-	
Units Redeemed	506,346	55,591,713	-	
Outstanding Units	506,346	56,579,102	-	
<b>Transactions with Army Welfare Trust</b>				
Units Purchased	5,554,750	600,000,000	-	
Bonus Units	-	-	-	
Units Redeemed	976,181	103,650,918	-	
Outstanding Units	4,578,569	511,609,314	-	
<b>Transactions with Executive/ Directors</b>				
Units Purchased	287,719	30,604,000	-	
Bonus Units	-	-	-	
Units Redeemed	1,818.00	200,053	-	
Outstanding Units	285,901	31,946,607	-	
<b>Transaction with Askari Commercial Employee Provident Fund</b>				
Units Purchased	255,239	28,500,000	-	
Bonus Units	-	-	-	
Units Redeemed	-	-	-	
Outstanding Units	255,239	28,520,406	-	
<b>Transaction with President Askari Bank Limited Fund</b>				
Units Purchased	66,540	7,000,000	-	
Bonus Units	-	-	-	
Units Redeemed	-	-	-	
Outstanding Units	66,540	7,435,180	-	
<b>Transactions with Askari Securities Limited</b>				
Finance income on Continuous Funding System	-	2,178,793	67,949	
Brokerage paid	-	326,819	10,195	

## 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:

	June 30, 2007				Total
	Exposed to MROR Risk				
	Upto three months	More than months and upto one year	More than one year	Not exposed to MROR risk	
	Rupees				
<b>On Balance sheet financial instruments</b>					
<b>Financial Assets</b>					
Balances with banks and financial institutions	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 Investments	2,087,623,395	-	-	-	2,087,623,395
Deposits and other receivables	239,747,875	244,275,975	769,728,399	92,790,450	1,346,542,699
	-	-	-	159,889,376	159,889,376
<b>Total financial assets</b>	<b>6,664,893,060</b>	<b>1,619,275,975</b>	<b>919,728,399</b>	<b>252,679,826</b>	<b>9,456,577,260</b>
<b>Financial liabilities</b>					
Remuneration payable to management company	-	-	-	9,706,469	9,706,469
Remuneration payable to trustee	-	-	-	730,302	730,302
Payable against Redemption of units	-	-	-	41,859,504	41,859,504
Creditors accrued and other liabilities	-	-	-	6,663,262	6,663,262
	-	-	-	58,959,537	58,959,537
<b>On balance sheet gap</b>	<b>6,664,893,060</b>	<b>1,619,275,975</b>	<b>919,728,399</b>	<b>193,720,289</b>	<b>9,397,617,723</b>
<b>Off balance sheet financial instruments</b>					
Future sale commitments of held for trading investments				93,765,052	93,765,052
Commitments in respect of continuous funding system				1,961,832,800	1,961,832,800

<b>June 30, 2006</b>					
<b>Exposed to MROR Risk</b>					
	<b>Upto three months</b>	<b>More than three months and upto one year</b>	<b>More than one year</b>	<b>Not exposed to MROR risk</b>	<b>Total</b>
	<b>Rupees</b>				
<b>On Balance sheet financial instruments</b>					
<b>Financial Assets</b>					
Balances with banks and financial institutions	49,236,131	-	-	-	49,236,131
Receivable against Continuous Funding System Investments	32,952,484	-	-	-	32,952,484
Deposits and other receivables	-	-	101,109,700	229,237,647	330,347,347
	-	-	-	5,522,649	5,522,649
Total financial assets	82,188,615	-	101,109,700	234,760,296	418,058,611
<b>Financial liabilities</b>					
Remuneration payable to management company	-	-	-	305,747	305,747
Remuneration payable to trustee	-	-	-	64,009	64,009
Creditors accrued and other liabilities	-	-	-	142,632,611	142,632,611
	-	-	-	143,002,367	143,002,367
<b>On balance sheet gap</b>	<b>82,188,615</b>	<b>-</b>	<b>101,109,700</b>	<b>91,757,929</b>	<b>275,056,244</b>
<b>Off balance sheet financial instruments</b>					
Future sale commitments of held for trading investments				228,771,147	228,771,147
Commitments in respect of continuous funding system				3,112,340	3,112,340

