askari Investment MANAGEMENT

a string of achievements

askari Islamic Asset Allocation Fund

ANNUAL REPORT 2011

Vision

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

"Service to the Customer"

Askari Investment Management Limited

Good people n Sound advice n Great returns

ANNUAL REPORT 2011

Contents

askari Islamic Asset Allocation Fund

Information about the Management Company

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

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

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

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

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

Chief Financial Officer:
Syed Shoaib Jaffery (Acting)

Company Secretary:
Syed Shoaib Jaffery

Fund's Information

Bankers
- Askari Bank Limited (Islamic Banking)
- Dubai Islamic Bank Limited
- Bank Islami Pakistan Limited
- UBL Ameen
- Meezan Bank Limited
- Bank AlFalah Limited (Islamic Banking)
- Bank of Khyber Limited (Islamic Banking)

Trustee
- MCB Financial Services Limited
  (Formerly Muslim Commercial Financial Services Ltd)
  3rd Floor Adamjee House, I.I Chundrigar Rd.,
  Karachi
  Tel: (92-021) 3241-9770

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

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

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

Board of Directors' Report

DIRECTORS' REPORT TO THE UNITHOLDERS

On behalf of the Board of Directors of Askari Investment Management Limited ("the Management Company" or "the Company"), we are pleased to present the annual report of Askari Islamic Asset Allocation Fund ("AIAAF" or "the Fund") along with the Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2011.

Economic Overview

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

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

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

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

The Equity Market

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

Fixed Income Review

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

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

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

Fresh Issues of Ijara Sukuk were auctioned during the year alone amounting to approximately 182billion which is huge as compared to the previously outstanding issue of 42.2billion at the start of the year. Despite the massive target the prices did not depress at all as the cutoff yield were maintained at par with the 6-month Treasury Bills Weighted Average Yield. Major reason behind this is the enormous growth in the deposit size of Islamic Bank / Islamic Funds in the industry.

GoP Ijara Sukuks Issued in the Year 2010-2011

Issue	Issue Size	Structure	Last Reset	Issue Date	Maturity Date
Ijara Sukuk V	51,837	6m T.bill+0.00	13.4528%	15-Nov-10	15-Nov-13
Ijara Sukuk VI	37,174	6m T.bill+0.00	13.7077%	20-Dec-10	20-Dec-13
Ijara Sukuk VII	47,539	6m T.bill+0.00	13.6750%	07-Mar-11	07-Mar-14
Ijara Sukuk VIII	45,804	6m T.bill+0.00	13.4528%	16-May-11	16-May-14
Total:	**182,354**				

Performance of the Fund

During the financial year 2011, the Fund delivered a return of 11.77%. A new absolute return benchmark (2 year risk free rate + 3% on a 2 year rolling basis) has been introduced for the Fund along with a new investment strategy. The Fund was able to fully implement the new investment strategy by the end of the first half of the financial year (see details in the next section) and accumulated undervalued equities as the market took a downturn. Overall, on average the Fund was 27.93% invested in Equity, 16.75% in Govt. Ijarah Sukuk, 14.94% in placements with Islamic Banks and 40.38% in cash and other assets. With respect to sector allocation, at financial year end the Fund was 14.56% exposed in Oil & Gas, 8.82% in Construction and Materials, 2.58% in Banks, 1.39% in Electricity, in General Industrials 0.57% and 0.30% in Chemicals.

At the start of the financial year the Fund was 9.06% invested in Equity, 0.00% in Govt. Ijarah Sukuk, 70.85% in placements with Islamic Banks and 20.09% in cash and other assets. Following the floods, and anticipation of increased corporate profitability going forward the Fund increased its allocation to Equities. However, once the equities seemed to be near their intrinsic values following a strong rally in the market, the Fund decreased allocations to equities and increased exposure to Islamic bonds, placements with Islamic banks and cash. This allowed the Fund to lower losses in a downslide in February and March. In the first half on average, the Fund was 26.94% invested in Equity, 3.36% in Govt. Ijarah Sukuk, 25.91% in placements with Islamic Banks and 43.80% in cash and other assets. In the second half of the financial year, the index did not increase significantly but remained volatile. In this scenario, the Fund increased exposure scripts deemed to be significantly undervalued and decreased exposure to those close to their intrinsic values. This allowed the Fund to take advantage of the volatility in the market.

