Annual Report 2010

Askari Asset Allocation Fund

Invest with AIM

Askari Investment Management Ltd.

A Wholly Owned Subsidary of askaribank LIMITED

Title Inside

askari
asset allocation
Fund

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.

contents

askari asset allocation Fund

information about the management company

Registered Office
Askari Investment Management Ltd.
Suit # 501, 5th Floor, Green Trust Tower, Blue Area,
Jinnah Avenue, Islamabad

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

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

Executive Committee
- Mr. Mohammad Rafiquddin Mehkari - Chairman
- Mr. Shahid Hafeez Azmi
- Mr. Tahir Aziz
- Mr. Adnan Ahmed Siddiqui – CEO

Audit Committee
- Mr. Muhammad Naseem- FCA (Chairman)
- Mr. Shahid Hafeez Azmi
- Mr. Mohammad Rafiquddin Mekhari
- Mr. Tahir Aziz

Chief Financial Officer:
Mr. Irfan Saleem Awan, ACA

Company Secretary:
Syed Shoaib Jaffery

fund's information

Registrar
Technology Trade (Pvt.) Ltd.
Dagia House: 241-C, P.E.C.H.S Block-2,
Shahrah-e-Quaideen, Karachi

Bankers
- Askari Bank Limited
- JS Bank Limited

Trustee
- CDC House, 99-B, Block B, S.M.C.H.S.,
  Main Shahrah-e-Faisal, Karachi
  Tel: (92-021) 111-111-500

Auditors
- Ernst & Young Ford Rhodes Sidat Hyder
  Chartered Accountants
  Progressive Plaza, Beaumont Road
  P.O.Box 15541, Karachi
  Tel: (92-021) 3565-0007

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

directors' report

DIRECTORS' REPORT TO THE UNITHOLDERS

On behalf of the Board of Directors of Askari Investment Management Limited ("Management Company" or "the Company"), we are pleased to present the annual report of Askari Asset Allocation Fund ("AAAF" or "the Fund") along with the audited financial Statements and Auditors' report thereon for the year ended June 30, 2010.

Economic Overview

Commodity prices have rebounded strongly from their lows of late 2008 and early 2009, driven by strong recoveries of industrial production especially in emerging-market economies. Recently, world oil prices again pierced $80 per barrel mark before coming back to just under $78. The rise in commodity prices has contributed to moderate acceleration of overall consumer price inflation in a number of emerging-market economies and perhaps also to the modest pickup in core inflation in many of these countries. Monetary policies have been tightened in several countries (including China and India) to contain the rise of inflationary pressures. This will likely slow the pace of economic expansion somewhat but is not a major threat to continued global recovery.

The world oil price is potentially a more immediate concern for global growth, especially if prices rise above $100 per barrel. With considerable excess capacity available, however, it seems reasonable to expect that dramatic increases in oil prices will not be driven by global supply and demand conditions before 2012.

In Pakistan, the shocks of political uncertainty and the energy crisis has badly affected the industrial production growth and it declined to six years low in 2008-09. The economy recovered slightly during the last fiscal year after setback of the preceding year due to political uncertainty in the country and global recession. Curtailing electricity shortfall is still a challenge for the government in order to improve industrial production output. Moreover, the recent hike in interest rates will not bode well with the market. The stock market is likely to react negatively to this in the short term. Although this increase will help the government control rising inflation, it is likely to stifle growth and investment, which the economy currently needs desperately. The government therefore needs to carefully balance this sensitive tradeoff between controlling inflation and encouraging investment and growth in order to bring the economy back on track.

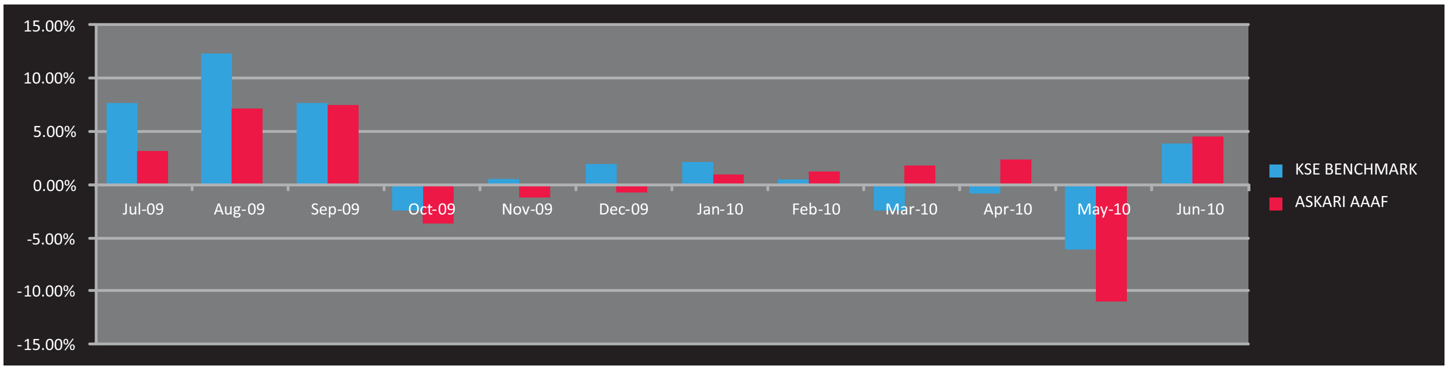
KSE100 gained 36% in FY10 due to continued economic improvement, thus outshining its peers in the region. Net foreign inflows were recorded at USD567mn. Net foreign investment in KSE100 was recorded at 6.8% of the total market cap (USD 2.1bn by the end of June 2010). A longer-term goal for the Pakistan's equities is to be included in the MSCI Emerging Markets as Pakistan may be put on review during the 4Q FY11. This will likely improve Pakistan's visibility on the international financial markets, thus leading to increased foreign flows.

The real expected GDP growth rate for the next fiscal year is 4.5% .The sectoral growth rates are expected to be 3.8% for agriculture, 4.9% for industry and 4.7% for services sectors. The fiscal deficit is estimated to be 4.0% of GDP but the achievement of the fiscal deficit target could be difficult because of the ambitious revenue target and uncertainty over the external financial inflows arising from sources such as Coalition Support Fund and Kerry-Lugar Act and due to the possible impacts of recent floods in the Country. Further, with the Capital Gains Tax (CGT) implemented, the market may continue to be dull for the next couple of months.

Performance of the Fund

The Fund's return for FY10 was 7.61% as compared to -37.85% for FY09. Since inception of the Fund, the returns have been -39.23%. The KSE-100 index gained 36% in FY10 despite continued worsening of political and security scenario in Pakistan – reserving a position amongst the best performing equity markets. At the end of FY10, the Fund was invested 60.33% in equities, 8.19% in TFCs and 31.47% in cash. During the year, the Fund has earned a net gain of Rs. 29.247 million on investments with expenses of Rs. 18.17 million. Going forward, the Fund will continue to vary exposure depending on market fundamentals and focus on its long-term objectives of providing competitive returns to our investors.

Following is a comparison of the Fund returns with its benchmark for the year ended June 30, 2010:



* Benchmark: KSE-100 index.

Details required by the Code of Corporate Governance:

AAAF was listed on Islamabad Stock Exchange (Guarantee) Limited on September 18, 2007 and Askari Investment Management Limited, as its Management Company, is committed to observe the Code of Corporate Governance as applicable.

The details as required by the Code of Corporate Governance regarding the pattern of unit holding of the Fund as on June 30, 2010 is as follows: (Also refer to Annexure – I to the financial statements):

Category	Number of unit holders	No. of units held	% of total
Askari Bank Limited (Holding company of the Management Company)	1	2,500,000	66.95
Commercial bank	1	254,955	6.83
NBFC	1	49,907	1.34
Others	20	929,537	24.88
	23	3,734,399	100

The Board of Directors of the Management Company state that:

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

8. As detailed in note 18 to the financial statements, the Management Company following a prudent approach made a provision for Workers Welfare Fund (WWF) levy during the year. However, the matter of applicability of WWF on mutual funds is under consideration at various levels, including Honorable Sindh High Court, Mutual Funds Association of Pakistan and the Ministry of Labor and Manpower. The payment or reversal of the said amount of provision is dependant on a final decision about the applicability of this levy on mutual funds.