Askari Income Fund

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22 MATURITIES OF ASSETS AND LIABILITIES

Maturities of assets and liabilities as at:

June 30, 2007

	Total	Upto three months	More than three months and upto one year	More than one year
			(Rupees)	
<b>Assets</b>				
Balances with banks and financial institutions	2,912,318,604	2,912,318,604	-	-
Placements with banks and financial institutions	2,950,203,186	1,425,203,186	1,375,000,000	150,000,000
Receivable against Continuous Funding System	2,087,623,395	2,087,623,395	-	-
Investments	1,346,542,699	332,538,325	244,275,975	769,728,399
Deposits and other receivables	159,889,376	158,789,376	-	1,100,000
Deferred Formation Cost	1,745,202	126,027	375,342	1,243,833
	9,458,322,462	6,916,598,913	1,619,651,317	922,072,232
<b>Liabilities</b>				
Remuneration payable to management company	9,706,469	9,706,469	-	-
Remuneration payable to trustee	730,302	730,302	-	-
Payable against Redemption of units	41,859,504	41,859,504	-	-
Creditors accrued and other liabilities	6,663,262	6,663,262	-	-
	58,959,537	58,959,537	-	-
Net assets	9,399,362,925	6,857,639,376	1,619,651,317	922,072,232

June 30, 2006

	Total	Upto three months	More than three months and upto one year	More than one year
			(Rupees)	
<b>Assets</b>				
Balances with banks and financial institutions	49,236,131	49,236,131	-	-
Receivable against Continuous Funding System	32,952,484	32,952,484	-	-
Investments	330,347,347	229,237,647	-	101,109,700
Deposits and other receivables	5,522,649	4,422,649	-	1,100,000
Deferred Formation Cost	2,245,204	126,027	373,973	1,745,204
	420,303,815	315,974,938	373,973	103,954,904
<b>Liabilities</b>				
Remuneration payable to management company	305,747	305,747	-	-
Remuneration payable to trustee	64,009	64,009	-	-
Creditors accrued and other liabilities	142,632,611	142,632,611	-	-
	143,002,367	143,002,367	-	-
Net assets	277,301,448	172,972,571	373,973	103,954,904

## 23 RISK MANAGEMENT

The Fund primarily invests in a diversified portfolio of rated corporate debts, certificate of investments, 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:

### 23.1 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 board of directors of management company and regulations laid down by the Securities and Exchange Commission of Pakistan.

### 23.2 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.

#### 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.

#### 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. 9,456,577,260 (2006: Rs.1,304,436,774). 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.

### 23.3 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.

### 23.4 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 to banks balances and debt instruments and their respective effective interest rates are disclosed in the relevant notes.

## 24 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 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.

## 25 SUBSEQUENT EVENTS

The Board of Directors of the management company of the Fund in their meeting held on July 09, 2007 has approved Rs. 11.06 (2006: Rs.4.492) per unit as the distribution for the year/ period.

## 26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 03, 2007 by the Board of Directors of the management company.

## 27 GENERAL

27.1 Figures have been rounded off to the nearest Rupee.

For Askari Investment Management Limited  
(Management Company)



Chief Executive



Chairman



Director

Askari Asset Allocation Fund  
*Managed by*



**ASKARI ASSET ALLOCATION FUND**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2007**





## FUND INFORMATION

Management Company	Head Office Askari Investment Management Ltd. Room 501& 502, Green Trust Tower, Blue Area, Jinnah Avenue, Islamabad UAN: 111-246-111 – Fax. 051- 2813017 Email: <a href="mailto:info@askariinvestments.com">info@askariinvestments.com</a>  Registered Address 4th Floor, AWT Plaza, I.I. Chundrighar Road, Karachi.
Board of Directors of the Management Company	Lt. Gen. (R.) Zarrar Azim H.I.(M) – Chairman Mr. Shaharyar Ahmad Mr. Kashif Mateen Ansari Mr. Adnan Afaq- F.C.A.(Chief Executive) Mr. Muhammad Naseem- FCA Mr. Shahid Hafeez Azmi Dr. Bashir Ahmad Khan Mr. Arif Mian – FCA, CFA
Executive Committee	Mr. Shaharyar Ahmad (Chairman) Mr. Adnan Afaq – FCA Mr. Shahid Hafeez Azmi Dr. Bashir Ahmad Khan Mr. Arif Mian – FCA, CFA
Audit Committee	Mr. Muhammad Naseem- FCA (Chairman) Mr. Shaharyar Ahmad Dr. Bashir Ahmad Khan Mr. Arif Mian – FCA, CFA
Chief Financial Officer	Mr. Rizwan Hasan Khan
Company Secretary	Syed Shoaib Jaffery
Trustee	Central Depository Company of Pakistan Ltd. (CDC) Suit# M-6-7, Mezzanine Floor Progrssive Plaza, Beaumont Road Karachi. Tel: (92-021) 111-232-725