Trades in the units of the Fund by the Directors, CEO, CFO and Company Secretary of the Management Company their spouses and minor children have been disclosed in Note 19 to the financial statements.
Meetings of the Board of Directors were held once in every quarter. During the year five board meetings were held. Attendance at these meetings was as follows:

	Meetings attended	No of meetings held during appointment
Lt. Gen. (R.) Imtiaz Hussain - Chairman	4	5
Maj. Gen. (R.) Saeed Ahmed Khan	4	5
Mr. Mohammad Rafiquddin Mehkari	5	5
Mr. Muhammad Naseem	5	5
Mr. Shahid Hafeez Azmi	5	5
Mr. Tahir Aziz	5	5
Mr. Sufian Mazhar*	1	3
Mr. Saeed Aziz Khan- Ex CEO**	4	4
Mr. Adnan Ahmed Siddiqui- CEO***	1	1

*The Securities and Exchange Commission of Pakistan approved appointment of Mr. Sufian Mazhar as director of the company on January 29, 2010.

** Mr. Saeed Aziz Khan had resigned from the office of Chief Executive Officer with effect from May 31, 2010.

*** Mr. Adnan Siddiqui was appointed as Chief Executive Officer on June 01, 2010 after prior approval of Securities and Exchange Commission of Pakistan.

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

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

*This excludes dividend distribution for any year approved after the year-end.

On July 06, 2010, the Board of Directors of the Management Company approved a final distribution at the rate of Rs 22.6 per unit (Par value of Rs. 100 per Unit) out of the accounting income for the year ended June 30, 2010. This distribution has been made in compliance with Regulation 63 of the NBFC Regulations, 2008, and to avail the income tax exemption for the Fund as available under Clause 99 of the Second Schedule to the Income Tax Ordinance, 2001.

Future Outlook

Going forward, in view of the economic scenario and the impacts of recent floods, external flows are going to be a key factor in the economic recovery of the Country. Funds from Friends of Democratic Pakistan (FoDP), Kerry-Lugar Bill and other bilateral and multilateral assistance, can provide SBP room for quantitative easing which may boost private sector credit off take. Further interest rates are expected to remain on the higher side going forward due to rising inflationary pressures and expected increase in fiscal deficit.

On the equity front, the medium term impact of the floods can be negative on the market however we also see a positive side to it. The key sectors that are likely to be affected are fertilizer, textiles and banks, to the extent that they have direct exposure to agriculture based loans. However, we see a positive impact of this natural calamity on certain sectors like Pharma and Cement.

The anticipated foreign inflows along with recent news flow, regarding US$700mn assistance pledged by China for dam construction and the reduction in power subsidies should provide the Government of Pakistan (GoP) the necessary fiscal space to achieve higher PSDP utilization going forward.

The Company's strategy going forward will be to capitalize on the best available opportunities arising in the market from time to time through active fund management with an endeavor to achieve targeted objectives of the Fund.

Auditors

The Board of Directors on the recommendation of the Audit committee has approved the appointment of M/s A.F. Ferguson & Co. – Chartered Accountants as the auditors of the Fund for the financial year ending June 30, 2011 subject to completion of necessary legal and procedural requirements in this respect.

Acknowledgement

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

For and on Behalf of the Board of Directors of the Management Company

Adnan Siddiqui

Chief Executive Officer | **Chairman** | **Director**

AUGUST 18, 2010
KARACHI

fund manager's report

FUND MANAGER'S REPORT
OVERALL ECONOMIC SCENARIO

Global Outlook

The global economy is moving into a more mature phase led by growing domestic demand. So far, the uncertainty about the sustainability of fiscal positions in several high-income European countries has had limited impacts on developing countries. Stock markets in high-income and emerging economies have recovered much of the value they lost, and most developing-country currencies have regained their pre-crisis levels against the dollar, with some having appreciated.

Financial markets have recovered from their lows in 2009; industrial production and trade continue to expand rapidly, but conditions remain tight and banks may be exposed to debt in EU countries. International capital flows to developing countries are projected to reach about 3.5 percent of their GDP in 2012, up from 2.5 percent in 2009. Growth prospects remain uncertain because of the situation in Europe;nevertheless, developing countries are projected to lead the recovery with growth rates of around 6 percent. High-income countries' growth is expected to accelerate from about 2-2.3 percent in 2010 to between 2.3 and 2.7 percent in 2012.

Although the global financial crisis has had important consequences for economic activity in South Asia, that impact was much less pronounced than in all other developing regions save East Asia. Regional economic activity benefitted from limited exposures to the sub-prime markets and global banking systems-as the region's financial markets are less integrated than elsewhere-and relatively resilient capital inflows, which increased as a share of GDP.

Economic Update

The International Finance Cooperation assigned Pakistan the 85th rank vis a vis China's 89th and India's 133rd among countries in terms of 'ease of doing business' in 2010. Pakistan's improved macro economic fundamentals was also reflected in Moody's outlook upgrade to 'Stable' from 'Negative' in August 2009, while S&P upgraded Pakistan's rating to 'B-/Stable' from 'CCC+/Developing' on the 24th of the same month.

As a result of the commodity super spike and poor macro economic governance Pakistan hit the macroeconomic trough in FY09. GDP reduced to 2.0%, compared to the last five years average of 6.4%, C/A deficit peaked to US$13.87bn in FY08, compared to US$9.39 in FY09, a decline of 32.6% Year on Year (YoY). The deficit has been brought down further. Current a/c deficit for FY10 stood at USD 3.5bn (1.96% GDP) against USD 9.3bn (5.56% GDP) in FY09, recording a massive drop of 62% Y/Y. CAD for the year was much lower than IMF's last projection of 3.8% of GDP and SBP's estimate of 2.2-2.8% of GDP. Contraction in the current account deficit was helped by a 10% reduction in trade deficit which fell to USD 11.4bn in FY10, or 6.4% GDP as compared to 7.6% of GDP in FY09.

Country's total foreign exchange reserves (as on July 2, 2010) stood at USD 16.8bn, while reserves held by the central bank reached USD 12.95bn. Besides, build up of FX reserves also reflected in M2 growth, with growth in NFA accounting for 24% of growth in monetary aggregated during FY10. Foreign Direct Investment shrunk 41% Y/Y to USD 2.2bn FY10, on top of a 31% fall witnessed in FY09.

Meanwhile, in terms of sector-wise share in FDI, the balance tilted in favor of oil/gas exploration and food sectors, while telecom and financial services, which were major FDI recipients in recent past, saw their share decrease in FY10. On the other hand, net inflow of USD 588mn in equity portfolio investment in FY10, against a net outflow of USD 511mn in FY09, was the redeeming factor in an otherwise disappointing financial account performance.

Money supply grew by 12.46% in FY10 compared to only 9.56% in FY09 mainly on account of 1) 12.4% growth in deposit base against only 7.5% last year in line with increased economic activity; and 2) 12.4% growth in currency in circulation outside the banking system indicating higher liquidity. On the asset side, the supply was driven by higher demand from government for its budgetary support coupled with enhanced borrowing by private sector to meet its rising working capital requirements.

Consumer price index (CPI) had crept to 11.73% for the full FY10, much higher than government's single digit target. The headline Consumer price index (CPI) recessed to 12.69% YoY basis in Jun'10, in comparison to 13.07% YoY during May'10. Core inflation, which according to the IMF, should be the key in determining any cut in the discount rate, increased by 10.4% YoY in Jun'10. Core inflation is seen to be on a decreasing trend since Feb'09 when it had peaked to 21.10% YoY.

Performance of Pakistan Markets

KSE100 closed up 36% in FY10 on the back of low base and continued economic improvement - earmarking itself as one of the best performing equity markets. Net foreign inflows were recorded at USD567mn while OGDC, the star performer, gained 79% for the year and alone contributed ~1,125 points to the index. Domestic investors were seen on the selling side, by virtue of which foreign investors are now estimated to account for over 28% of free float weighted market capitalization of Pakistan equities. Moreover Pakistan's equities have outperformed MSCI FM by 40% during FY10. Net foreign investment in KSE100 stood at 6.8% of the total market cap (USD 2.1bn by the end of Jun10).Despite healthy foreign flows volumes remained thin especially in the months of May-Jun10 on the back of new taxes imposed on the local bourses and liquidity concerns. KSE100 volumes touched its bottom of 36.6mn on Jun21'10 as local investors remained concerned over CGT imposition and income disclosure to tax authorities. Retail money has been the most effected as investors have diverted their investments from equity market till further clarity comes on disclosure laws.

Credit risk premium on 10yr bonds reflected by the spread on credit default swap has reduced significantly to 705bps in Jun10 from a peak of 2,336bps in Apr09 which highlights renewed investor's confidence in the modest economic recovery. A longer-term theme for the Pakistan's equities is the inclusion in the MSCI Emerging Markets as Pakistan may be put on review during the 4Q FY11. Resultantly Pakistan's visibility on the international radar screen would improve leading to increased foreign flows.

The sluggish performance in the equity market during 4Q FY10 is likely to be reversed mainly triggered by improvement in liquidity coupled with positive earnings surprise. Furthermore with KSE100 Index trading at a wide discount of 38% to its peers, we believe there is strong potential for Pakistan to outperform most regional markets in FY11.

In November 2008, the State Bank of Pakistan boosted the discount rate by 200 basis points to 15 percent from 13 percent amid high government borrowings, persistent demand pressures, frequent hike in core inflation and widening current account deficit. Later on in January 2010, easing of inflationary pressure helped the central bank to slash its discount rate by 250 basis points to 12.5 percent

FUND PERFORMANCE

Askari Asset Allocation Fund (AAAF) is an open-end asset-allocation Fund, which invests in interest bearing securities and equities. The Fund seeks to maximize long-term total return (stock plus income) while incurring lesser risk than a Fund comprising entirely of stocks. The asset universe of the Fund includes stocks, term finance certificates, Government bonds, treasury bills, certificates of investment, continuous Funding system, and spread transactions, etc. The Fund seeks to provide its investors with benchmark returns (KSE-100 index).

The Fund was launched (Pre-IPO) on June 2nd 2007 and the IPO took place from September 10th to 13th, 2007. As at June 30th 2010 the Fund size was Rs. 219.50 million, as compared to Rs. 289.142 million at the same time last year.

Pursuant to the Securities & Exchange Commission of Pakistan's (SECP) Circular 7 of 2009, the constitutive documents of the Fund are in the process of being altered to incorporate the necessary amendments required therein including the revised strategy on the Fund.

The TFC of Agritech Limited defaulted on June 14th 2010, which consequently had a negative impact on the NAV.

AAAF followed its "PE Band" valuation methodology, investing in undervalued scrips to benefit from their upside potential in terms of intrinsic values. The methodology derived from the "FED model", decides exposure levels based on the earning yield and discount rate. The Fund's return for FY10 was 7.61% compared to -37.85% for FY09, against the benchmark KSE 100 index return of 35.74% for the year ended June 30th 2010. Since inception return of the Fund was -39.23%. Subsequent to the year end, the Board of Directors of the management company declared final distribution of income for the year ended June 30, 2010 at the rate of Rs 22.60 per unit, which resulted in an ex-div. NAV of Rs 36.1784 per unit.

General Information	
Minimum Investment	Rs. 5,000
Sales Load	2.5% front-end on Class B & D units, 2.5% back-end on Class C units
Management Fee	3.0% p.a.
Risk	Medium
Management Company Rating	AM3 by PACRA (Feb-2010)

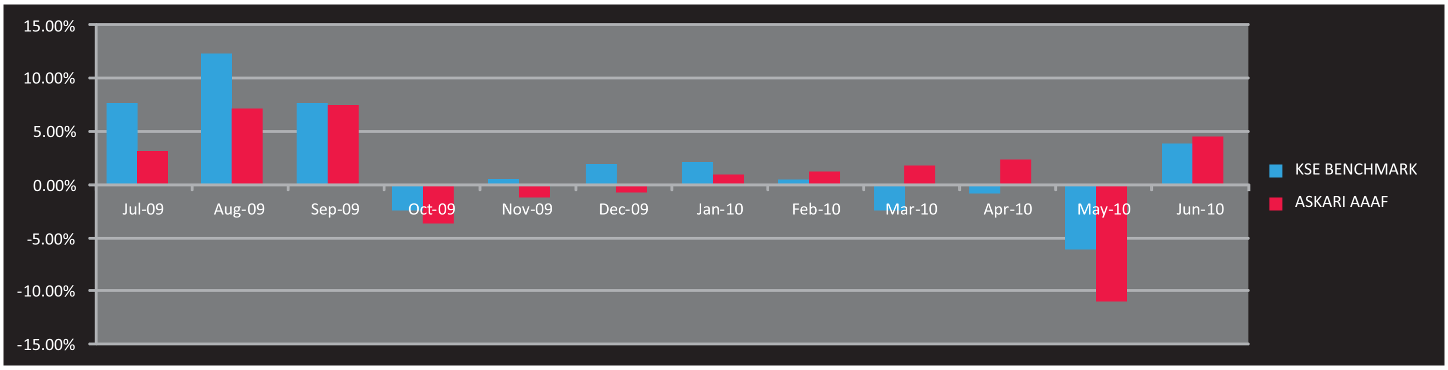
Fund Size and Growth		
	30th June '10	30th June '09
Fund Size	Rs 219.5 mn	Rs 289.14 mn
NAV	Rs 58.7784	Rs 54.6213

Fund Performance				
Rolling Return	1-Month	3-Month	Since Inception	FY10
AAAF	-3.83%	-9.63%	-39.23%	7.61%
KSE 100	4.24%	-4.49%	-24.83%	35.74%

Portfolio Details	
P/E (FY10)	7.77
Beta	0.77%
R^2	76.40%
Max Drawdown (DD)	60.70
Number of Days in DD	867
Standard Deviation* *Monthly Basis	4.03%

Economic Data	Sep 09	Dec 09	Mar 10	Jun 10
KSE100 Index	9,349.67	9,386.92	10,178.43	9,722
6M KIBOR	12.65%	12.43%	12.41%	12.37%
CPI (YoY)	10.12%	10.52%	12.91%	12.69%

Top Ten Holdings of the AAAF	
1.) Pakistan Oil Fields Limited	2.) Shell Pakistan Ltd.
3.) Fauji Fertilizer Company Ltd.	4.) Fauji Fertilizer Bin Qasim Ltd.
5.) Pakistan State Oil	6.) Mari Gas Company
7.) National Bank of Pakistan Ltd.	8.) Hub Power Co.
9.) Lucky Cement	10.) Packages Ltd.



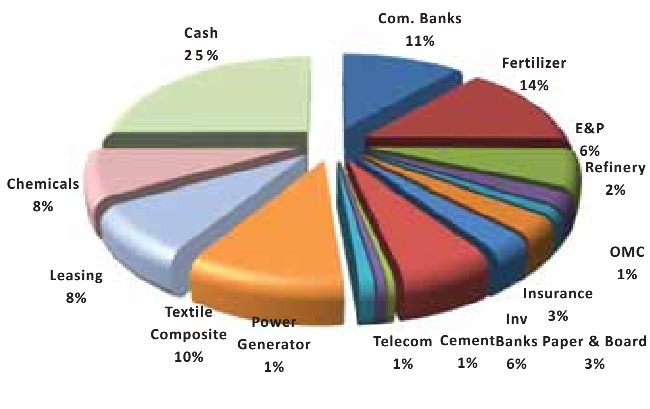
* Benchmark: KSE-100 index.

The KSE-100 index gained 36% in FY10 despite continued worsening of political and security scenario in Pakistan - reserving a position amongst the best performing equity markets. The prevalent uncertainties related to CGT were removed after its implementation and the introduction of a leverage product seems likely. The Fund will continue to vary exposure depending on market Fundamentals and focus on its long-term objectives of providing competitive returns to our investors.

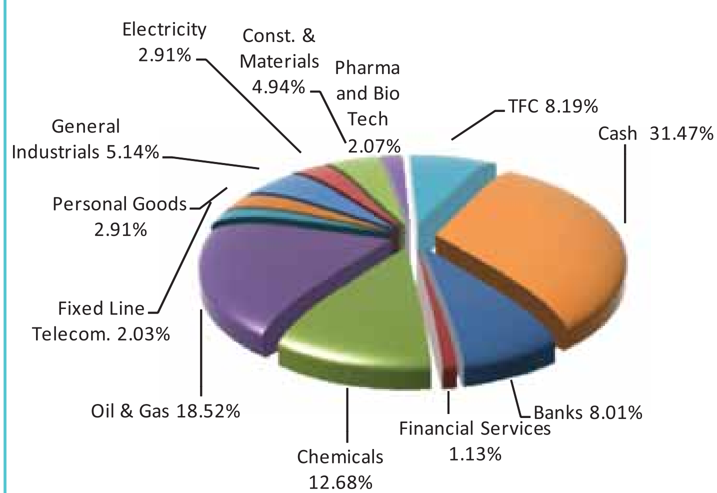
At the end of FY10, the Fund was invested 60.33% in equities, 8.19% in TFCs and 31.47% in cash. During the year, the Fund has gained Rs. 50.48 million on investments with expenses of Rs. 18.17 million. Redemptions reduced Fund size by a total of Rs. 98.157 million for the financial year.