Askari Asset Allocation Fund  
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Bankers to the Fund	Askari Bank Ltd. JS Bank
Auditor	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. Flow (Pvt.) Ltd. First International Investment Bank Ltd.

**REPORT OF THE TRUSTEE  
ASKARI ASSET ALLOCATION FUND**

**Report of the Trustee Pursuant to Rule 76(h) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.**

Askari Asset Allocation Fund, an open-end fund was established under a trust deed executed between Askari Investment Management Limited, as the Asset Management Company and Central Depository Company of Pakistan Limited as Trustee on January 17, 2007. The Scheme was authorized by the Securities and Exchange Commission of Pakistan (SECP) on March 19, 2007.

In our opinion, Askari Investment Management Limited, the Asset Management Company of Askari Asset Allocation Fund has in all material respects managed Askari Asset Allocation Fund during the period ended from May 25, 2007 to June 30, 2007 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

For the purpose of information, the attention of the Unit Holders is drawn towards the Other Matters in the Independent Auditors' Report where in it is specified that unquoted Government Securities have been valued on the basis of quotation obtained from reputable brokerage houses, however, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 requires the same to be valued on the basis investment price.



**Mohammad Hanif Jakhura**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: August 27, 2007

## **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

We have audited the accompanying financial statements of **Askari Asset Allocation Fund** which comprises of the statement of assets and liabilities as at June 30, 2007 and the income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds for the period then ended, and a summary of significant accounting policies and other explanatory notes.

### ***Management's responsibility for the financial statements***

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 (NBFC Rules) 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 the 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 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 opinion.

### ***Opinion***

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2007 and of its financial performance, cash flows and transactions for the period then ended in accordance with the approved standards as applicable in Pakistan

### ***Other matters***

Except for the effects of the valuation on unquoted government securities as fully explained in 6.2.1 respectively read with note 4.1 of the financial statement, In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the NBFC Rules.

**LAHORE:  
AUGUST 03, 2007**

  
**CHARTERED ACCOUNTANTS**

**ASKARI ASSET ALLOCATION FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2007**

	<u>Note</u>	<u>June 30, 2007</u> Rupees
<b>ASSETS</b>		
Balances with banks	5	313,348,923
Receivable against sale of marketable securities		8,296,921
Investments	6	393,475,545
Deposits and other receivables	7	5,595,754
Deferred formation cost	8	1,476,164
<b>TOTAL ASSETS</b>		<b>722,193,307</b>
<b>LIABILITIES</b>		
Remuneration payable to management company	9	1,064,882
Remuneration payable to Trustee	10	70,992
Creditors, accrued and other liabilities	11	80,060,441
<b>TOTAL LIABILITIES</b>		<b>81,196,315</b>
<b>Commitments</b>	13	-
<b>NET ASSETS</b>		<b>640,996,992</b>
<b>UNIT HOLDER'S FUND</b>		<b>640,996,992</b>
<b>Number of units in issue</b>	14	6,273,740
<b>Net asset value (per unit)</b>	Rupees	102.17

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Askari Investment Management Limited  
(Management Company)