For unit holding pattern of the Fund, please refer to Annexure - I to the financial statements of AAAF. Further, persuant to circualr 16 of 2010 issued by the SECP on July 07, 2010, the detail of non-compliant asset held by the Fund is disclosed in note 8.4 of the financial statements of the Fund.

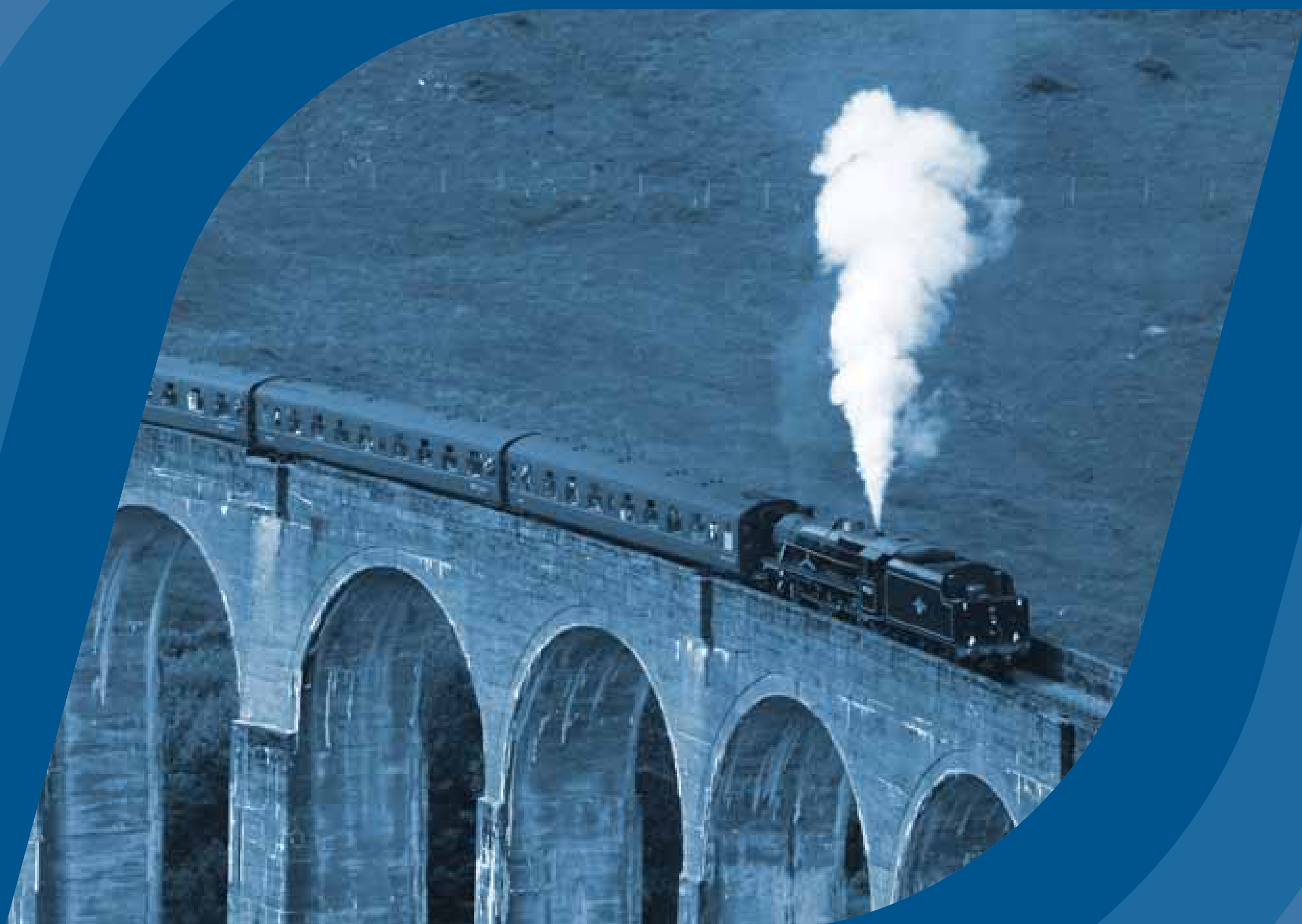
ASSET ALLOCATION AS AT JUNE 30, 2009



ASSET ALLOCATION AS AT JUNE 30, 2010



financial statements



CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

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

TRUSTEE REPORT TO THE UNIT HOLDERS

ASKARI ASSET ALLOCATION FUND

Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

The Askari Asset Allocation Fund (the Fund), an open-end Fund was established under a trust deed dated January 17, 2007, executed between Askari Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2010 in accordance with the provisions of the following:

(i) Limitations imposed on the investment powers of the management company under the constitutive documents of the Fund;

(ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and

(iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi: October 07, 2010

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

This statement is being presented in compliance with the Code of Corporate Governance ('the Code') contained in the Listing Regulations of Islamabad Stock Exchange where Askari Asset Allocation Fund (the Fund) is listed. The purpose of the Code is to establish a frame work of good governance, where by a listed entity is managed in compliance with the best practices of corporate governance.

Askari Investment Management Limited (the Management Company) which manages the affairs of the Fund has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. Presently, all the board members are non-executive directors except Chief Executive Officer.

2. The directors of the Management Company have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.

3. All the directors of the Management Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange. No director of the Management Company or his spouse is engaged in the business of stock brokerage.

4. The three year term of office of previous Board of Directors was completed and new board comprising of seven directors were elected for next term of three years during the year. Further, during the year, the CEO had resigned with effect from May 31, 2010 and the new CEO was appointed by the board on June 01, 2010 after obtaining prior approval from Securities & Exchange Commission of Pakistan.

5. The Management Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and employees of the Management Company.

6. The Management Company has adopted a vision / mission statement and overall corporate strategy and formulated significant policies of the Fund which have been approved by the Board.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO has been taken by the Board.

8. The meetings of the Board were presided over by the Chairman, and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter during the year. Written notices of the meetings of the Board, along with agenda and working papers, were circulated at least seven days before the meetings and any exceptions thereto which were executed specifically with approval of the Board. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged an orientation course for its directors to appraise them of their duties and responsibilities. Furthermore, the directors are conversant of the relevant laws applicable to the Management Company, its policies and procedures and provision of memorandum and articles of association and are aware of their duties and responsibilities.

10. During the year, the Management Company has appointed a new CFO. The remuneration and terms and conditions of the employment of CFO and Company Secretary have been approved by the Board.

11. The Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Fund have been prepared in accordance with the approved accounting standards as applicable in Pakistan and were dully endorsed by the CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the units of the Fund other than those disclosed in the Directors' Report.

14. The Management Company has complied with all other corporate and financial reporting requirements of the Code with respect to the Fund.

15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including Chairman of the Committee.

16. The meetings of Audit Committee were held once in every quarter and prior approval of interim and final results of the Fund is required by the Code. The Board has approved terms of reference of the Audit Committee.

17. The Management Company has established adequate procedures and systems for related party transactions vis-à-vis the pricing method for related party transactions. All the related party transactions are placed before the Audit Committee and the Board of Directors for their review and approval.

18. The Management Company has outsourced the internal audit function to Deloitte M. Yousaf Adil Saleem & Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.

19. The statutory auditors has confirmed that they have been given a satisfactory rating under the Quality Control Review Program of Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units / share of the Fund or its Management Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

20. The statutory auditors have not been appointed to provide other services to the Management Company except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

Chairman

CEO

KARACHI: 18 AUGUST 2010

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of the Management Company of Askari Asset Allocation Fund (the Fund) to comply with the Listing Regulations of the Islamabad Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code 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 reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2010.