Chief Executive



Chairman



Director

**ASKARI ASSET ALLOCATION FUND  
INCOME STATEMENT  
FOR THE PERIOD FROM MAY 25, 2007 TO JUNE 30, 2007**

	Note	For the period from May 25, 2007 to June 30, 2007 Rupees
<b>INCOME</b>		
Net gain on sale of marketable securities		10,589,132
Unrealised (loss) on remeasurement of investments		(1,622,137)
Net gain on marketable securities		8,966,995
Mark-up on government securities		678,260
Return on bank deposits		1,962,184
Element of income and capital gains in prices of units sold - net		4,144,449
		15,751,888
<b>EXPENSES</b>		
Remuneration of management company	9	1,064,882
Remuneration of the Trustee	10	70,992
SECP annual fee	11	35,496
Amortisation of formation cost	8	23,836
Auditors' remuneration	12	150,000
Brokerage commission		679,265
Bank charges		4,450
Other charges		100,000
		2,128,921
<b>Net income for the period</b>		13,622,967
Earnings per unit	15	2.17

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Askari Investment Management Limited  
(Management Company)



Chief Executive



Chairman



Director



**ASKARI ASSET ALLOCATION FUND  
DISTRIBUTION STATEMENT  
FOR THE PERIOD FROM MAY 25, 2007 TO JUNE 30, 2007**

	<b>For the period from May 25, 2007 to June 30, 2007</b>
	<b>Rupees</b>
Undistributed income as at the beginning of the period	-
Net income for the period	13,622,967
Undistributed income carried forward	<u><u>13,622,967</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Askari Investment Management Limited  
(Management Company)



Chief Executive



Chairman



Director



**ASKARI ASSET ALLOCATION FUND  
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE PERIOD FROM MAY 25, 2007 TO JUNE 30, 2007**

	<b>For the period from May 25, 2007 to June 30, 2007</b>
<b>Net assets at the beginning of the period</b>	-
Issue of 6,273,740 units	631,518,474
Redemption of units	-
	631,518,474
Element of income and capital gains in prices of units sold less those in units redeemed- transferred to income statement	(4,144,449)
Net income for the period	13,622,967
<b>Net assets at the end of the period</b>	<b>640,996,992</b>

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Askari Investment Management Limited  
(Management Company)



Chief Executive



Chairman



Director



**ASKARI ASSET ALLOCATION FUND  
CASH FLOW STATEMENT  
FOR THE PERIOD FROM MAY 25, 2007 TO JUNE 30, 2007**

	Note	For the period from May 25, 2007 to June 30, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period		13,622,967
<b>Adjustments for:</b>		
Elements of income and capital gains included in prices of units issued less those in units repurchased		(4,144,449)
Unrealised gain/ (loss) on remeasurement on investments		1,622,137
Amortisation of formation cost		23,836
		(2,498,476)
<b>(Increase)/ decrease in assets</b>		
Receivable against sale of marketable securities		(8,296,921)
Deposits and other receivables		(5,595,754)
Formation cost		(1,500,000)
		(15,392,675)
<b>Increase/ (decrease) in liabilities</b>		
Remuneration payable to management company		1,064,882
Remuneration payable to trustee		70,992
Creditors, accrued and other liabilities		80,060,441
		81,196,315
		76,928,131
Purchase of held for trading investments- net		(297,948,582)
Purchase of held for trading government securities- net		(97,149,100)
<b>Cash used in operating activities</b>		(318,169,551)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Amounts received on issue of units		631,518,474
<b>Cash generated from financing activities</b>		631,518,474
<b>Net increase in cash and cash equivalents during the period</b>		313,348,923
Cash and cash equivalents at the start of the period		-
<b>Cash and cash equivalents at the end of the period</b>	5	313,348,923

The annexed notes from 1 to 24 form an integral part of these financial statements.

For Askari Investment Management Limited  
(Management Company)



Chief Executive



Chairman



Director



## ASKARI ASSET ALLOCATION FUND NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM MAY 25, 2007 TO JUNE 30, 2007

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Askari Asset Allocation Fund (the Fund) was constituted under a trust deed (the Trust Deed) executed between the Askari Investment Management 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 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. Units of the Fund will be offered for public subscription on a continuous basis once the offering document is approved by the SECP and will transferable and redeemable by surrendering them to Fund at the option of unit holders. The Fund has 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 has commenced its operations on June 02, 2007.

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

### 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Trust Deed, the NBFC Rules and the directives issued by the SECP and approved accounting standards as applicable in Pakistan. Wherever, the requirements of the NBFC Rules and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, NBFC Rules and the directives take precedence.

### 3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for the investments and derivatives which are accounted as stated in notes 4.1 and 4.2 below.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 INVESTMENTS

The management of the Fund determines the appropriate classification of its investments at the time of purchase as follows:

##### **Held-To-Maturity**

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

##### **Available-For-Sale**

Investments intended to be held for an indefinite period of time which may be sold in response to need for liquidity or changes to interest rates or equity prices are classified as available-for-sale.

##### **Investments at Fair Value Through Income Statement**

Investment classified as held-for-trading are included in this category. Investments are classified as held-for-trading if they are acquired principally for the purpose of generating profit from short-term fluctuations in price or dealer's margin.

All investments are initially recognized at fair value plus, in the case of investments not at fair value through income statement, transaction costs that are directly attributable to acquisition.

After initial recognition, investments which are classified as held-for-trading and available-for-sale are re-measured at fair value. Gains or losses on investments held-for-trading are recognised in income. Gains or losses on available-for-sale investments are recognised in the unit holders' funds 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' funds is included in income. Investments classified as held-to-maturity are stated at amortised cost.

For investments in quoted marketable securities, fair value is determined by reference to Stock Exchange quoted market prices at the close of business on balance sheet date. Unquoted securities including government securities are valued at investment price or the break-up value as per last audited accounts, whichever is later in accordance with the NBFC Rules. However, according to the guidelines of IAS-39, to reflect the reliable measure of fair value of unquoted securities, the Management Company has adopted the policy of valuation based on the average quotes available from reputable brokerage houses dealing in money market transactions.

#### 4.2 Derivatives

These are measured 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 (unrealized gains) are included in other assets and derivatives with negative market values (unrealized losses) are included in other liabilities in the Statement of Assets and Liabilities. The resultant gains and losses are included in the income currently.

#### 4.3 Securities Under Repurchase/Resale Agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included as receivables in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investment. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement.

#### 4.4 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, 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 previous day less back-end load, duties, taxes, charges on repurchase and provision of transaction costs, if applicable.

#### 4.5 Element Of Income And Capital Gains In Prices Of Units Sold 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 and capital gains in prices of units issued less those in units redeemed' is created.

The "element of income and capital gains in prices of units sold 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 and capital gains in prices of units sold 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 and capital gains in prices of units sold less those in units redeemed" during an accounting period is transferred to income statement.

#### 4.6 Net Assets Value Per Unit

The net assets 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.

#### 4.7 Earnings Per Unit

Earning per unit (EPU) have been calculated based on the number of units in issue at the year/ period end as the management is of the opinion that determination of weighted average units for calculating EPU is not practicable.

#### 4.8 Taxation

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 period excluding realized and unrealised capital gains for the period is distributed amongst the Funds' unit holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

#### 4.9 Offsetting Of Financial Assets And Liabilities

Financial assets and financial liabilities are only 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.

#### 4.10 Revenue Recognition

Gain or loss arising on sale of marketable securities and derivatives is accounted for in the period in which it arises.

Dividend income is recorded at the time of the closure of share transfer book of the company 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, Certificate of Investments, placements, government securities and term finance certificates is recognized on an accrual basis.

#### 4.11 Cash And Cash Equivalents

Cash and cash equivalents comprise bank balances and short term placements.

#### 4.12 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 losses on derecognition of the financial assets and financial liabilities are taken to income currently.

#### 4.13 Deferred Formation Costs

Preliminary expenses and flotation costs includes expenditure incurred in connection with the incorporation, registration, establishment of the fund prior to the commencement of operations. These costs are being amortized over a period of five years in accordance with trust deed. These expenses were paid for by the management company & have been reimbursed to them by the fund.

#### 4.14 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 three days after transaction date as required by stock exchange regulations.

#### 4.15 Distribution to Unit Holders

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

#### 4.16 Accounting Estimates & 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.

## Askari Asset Allocation Fund

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### 4.17 Accounting Standards & Interpretations not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

IAS- 1 Presentation of Financial Statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 01, 2007
IAS- 23 (Revised) Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IAS- 41 Agriculture	effective from accounting period beginning on or after May 22, 2007
IFRS- 2 Share based Payment	effective from accounting period beginning on or after December 06, 2006
IFRS- 3 Business Combinations	effective for business combinations for which agreement date is on or after December 06, 2006
IFRS- 5 Non-current Assets Held for Sale and Discontinued Operations	effective from accounting period beginning on or after December 06, 2006
IFRS- 6 Exploration for and Evaluation of Mineral Resources	effective from accounting period beginning on or after December 06, 2006

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board are not yet effective.