Ernst & Young Ford Rhodes Sidat Hyder

KARACHI: 18 AUGUST 2010

CHARTERED ACCOUNTANTS

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Askari Asset Allocation Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2010, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2010 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other Matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, the NBFC Rules and the NBFC Regulations.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 18 August 2010

Karachi

ASKARI ASSET ALLOCATION FUND

STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2010

	Note	2010	2009
		----------------Rupees----------------	
Assets			
Bank balances	7	**68,617,630**	27,738,657
Receivable against sale of securities		**-**	38,248,603
Investments	8	**150,420,811**	216,636,017
Dividend and other receivables	9	**1,003,587**	3,226,002
Deposits	10	**3,600,000**	3,600,000
Deferred formation cost	11	**1,004,582**	1,518,911
Total assets		**224,646,610**	290,968,190
Liabilities			
Payable against purchase of securities		**1,708,967**	-
Remuneration payable to the Management Company		**563,516**	730,324
Remuneration payable to the Trustee		**57,533**	57,531
Annual fee payable to the Securities and Exchange Commission of Pakistan		**255,452**	311,183
Accrued and other liabilities	12	**2,559,213**	726,508
Total liabilities		**5,144,681**	1,825,546
Net assets		**219,501,929**	289,142,644
Unit holders' fund		**219,501,929**	289,142,644
Number of units in issue		**3,734,399**	5,293,584
Net asset value per unit		**58.7784**	54.6213

The annexed notes from 1 to 25 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Chief Executive Officer	Chairman	Director

ASKARI ASSET ALLOCATION FUND
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		----------------Rupees----------------	
Income			
Return on bank balances		10,154,972	2,840,421
Mark-up on term finance certificates		482,942	10,154,126
Dividend income		5,981,500	10,594,425
Net gain / (loss) on investments at fair value through income statement:			
Net gain / (loss) on sale of investments		50,476,789	(117,680,538)
Net unrealised loss on revaluation of investments	13	(21,229,970)	(75,956,951)
		29,246,819	(193,637,489)
Element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed - net		58,576,970	11,576,502
		104,443,203	(158,472,015)
Expenses			
Remuneration of the Management Company	14	8,066,912	9,598,123
Remuneration of the Trustee	15	700,000	721,932
Annual fee of the Securities and Exchange Commission of Pakistan	16	255,452	311,183
Amortisation of deferred formation cost		514,329	514,328
Brokerage commission		5,863,617	1,905,509
Listing fee		25,000	25,000
Rating fee		100,000	-
Custodian fee		135,519	131,693
Bank and settlement charges		293,584	142,919
Auditors' remuneration	17	387,211	250,000
Printing and stationery		63,093	210,450
Legal and professional fee		-	418,480
Provision for contribution to Workers' Welfare Fund	18	1,760,770	-
		18,165,487	14,229,617
Net income / (loss) for the year		86,277,716	(172,701,632)

The annexed notes from 1 to 25 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Chief Executive Officer	Chairman	Director

ASKARI ASSET ALLOCATION FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	-------- Rupees --------	
Net income / (loss) for the year	**86,277,716**	(172,701,632)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	**86,277,716**	(172,701,632)

The annexed notes from 1 to 25 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Chief Executive Officer   Chairman   Director

ASKARI ASSET ALLOCATION FUND

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	-------- Rupees --------	
Accumulated loss brought forward		
Realised	**(164,258,782)**	(52,822,767)
Unrealised	**(75,956,951)**	(14,691,334)
	(240,215,733)	(67,514,101)
Net income / (loss) for the year	**86,277,716**	(172,701,632)
Accumulated loss carried forward		
Realised	**(131,686,540)**	(164,258,782)
Unrealised	**(22,251,477)**	(75,956,951)
	(153,938,017)	(240,215,733)

The annexed notes from 1 to 25 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Adnan Siddiqui

Chief Executive Officer | Chairman | Director

ASKARI ASSET ALLOCATION FUND

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	-------- Rupees --------	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income / (loss) for the year	**86,277,716**	(172,701,632)
Adjustments for:		
Net (gain) / loss on investments at fair value through income statement	**(29,246,819)**	193,637,489
Amortisation of deferred formation cost	**514,329**	514,328
Element of (income) / loss and capital (gains) / losses in prices of units issued less those in units redeemed - net	**(58,576,970)**	(11,576,502)
	(87,309,460)	182,575,315
(Increase) / decrease in assets		
Receivable against sale of securities	**38,248,603**	(38,248,603)
Investments	**95,462,025**	59,042,339
Dividend and other receivables	**2,222,415**	(945,030)
	135,933,043	19,848,706
Increase / (decrease) in liabilities		
Payable against purchase of securities	**1,708,967**	(8,696,174)
Remuneration payable to the Management Company	**(166,808)**	(427,841)
Remuneration payable to the Trustee	**2**	(19,676)
Annual fee payable to the Securities and Exchange Commission of Pakistan	**(55,731)**	(354,593)
Accrued and other liabilities	**1,832,705**	294,243
	3,319,135	(9,204,041)
Net cash inflow from operating activities	**138,220,434**	20,518,348
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	**815,164**	8,034,779
Payments on redemption of units	**(98,156,625)**	(34,061,560)
Net cash used in financing activities	**(97,341,461)**	(26,026,781)
Net decrease in cash and cash equivalent	**40,878,973**	(5,508,433)
Cash and cash equivalent at the beginning of the year	**27,738,657**	33,247,090
Cash and cash equivalent at the end of the year	**68,617,630**	27,738,657

The annexed notes from 1 to 25 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Chief Executive Officer	Chairman	Director

ASKARI ASSET ALLOCATION FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	----------------Rupees----------------	
Net assets at the beginning of the year	**289,142,644**	489,738,434
[Rs. 54.6213/- (2009: Rs. 87.8845/-) per unit]		
Issue of 13,312 (2009:123,269) units of Rs. 100/- each	**815,164**	8,034,779
Redemption of 1,572,496 (2009: 402,210) units of Rs. 100/- each	**(98,156,625)**	(24,352,435)
Element of (income) / loss and capital (gain) / loss included in prices of units issued less those in units redeemed - net	**(58,576,970)**	(11,576,502)
Net income / (loss) for the year	**86,277,716**	(172,701,632)
Other comprehensive income	**-**	-
Total comprehensive income / (loss) for the year	**86,277,716**	(172,701,632)
Net assets at the end of the year		
[Rs. 58.7784 (2009: Rs. 54.6213/-) per unit]	**219,501,929**	289,142,644

The annexed notes from 1 to 25 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Chief Executive Officer	Chairman	Director

ASKARI ASSET ALLOCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Askari Asset Allocation Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) as an open end unit trust scheme. It was constituted under the Trust Deed, dated 17 January 2007 between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee.

1.2 The Fund offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund. The units are listed on the Islamabad Stock Exchange. As per the offering document, the Fund shall invest in equity securities as well as debt securities including government securities, commercial papers and various other money market instruments.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for investments and derivatives which are valued as stated in notes 4.2 and 4.3 below.

3.2 These financial statements are presented in Pakistan Rupees, which is the functional and presentation currency of the Fund and rounded to the nearest rupee.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows:

The Fund has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 – Share Based Payment – Amendments regarding Vesting Conditions and Cancellations (Amendment)

IFRS 3 – Business Combinations (Revised)

IFRS 7 – Financial Instruments: Disclosures (Amendments)

IFRS 8 – Operating Segments

IAS 1 – Presentation of Financial Statements (Revised)

IAS 23 – Borrowing Costs (Revised)

IAS 27 – Consolidated and Separate Financial Statement – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IAS 27 – Consolidated and Separate Financial Statements (Amendment)

IAS 32 – Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)

IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRIC 17 – Distributions of Non-cash Assets to owners

IFRIC 18 – Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for the following:

IAS - 1 "Presentation of Financial Statements (Revised)

The Fund has adopted IAS - 1 "Presentation of Financial Statements (Revised)" which became effective during the year. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity / unit holders' fund includes only details of transactions with owners, with non-owner changes in equity presented as a single line item in the statement of changes in equity / unit holders' fund. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Fund has elected to present two statements. However, the Fund does not have any items of income and expenses representing other comprehensive income. Therefore, comprehensive income is equal to the net income / (loss) reported for all periods presented.

IFRS 7 - "Financial Instruments: Disclosures (Amendments)"

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurement is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity management. The fair value measurement disclosures are presented in note 20.5 and 20.6 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 20.3 to the financial statements.

4.2 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through income statement or available-for-sale investment, as appropriate.

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

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 investments require delivery of securities within two days after transaction date as per the stock exchange regulations.

Investments at fair value through income statement

These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and gains or losses on revaluation are recognised in the income statement.