The Fund expects that the adoption of the above standards, amendments and interpretations will have no impact on the Fund's financial statements in the period of initial application.

# Askari Asset Allocation Fund

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	Note	June 30, 2007
		Rupees
<b>5 BANK BALANCES</b>		
Cash at bank - local currency:		
- in PLS saving accounts	5.1	313,348,923
		<u>313,348,923</u>

5.1 PLS saving accounts carry rates of return ranging from 8.50% to 9.50% per annum.

<b>6 INVESTMENTS - at fair value through income statement</b>		
Quoted equity securities - held-for-trading	6.1	296,296,545
Unquoted government Securities - held-for-trading	6.2	97,179,000
		<u>393,475,545</u>

	As at May 25, 2007	Acquired during the period	Disposed during the period	As at June 30, 2007	Market value	% of net assets
					Rupees	%
6.1 Quoted equity securities - held-for-trading						
		Number				
<b>Investment companies/securities/banks</b>						
Arif Habib Securities Limited	-	100,000	-	100,000	11,660,000	1.82
<b>Commercial banks</b>						
Askari Commercial Bank Limited	-	200,000	100,000	100,000	10,590,000	1.65
JS Bank Limited	-	50,000	-	50,000	962,500	0.15
National Bank of Pakistan Limited	-	650,000	525,000	125,000	32,750,000	5.11
United Bank Limited	-	100,000	-	100,000	21,995,000	3.43
<b>Insurance</b>						
Adamjee Insurance Company Limited	-	25,000	-	25,000	8,148,750	1.27
EFU General Insurance Limited	-	30,000	-	30,000	7,260,000	1.13
New Jubilee Life Insurance Company Limited	-	45,000	-	45,000	2,261,250	0.35
<b>Cement</b>						
D.G. Khan Cement Limited	-	541,900	441,900	100,000	11,650,000	1.82
<b>Power generation and distribution</b>						
The Hub Power Company Limited	-	275,000	25,000	250,000	9,175,000	1.43
Japan Power Generation Limited	-	200,000	-	200,000	1,200,000	0.19
Kot Addu Power Company Limited	-	100,000	-	100,000	6,015,000	0.94
<b>Oil &amp; gas marketing companies</b>						
Pakistan State Oil Company Limited	-	185,000	182,900	2,100	822,045	0.13
<b>Oil &amp; gas exploration companies</b>						
Oil & Gas Development Company Limited	-	500,000	200,000	300,000	35,940,000	5.61
Pakistan Oilfields Limited	-	110,000	10,000	100,000	31,700,000	4.95
<b>Automobile assemblers</b>						
Honda Atlas Car (Pakistan) Limited	-	50,000	-	50,000	3,160,000	0.49
Indus Motor Company Limited	-	40,000	10,000	30,000	9,165,000	1.43
Pak Suzuki Motor Company Limited	-	40,000	5,000	35,000	13,720,000	2.14
<b>Cable &amp; electrical goods</b>						
Pakistan Elektron Limited	-	50,000	-	50,000	4,300,000	0.67
<b>Technology &amp; Communication</b>						
Pakistan Telecommunication Company Limited	-	750,000	650,000	100,000	5,700,000	0.89

# Askari Asset Allocation Fund

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	As at May 25, 2007	Acquired during the period	Disposed during the period	As at June 30, 2007	Market value	% of net assets
	Number				Rupees	%
<b>Fertilizers</b>						
Engro Chemical Pakistan Limited	-	308,700	258,700	50,000	12,650,000	1.97
Fauji Fertilizer Company Limited	-	35,000	-	35,000	4,243,750	0.66
<b>Chemicals</b>						
ICI Pakistan Limited	-	50,000	-	50,000	8,355,000	1.30
<b>Paper &amp; board</b>						
Packages Limited	-	35,000	-	35,000	11,166,750	1.74
<b>Refinery</b>						
Attock Refinery Limited	-	30,000	-	30,000	3,496,500	0.55
National Refinery Limited	-	90,000	40,000	50,000	17,050,000	2.66
<b>Jute</b>						
Thal Limited	-	40,000	-	40,000	11,160,000	1.74
					296,296,545	46.22
Cost of investment at fair value through profit or loss as at June 30, 2007					297,948,582	

## 6.2 Unquoted government securities - held-for-trading

Note	Issue date	Face Value	Tenor (Years)	Coupon rate	As at May 25, 2007		As at June 30, 2007		Cost	Fair value	% of net assets	
					Purchased	Sold	Purchased	Sold				Number
Pakistan Investment Bonds (face value of Rs. 25,000,000/- each)	6.2.1	May 19, 2007	100,000,000	10	9.60%	-	4	-	4	97,149,100	97,179,000	15.16

6.2.1 As stated in note 4.1, government securities are valued with reference to quotation obtained from reputable brokerage houses. However, the Non Banking Finance Companies (establishment and regulations) Rules 2003 require these to be valued on the basis of the investment price. Had this been valued on this basis, the net assets and unit holder's funds as at year end would have been lower by Rs.29,900. Consequently the number of units sold/ redeemed during the year as well as the element of income and capital gains/ (losses) in the price of units sold less those in units redeemed as recorded by the Fund would also have been different. The effect of such difference on the aforementioned 'element' have not been quantified as the same is considered impracticable and immaterial by the management.

	Note	June 30, 2007 Rupees
<b>7 DEPOSITS AND OTHER RECEIVABLES</b>		
Security deposits	7.1	3,500,000
Return on bank deposits		206,515
Dividend receivable		767,500
Interest accrued on government securities		1,121,739
		5,595,754
7.1 This represents the amount paid to National Clearing Corporation Pakistan Limited as security deposit.		
<b>8 DEFERRED FORMATION COST</b>		
Deferred formation cost	8.1	1,500,000
Amortisation of formation cost - accumulated		(23,836)
		1,476,164
8.1 Deferred formation cost includes:		
- SECP fee for authorization of the Scheme		1,000,000
- Legal & professional charges		500,000
		1,500,000

## Askari Asset Allocation Fund

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### 9 REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY

The management company is entitled to a remuneration for services rendered to the fund under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, 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 based on such assets as remuneration in respect of the current period.

### 10 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 as follows:

On net assets:		
- up to Rs.1 billion		Maximum of 0.2% per annum of the daily average net assets of the Fund or Rs.0.7 million whichever is higher.
- exceeding Rs.1 billion		Rs.2 million plus 0.1% per annum of the daily average net assets of the Fund exceeding Rs.1 billion.

### 11 CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	June 30, 2007 Rupees
Payable to brokers against transactions in marketable securities		74,744,945
SECP annual fee	11.1	35,496
Reimbursements to management company	11.2	4,610,000
Audit fee		150,000
Other liabilities		520,000
		80,060,441

11.1 This represents annual fee payable to SECP in accordance with Rule 79 of the Non-Banking Finance Companies (Establishment & Regulations) Rules 2003, whereby the Fund is required to pay SECP an amount equal to one tenth of 1% of the daily average net asset of the Fund.

	Note	June 30, 2007 Rupees
11.2 Reimbursements to Askari Investment Management Company Limited		
Security deposit paid to National Clearing Company of Pakistan		3,500,000
Preliminary expenses payable		1,110,000
		4,610,000

**For the Period from  
May 25, 2007 to June  
30, 2007**

	Note	Rupees
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### 12 AUDITORS' REMUNERATION

Audit fee		100,000
Out of pocket expenses		50,000
		150,000

### 13 COMMITMENTS

-

### 14 NUMBER OF UNITS IN ISSUE

The management of the Fund has issued following classes of units:

#### Description

Units that shall be charged with no sales load (Restrictive)	14.1	2,500,000
Units that shall be charged with no sales load (Non-restrictive)		3,773,740
		6,273,740

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 such 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.