Available-for-sale

Investments which are not classified in the above category are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealised gain or loss recognised directly in the statement of comprehensive income until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in the statement of comprehensive income is taken to the income statement.

4.3 Derivatives

These are initially recognised at cost and are subsequently remeasured at their fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of assets and liabilities. The resultant gain and loss is included in the income currently.

4.4 Deferred formation cost

The Fund has recorded all expenses incurred in connection with the incorporation, registration, establishment and authorisation of the Fund, as deferred formation cost which are amortised by the Fund over a period of five years in accordance with the Trust Deed.

4.5 Financial instruments

All 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 contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

4.6 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.7 Cash and cash equivalent

Cash and cash equivalent comprise bank balances and short term placements having maturities of up to three months.

4.8 Provisions

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

4.9 Element of income / (loss) and capital gain / (loss) in prices of units issued less those in units redeemed - net

To prevent the dilution of per unit income and distribution of income already paid out on redemption as dividend, an equalisation account called “element of income / (loss) and capital gain / (loss) in prices of units issued less those in units redeemed” is created.

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

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

4.10 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income as reduced by the realised and unrealised capital gain for the year is distributed amongst the Fund's unit holders. The Fund has availed such exemption in the past and intends to continue the same in current and future periods. Accordingly, no provision is required for current and deferred taxation in these financial statements.

4.11 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 recognised when the right to receive the dividend is established.

Return on bank balances, debt and government securities is recognised on an accrual basis. However, wherever required, recognition of income on exposures is suspended in accordance with the SECP's Circular 1 of 2009 and Fund's provisioning policy.

4.12 Issue and redemption of units

Units are issued at the offer price determined at the close of business when funds in respect of purchase of units are realised. The offer price represents the net assets value of units at the end of the day plus the allowable front end load. The front end load is payable to the Management Company as processing fee. Issue of units is recorded upon realisation of related funds.

Units redeemed are recorded at the redemption price prevalent during the day on which the units are redeemed. The redemption price represents the net asset value per unit at the close of the business day less applicable back end load. Redemption of units is recorded on acceptance of application for redemption.

4.13 Distribution to unit holders

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

4.14 Net asset value per unit

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

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect 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 judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgements 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.

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, interpretations and amendments with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard, interpretation or amendment:

Standard, interpretation or amendment		Effective date (accounting periods beginning on or after)
IAS - 24	Related Party Disclosures (Revised)	01 January 2011
IAS - 32	Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01 February 2010
IFRS - 2	Share based payment - Amendments relating to Group Cash-settled Share-based payment transactions	01 January 2010
IFRIC - 14	IAS - 19 - The limit on a defined benefit asset, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC - 19	Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Fund expects that the adoption of the above revisions, interpretations and amendments of the standards will not effect the Fund's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 1 January 2010. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

	Note	2010	2009
		---------------Rupees---------------	
7. BANK BALANCES			
PLS saving accounts	7.1	**68,617,630**	27,738,657

7.1 These accounts carry profit rates ranging from 7% to 11.50% (2009: 5% to 11.00%) per annum and include balance of Rs. 59,040,259/- (2009: 2,365,833) with Askari Bank Limited (a related party).

8. INVESTMENTS

	Note	2010	2009
At fair value through income statement			
Held-for-trading			
Listed shares	8.1	**132,435,211**	163,583,855
Unlisted term finance certificates	8.3	**17,985,600**	53,052,162
Carrying value of investments		**150,420,811**	216,636,017
Cost of investments		**172,672,288**	292,592,968

	Note	Number of shares						
		At the beginning of the year	Acquired during the year	Bonus / right shares	Disposed during the year	At the end of the year	Carrying value (Rupees)	% of total investments
8.1 Listed shares								
(Ordinary shares of face value of Rs. 10/- each)								
Oil and Gas								
Attock Petroleum Limited		-	25,000	-	25,000	-	-	-
Attock Refinery Limited		50,000	380,560	-	430,560	-	-	-
Mari Gas Company Limited		25,000	60,533	-	35,533	50,000	**6,469,000**	**4.30**
National Refinery Limited		-	100,000	-	100,000	-	-	-
Oil & Gas Development Company Limited		-	2,707,613	-	2,707,613	-	-	-
Pakistan Oilfields Limited		100,000	2,072,705	-	2,097,705	75,000	**16,192,500**	**10.77**
Pakistan Petroleum Limited		-	1,244,990	-	1,244,990	-	-	-
Pakistan Refinery Limited		-	125,000	-	125,000	-	-	-
Pakistan State Oil Company Limited		15,700	1,875,394	-	1,866,094	25,000	**6,505,000**	**4.32**
Shell Pakistan Limited		-	341,490	-	291,490	50,000	**11,480,500**	**7.63**
							40,647,000	**27.02**
Chemicals								
Engro Corporation Limited (Formerly Engro Chemical Pakistan Limited)		100,000	1,440,514	-	1,515,514	25,000	**4,339,500**	**2.88**
Engro Polymer and Chemicals Limited	8.2	1,200,000	250,000	55,000	1,100,000	405,000	**4,066,200**	**2.70**
Fauji Fertilizers Bin Qasim Limited		500,000	3,125,013	-	3,275,013	350,000	**9,114,000**	**6.06**
Fauji Fertilizers Company Limited		210,000	959,492	-	1,069,492	100,000	**10,307,000**	**6.86**
							27,826,700	**18.50**
Construction & Materials								
D. G. Khan Cement Limited		-	500,000	-	400,000	100,000	**2,362,000**	**1.57**
Fauji Cement Company Limited		200,000	1,850,000	-	1,550,000	500,000	**2,275,000**	**1.51**
Lucky Cement Limited		-	946,385	-	846,385	100,000	**6,214,000**	**4.13**
							10,851,000	**7.21**
General Industrials								
Packages Limited		50,000	65,000	-	65,000	50,000	**5,925,000**	**3.94**
Tri-Pack Films Limited		-	102,839	-	47,839	55,000	**5,364,150**	**3.57**
							11,289,150	**7.51**

	Note	Number of shares: At the beginning of the year	Acquired during the year	Bonus / right shares	Disposed during the year	At the end of the year	Carrying value (Rupees)	% of total investments
Industrial Transportation								
Pakistan National Shipping Corporation Limited		-	200,000	-	200,000	-	**-**	**-**
Automobile and Parts								
Honda Atlas Cars (Pakistan) Limited		-	50,000	-	50,000	-	**-**	**-**
Indus Motor Company Limited		-	25,000	-	25,000	-	**-**	**-**
Pak Suzuki Motor Company Limited		-	77,500	-	77,500	-	**-**	**-**
							-	
Household Goods								
Pak Elektron Limited		-	200,000	20,000	220,000	-	**-**	**-**
Personal Goods								
Azgard Nine Limited		-	200,000	-	200,000	-	**-**	**-**
Colgate Palmolive Company Limited		-	7,467	-	7,467	-	**-**	**-**
Nishat (Chunian) Limited		-	450,000	-	250,000	200,000	**3,156,000**	**2.10**
Nishat Mills Limited	8.2	-	1,052,860	22,500	1,000,360	75,000	**3,234,000**	**2.15**
							6,390,000	**4.25**
Pharma and Bio Tech								
GlaxoSmithKline Pakistan Limited		-	56,000	-	-	56,000	**4,543,840**	**3.02**
Fixed Line Telecommunication								
Pakistan Telecommunication Company Limited		-	1,900,000		1,650,000	250,000	**4,450,000**	**2.96**
World Call Telecom Limited		-	1,000,000	-	1,000,000	-	**-**	**-**
							4,450,000	**2.96**
Electricity								
Hub Power Company Limited		100,000	2,486,385	-	2,386,385	200,000	**6,392,000**	**4.25**
Karachi Electric Supply Company Limited		-	1,250,000	-	1,250,000	-	**-**	**-**
Nishat Power Limited		-	350,000	-	350,000	-	**-**	**-**
							6,392,000	**4.25**
Gas Water and Multiutilities								
Sui Northern Gas Pipelines Limited		-	151,022	-	151,022	-	**-**	**-**