Askari Asset Allocation Fund

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	Note	For the Period from May 25, 2007 to June 30, 2007
<b>15 EARNINGS PER UNIT- BASIC</b>		<b>Rupees</b>
Net income for the period		13,622,967
		<b>Number</b>
Number of units in issue	14	6,273,740
		<b>Rupees</b>
Earnings per unit		2.17

**16 TAXATION**

No provision for taxation has been made in the financial statements in view of the exemption under clause 99 of the Part I of the 2nd schedule of the Income Tax Ordinance, 2001

**17 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 Education Trust being the group 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	For the Period from January 17, 2007 to June 30, 2007
		<b>Rupees</b>
<b>Transactions with the management company</b>		
Remuneration for the period		1,064,881
Payable as at June 30, 2007		5,674,882
<b>Transactions with the Trustee</b>		
Remuneration for the period		70,992
<b>Transactions with Askari Commercial Bank Limited</b>		
Bank balances as at June 30, 2007		61,933,700
Mark-up on a PLS saving account		624,200
Pakistan Investment Bond purchased	4	97,612,578
Units sold	2,500,000	250,000,000
Outstanding units	2,500,000	255,428,577
<b>Units sold to other related parties</b>		
Askari Cement Education Trust	11,413	1,150,000
Outstanding units held by Askari Cement Education Trust	11,413	1,166,083

**18 MARKET RATE OF RETURN (MROR) SENSITIVITY POSITION**

18.1 The Fund's MROR sensitivity related to financial assets and financial liabilities as at June 30, 2007 can be determined from the following:

	Exposed to MROR Risk			Not exposed to MROR risk	Total
	Upto three months	More than three months and upto one year	More than one year		
<b>On Balance sheet financial instruments</b>					
<b>Financial Assets</b>					
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	974,015	1,121,739	3,500,000	-	5,595,754
<b>Total financial assets</b>	610,619,483	1,121,739	100,679,000	8,296,921	720,717,143
<b>Financial liabilities</b>					
Remuneration payable to management company	-	-	-	1,064,882	1,064,882
Remuneration payable to Trustee	-	-	-	70,992	70,992
Creditors, accrued and other liabilities	-	-	-	80,060,441	80,060,441
	-	-	-	81,196,315	81,196,315
<b>On balance sheet gap</b>	610,619,483	1,121,739	100,679,000	(72,899,394)	639,520,828

## Askari Asset Allocation Fund

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### 19 RISK MANAGEMENT

The Fund primarily invests in a diversified portfolio of listed equity securities 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:

#### 19.1 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 board of directors of management company and regulations laid down by the Securities and Exchange Commission of Pakistan

#### 19.2 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.

##### 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.

##### 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. 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.

#### 19.3 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.

#### 19.4 Interest Rate Risk

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

### 20 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 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.

Askari Asset Allocation Fund

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21 MATURITIES OF ASSETS AND LIABILITIES

Maturities of assets and liabilities as at June 30, 2007:

	Total	Upto three months	More than three months and upto one year	More than one year
	(Rupees)			
<b>Assets</b>				
Balances with banks	313,348,923	313,348,923	-	-
Receivable against sale of marketable securities	8,296,921	8,296,921	-	-
Investments	393,475,545	296,296,545	-	97,179,000
Deposits and other receivables	5,595,754	974,015	1,121,739	3,500,000
Deferred formation cost	1,476,165	75,617	224,384	1,176,164
	722,193,308	618,916,404	1,346,123	100,679,000
<b>Liabilities</b>				
Remuneration payable to management company	1,064,882	1,064,882	-	-
Remuneration payable to Trustee	70,992	70,992	-	-
Creditors, accrued and other liabilities	80,060,441	80,060,441	-	-
	81,196,315	81,196,315	-	-
<b>Net assets</b>	<b>640,996,993</b>	<b>537,720,089</b>	<b>1,346,123</b>	<b>100,679,000</b>

22 SUBSEQUENT EVENTS

The Board of Directors of the management Company of the fund in their meeting held on July 09, 2007 has approved distribution to unit holders at the rate of Rs. 1.99 per unit as the distribution for the period.

23 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 03, 2007 by the Board of Directors of the management company.

24 GENERAL

24.1 Figures have been rounded off to the nearest Rupee.

24.2 The Fund was constituted under the trust deed on January 17, 2007, hence there are no corresponding figures.

For Askari Investment Management Limited  
(Management Company)

Chief Executive

Chairman

Director

Askari investment Management Ltd