	Number of shares: At the beginning of the year	Acquired during the year	Bonus / right shares	Disposed during the year	At the end of the year	Carrying value (Rupees)	% of total investments
Banks							
Allied Bank Limited	-	250,000	-	250,000	-	**-**	**-**
Bank AlFalah Limited	250,000	862,000	-	762,000	350,000	**3,311,000**	**2.20**
Habib Bank Limited	100,000	54,135	-	129,135	25,000	**2,431,250**	**1.62**
MCB Bank Limited	100,000	806,758	-	906,758	-	**-**	**-**
Meezan Bank Limited	-	100,000	-	100,000	-	**-**	**-**
National Bank of Pakistan Limited	-	4,172,045	50,000	4,122,045	100,000	**6,410,000**	**4.26**
NIB Bank Limited	500,000	500,000	-	1,000,000	-	**-**	**-**
United Bank Limited	100,000	400,000	-	400,000	100,000	**5,421,000**	**3.60**
						17,573,250	**11.68**
Non Life Insurance							
Adamjee Insurance Company Limited	100,000	1,605,794	-	1,705,794	-	**-**	**-**
Pakistan Reinsurance Company Limited	-	100,000	-	100,000	-	**-**	**-**
						-	**-**

	Number of shares						
	At the beginning of the year	Acquired during the year	Bonus / right shares	Disposed during the year	At the end of the year	Carrying value (Rupees)	% of total investments
Financial Services							
Arif Habib Investments Limited	-	127,700	-	-	127,700	**2,472,271**	**1.64**
Arif Habib Securities Limited	337,500	312,500	-	650,000	-	**-**	**-**
KASB Securities Limited	100,000	-	-	100,000	-	**-**	**-**
Invest and Finance Securities Limited	200,000	200,000	-	400,000	-	**-**	**-**
Jahangir Siddiqui & Co. Limited	100,000	100,000	-	200,000	-	**-**	**-**
JS Investments Limited	220,000	601,058	-	821,058	-	**-**	**-**
						2,472,271	**1.64**
Software and Computer Services							
NetSol Technologies Limited	100,000	-	-	100,000	-	**-**	**-**
						132,435,211	**88.04**

8.2 Right shares options:

	Number of option shares		
	Options received	Options exercised	At the end of the year
Engro Polymer and Chemicals Limited	55,000	55,000	-
Nishat Mills Limited	22,500	22,500	
	77,500	**77,500**	**-**

	Note	Number of certificates						
		At the beginning of the year	Acquired during the year	Disposed during the year	At the end of the year	Cost (Rupees)	Carrying Value (Rupees)	% of total investments
8.3 Un-listed term finance certificates								
Orix Leasing Pakistan Limited (Face value of Rs. 100,000 each)		240	-	240	-	-	-	**-**
Azgard Nine Limited (Face value of Rs. 5,000 each)		6,000	-	6,000	-	-	-	**-**
Agritech Limited (Formerly Pak American Fertilizer Limited (Face value of Rs. 5,000 each)	8.4 & 8.5	-	5,000	-	5,000	24,547,846	17,985,600	11.96
						24,547,846	**17,985,600**	**11.96**

8.4 Significant terms and conditions of non-compliant (non-performing) term finance certificates held as at 30 June 2010 are as follows:

Name	Mark-up rate	Maturity	Rating	Security	% of net assets	% of gross assets
Agritech Limited (Formerly Pak American Fertilizer Limited)	6 months, KIBOR + 175 bps	November, 2014	NPA	First parri passu charge on present and future assets of the company with 25% margin.	8.19	8.01

8.5 This security has been classified as non-performing in accordance with the SECP's Circular 1 of 2009 and the Fund's provisioning policy. Accordingly, the carrying value stated above has been arrived at after taking into account provision as under:

	Carrying value before provision	Provision held	Net carrying value
	----------------- Rupees -----------------		
Agritech Limited (Formerly Pak American Fertilizer Limited)	**23,555,740**	**5,570,140**	**17,985,600**

	2010	2009
	----------------Rupees----------------	
9. DIVIDEND AND OTHER RECEIVABLES		
Mark-up on term finance certificates	**-**	2,217,415
Dividend receivable	**750,000**	755,000
Withholding tax receivable	**253,587**	253,587
	1,003,587	3,226,002
10. DEPOSITS		
Security deposits with:		
Central Depository Company of Pakistan Limited (CDC)	**100,000**	100,000
National Clearing Company of Pakistan Limited	**3,500,000**	3,500,000
	3,600,000	3,600,000
11. DEFERRED FORMATION COST		
Deferred formation cost	**2,500,000**	2,500,000
Amortisation of deferred formation cost - accumulated	**(1,495,418)**	(981,089)
	1,004,582	1,518,911
12. ACCRUED AND OTHER LIABILITIES		
Reimbursement to the Management Company	**103,434**	-
Provision for contribution to Workers' Welfare Fund	**1,760,770**	-
Withholding tax payable	**19,169**	17,919
Accrued expenses	**675,840**	708,589
	2,559,213	726,508

13. NET UNREALISED LOSS ON REVALUATION OF INVESTMENTS

Includes the impact of provision made against non-performing debt security of Rs. 5,570,140/- (2009: Nil) in accordance with the SECP's Circular 1 of 2009 and the Fund's provisioning policy.

14. REMUNERATION OF THE MANAGEMENT COMPANY

According to the provisions of the Trust Deed of the Fund, the Management Company has charged its remuneration at the rate of 3% (2009: 3%) per annum of the net assets of the Fund computed on a daily basis.

15. REMUNERATION OF THE TRUSTEE

According to the provisions of the Trust Deed of the Fund, the Trustee is entitled to monthly remuneration for services rendered to the Fund as follows:

On net assets:

-	up to Rs.1 billion	Rs. 0.7 million or 0.2% per annum of the net assets of the Fund computed on a daily basis, whichever is higher
-	exceeding Rs.1 billion	Rs. 2 million plus 0.1% per annum of the net assets of the Fund exceeding Rs. 1 billion computed on a daily basis.

16. ANNUAL FEE OF THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Represents annual fee of the SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay the SECP at the rate of 0.095% (2009: 0.095%) per annum of the net assets of the Fund computed on a daily basis.

17. AUDITORS' REMUNERATION

	2010	2009
	---------------Rupees---------------	
Annual audit fee	**230,000**	150,000
Half year review fee	**100,000**	75,000
Review of compliance with the Code of Corporate Governance	**43,000**	-
Out of pocket expenses	**14,211**	25,000
	387,211	250,000

18. PROVISION FOR CONTRIBUTION TO WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers Welfare Fund (WWF) Ordinance, 1971, whereby the definition of “industrial establishment” was amended to include therein any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment and to avoid any possible applicability of the WWF Ordinance to the Collective Investment Schemes (CIS) whose income exceeds Rs. 0.5 million in a tax year, thus rendering them liable to pay contribution to WWF at the rate of 2% of the accounting income or declared income, whichever is higher, the Mutual Fund Association of Pakistan (MUFAP) had filed a constitutional petition in the Honorable High Court of Sindh (the Court) challenging the applicability of WWF to the CIS. This petition was dismissed by the Court vide its order dated 12 May 2010 on the main ground that the MUFAP (the petitioner) cannot be held to be entitled to maintain a petition in respect of its members as MUFAP is not the aggrieved party in respect of its members. Therefore, subsequently a CIS and a pension fund through their trustee along with an investor from the industry has filed a constitution petition before the Court on the same matter which is pending adjudication. However, without prejudice to the above, the Management Company, following a prudent approach and in the best interest of the Fund, has made a provision for WWF for the current year amounting to Rs. 1,760,770/- in the financial statements.

19. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

	2010	2009
	----------------Rupees----------------	
Askari Investment Management Limited (Management Company)		
Remuneration of the Management Company	**8,066,912**	9,598,123
Reimbursement of expenses	**103,434**	-
Central Depository Company of Pakistan Limited		
Remuneration of the Trustee	**700,000**	721,932
Custodian charges	**135,519**	131,693
Askari Bank Limited (Holding company of the Management Company)		
Return on bank balances	**6,499,432**	554,912
Outstanding 2,500,000 (2009: 2,500,000) units	**146,945,954**	136,553,346
Askari Income Fund (Fund under common management)		
Purchase of term finance certificates	**-**	110,342,937
Sale of term finance certificates	**50,455,025**	5,704,110

19.1 The transactions with related parties / connected persons are in the normal course of business at contracted rates.

19.2 The outstanding balances due to / from related parties / connected persons are included in the respective notes to the financial statements.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

20.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(i) 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 of 30 June 2010, the Fund is exposed to such risk in respect of bank balances and debt securities. The bank balances are subject to interest rates as declared by the respective bank on periodic basis. Debt securities are mainly subject to floating interest rates. The sensitivity of the income / (loss) for the year is the effect of the assumed changes in interest rates on the interest income based on floating rate financial assets held at year end. Management of the Fund estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Fund's income by Rs. 686,176/- and a 1% decrease would decrease the Fund's income by the same amount. However, in practice the actual results may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, its business sector, industry and / or the economy in general. Management of the Fund estimates that a 10% increase in the overall equity prices in the market with all other factors remaining constant would increase the Fund's income by Rs.13,243,521/- and a 10% decrease would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

20.3 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

The table below summarises the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, for equity securities at fair value through income statement, the period in which those assets are assumed to mature is taken as the expected date on which these assets will be realised.

2010	Within 1 month	1 to 12 months	More than 1 year	Total
	---------- Rupees ----------			
Assets				
Bank balances	68,617,630	-	-	68,617,630
Investments	-	132,435,211	17,985,600	150,420,811
Dividend and other receivables	750,000	-	253,587	1,003,587
Deposits	-	-	3,600,000	3,600,000
	69,367,630	132,435,211	21,839,187	223,642,028
Liabilities				
Payable against purchase of securities	1,708,967	-	-	1,708,967
Remuneration payable to the Management Company	563,516	-	-	563,516
Remuneration payable to the Trustee	57,533	-	-	57,533
Remuneration payable to the Securities and Exchange Commission of Pakistan	-	255,452	-	255,452
Accrued and other liabilities	-	2,559,213	-	2,559,213
	(2,330,016)	(2,814,665)	-	(5,144,681)
	67,037,614	129,620,546	21,839,187	218,497,347

2009	Within 1 month	1 to 12 months	More than 1 year	Total
	---------- Rupees ----------			
Assets				
Bank balances	27,738,657	-	-	27,738,657
Receivable against sale of securities	38,248,603	-	-	38,248,603
Investments	-	163,583,855	53,052,162	216,636,017
Dividend and other receivables	2,972,415	-	253,587	3,226,002
Deposits	-	-	3,600,000	3,600,000
	68,959,675	163,583,855	56,905,749	289,449,279
Liabilities				
Remuneration payable to the Management Company	730,324	-	-	730,324
Remuneration payable to the Trustee	57,531	-	-	57,531
Remuneration payable to the Securities and Exchange Commission of Pakistan	-	311,183	-	311,183
Accrued and other liabilities	-	726,508	-	726,508
	(787,855)	(1,037,691)	-	(1,825,546)
	68,171,820	162,546,164	56,905,749	287,623,733

20.3.1 The effective interest rates have been disclosed in the respective notes to the financial statements.

20.4 Credit risk

(i) Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk:

	2010	2009
	----------Rupees----------	
Bank balances	**68,617,630**	27,738,657
Receivable against sale of securities	**-**	38,248,603
Investment in debt securities	**17,985,600**	53,052,162
Dividend and other receivables	**750,000**	2,972,415
Deposits	**3,600,000**	3,600,000
	90,953,230	125,611,837

(ii) Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund is exposed to such risk in respect of debt securities amounting to Rs. 17,985,600/-.

20.5 Fair value of financial instruments

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods are used to estimate the fair values of financial assets:

Listed shares
These are valued on the basis of closing market prices quoted on the respective stock exchange.

Debt securities
These are valued at the rates notified by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP's Circular 1 of 2009. The said circular prescribes a valuation methodology which in case of currently traded securities is based on weighted average prices during the 15 days preceding the valuation date and in case of thinly or non-traded securities on the basis of discount coupon method which takes into consideration credit risk and maturities of the instruments.

The fair value of other financial assets and liabilities of the Fund appropriate their carrying amount.

20.6 Fair value hierarchy

The Fund uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1 : quoted prices in active markets for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. The Fund included non-performing security under this category which is valued after taking into account, the impairment loss in accordance with the SECP's Circular 1 of 2009 and Fund's provisioning policy.

As at 30 June 2010, the Fund held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3
2010		----------------------Rupees----------------------	
At fair value through income statement	**132,435,211**	**-**	**17,985,600**

The reconciliation from beginning to ending balance for assets measured at fair value using level 3 valuation technique is given below:

	2010 Rupees
Opening balance	-
Addition during the year and related revaluation	23,555,740
Provision against non-performing security	(5,570,140)
Closing balance	17,985,600

21. CAPITAL MANAGEMENT

The Fund's objective when managing unit holder's funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide investors a broad range of asset classes so as to diversify the Fund's risk and to optimize potential returns. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market's conditions. The capital structure depends on the issuance and redemption of units.

22. SUBSEQUENT EVENT - DISTRIBUTION TO THE UNIT HOLDERS

The Board of Directors of the Management Company on 6 July 2010 has approved distribution to unit holders at the rate of Rs. 22.6/- per unit.

23. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meeting of the Board of Directors of the Management Company and rating of the Management Company and the Fund has been disclosed in Annexure I to the financial statements.

24. COMPARATIVE FIGURES

Prior year figures have been reclassified for better presentation.

25. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 18, 2010.

For Askari Investment Management Limited
(Management Company)

Chief Executive Officer	Chairman	Director

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

Annexure I

(i) UNIT HOLDING PATTERN OF THE FUND

Category	Number of unit holders	No. of units held	(Investment at par value of Rs. 100)	% of total
Individuals	15	49,025	4,902,500	1.31
Associated company	1	2,500,000	250,000,000	66.95
Commercial banks	1	254,955	25,495,500	6.83
Retirement funds	2	355,890	35,589,000	9.53
Others	4	574,529	57,452,900	15.38
	23	3,734,399	373,439,900	100

(ii) LIST OF TOP BROKERS

Name of broker	% of commission paid
Foundation Securities (Private) Limited	16.86
Taurus Securities Limited	14.19
Invest & Finance Securities Limited	13.69
Invest Capital Investment Bank Limited	13.36
Pearl Securities Limited	12.88
Shehzad Chamdia Securities (Private) Limited	9.61
BMA Capital Management Limited	5.01
Alhabib Capital	3.28
AKD Securities Limited	2.80
Pearl Capital Management (Private) Limited	2.01
Al Falah Securities (Private) Limited	1.69
NAEL Capital (Private) Limited	1.34
KASB Securities Limited	1.00
Crosby Securities Pakistan Limited	0.63
Topline Securities (Private) Limited	0.62
Global Securities Pakistan Limited	0.48
Habib Metropolitan Financial services Limited	0.41
Arif Habib Securities Limited	0.14
	100

(iii) MEMBERS OF THE INVESTMENT COMMITTEE / FUND MANAGER

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

Name	Designation	Qualification	Over all Experience
Mr. Adnan Siddiqui	CEO	MBA	19 years
Mr. Irfan Saleem Awan	CFO	ACA	11 years
Mr. Usman Ashraf	Group Head Equities & Fund Manager	MBA	17 years
Mr. Sameen Shaukat Malik	Head of Risk & Compliance	MBA	17 years

Annexure I

(iv) MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Following is the analysis of the attendance in the meetings of the Board of Directors of the Management Company during the year:

			Meetings held on				
Name of Directors	**Designation**	**Meetings attended**	**17 Aug 2009**	**20 Oct 2009**	**12 Feb 2010**	**20 April 2010**	**8 June 2010**
Lt Gen(R.) Imtiaz Hussain	Chairman	4	P	P	P	L	P
Mr. Shahid Hafeez Azmi	Director	5	P	P	P	P	P
Mr. Muhammad Naseem	Director	5	P	P	P	P	P
Mr. M.R Mehkari	Director	5	P	P	P	P	P
Maj Gen(R.) Saeed Ahmed Khan	Director	4	P	L	P	P	P
Mr. Tahir Aziz	Director	5	P	P	P	P	P
Mr. Sufian Mazhar	Director	1	N/A	N/A	L	P	L
Mr. Saeed Aziz Khan	Ex-CEO	4	P	P	P	P	N/A
Mr. Adnan Ahmed Siddiqui	CEO	1	N/A	N/A	N/A	N/A	P

P Present
L Leave of absence

(v) RATING OF THE MANAGEMENT COMPANY AND THE FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM3' to the Management Company in February 2010. As per the rating scale of PACRA, this rating denotes that the asset manager meets high investment industry standards and benchmarks.

In May-2010, PACRA has assigned ‘3-Star’ performance rating to the Fund based on performance review for the period ended June 30, 2009.

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WHAT'S YOUR AIM?

askari asset allocation Fund

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