Change in Investment Strategy and Benchmark

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

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

The Fund also changed its benchmark to an absolute return benchmark. The benchmark is now the two year risk free rate (referred to as "k") plus 3%. Moreover benchmark is based on a three year rolling basis; performance is assessed with regards to the average two year risk free rate prevailing over the previous two year period plus 3%.

Details required by the Code of Corporate Governance:

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

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

Category	Number of unit holders	No. of units held	% of total
Individuals	17	5,568	0.50%
Askari Bank Limited (holding company - of the Management Company)	1	1,095,837	98.46%
Other corporate	1	11,565	1.04%
	19	1,112,970	100.00%

1. The financial statements, prepared by the Management Company, present fairly the statement of affairs, the results of operations, cash flows and the changes in unit holders' fund.
2. Proper books of accounts have been maintained by the Fund.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003, Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations, 2008), requirements of the trust deed and directives issued by the Securities and Exchange Commission of Pakistan have been followed in the preparation of the financial statement and any deviation there from has been disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. As detailed in note 13 to the financial statements, the management believes that the Fund is not liable to contribute to Workers' Welfare Fund.

During the year, no trades in the units of the Fund were carried out by the Directors, CEO, CFO and Company Secretary and their spouses and minor children, of the Management Company.
Meetings of the Board of Directors were held once in every quarter. During the year seven board meetings were held. Attendance at these meetings was as follows:

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

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

	Jun-11	Jun-10
	Rupees	
Net Assets as June 30th	124,487,504	112,897,341
Net Asset Value per unit as of June 30th	111.8516	103.0238
Net Income for the period	13,109,588	12,897,340
Distribution during the period*	3,232,720	9,583,729

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

On July 06, 2011, the Board of Directors of the Management Company approved a final distribution at the rate of Rs 11.1899 per unit (Par value of Rs. 100 per Unit) out of the accounting income for the year ended June 30, 2011. This distribution has been made in compliance with Regulation 63 of the NBFC Regulations, 2008, and to avail the income tax exemption for the Fund as available under Clause 99 of the Second Schedule to the Income Tax Ordinance, 2001.

Future Outlook

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

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

Auditors

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

Acknowledgement

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

For Askari Investment Management Limited
(Management Company)

Chief Executive	Chairman	Director

August 18, 2011
Karachi

Fund Manager's Report

ASKARI ISLAMIC ASSET ALLOCATION FUND

Askari Islamic Asset Allocation Fund (AIAAF) is an open end Islamic asset-allocation fund which invests in Shariah Compliant debt and equity securities. Given the inverse relationship between the two asset classes, the fund seeks to maximize investor return by shifting allocations between the two, and subsequently minimize risk. The asset universe of the fund includes Shariah compliant debt instruments like Sukuk certificates and Shariah compliant equities.

The fund was launched on September 18, 2009, and its IPO was from 18th to 29th September, 2009. The final distribution of income for the year ended June 30 2010 was at the rate of PKR 2.95 per unit, which amounted to a total of PKR 3,232,720, resulting in an ex-NAV of PKR 100.0738.

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

The Fund also changed its benchmark to an absolute return benchmark. The benchmark is now the two year risk free rate (referred to as "k") plus 3%. Moreover benchmark is based on a 2 year rolling basis; performance is assessed with regards to the average three year risk free rate prevailing over the previous three year period plus 3%.

General Information

Minimum Investment	Rs. 5,000
Sales Load	2.5% front-end on Class B units, 5.0% back-end on Class C units
Management Fee	3.0% p.a.
Risk Moderate	
Benchmark	50% KMI-30 Index + 50% of Average of 3-Month deposit rate of 3 Islamic Banks
Management Company Rating	AM3+ by PACRA

Fund Size and Growth

	30th June '11	30th June '10
Fund Size	Rs 124.49mn	Rs.112.89mn
NAV	Rs 111.8516	Rs 103.0238

Fund Performance

Rolling Return	1-Month	3-Month	Since Inception	FY11
AIAAF	-0.13%	0.76%	15.15%	11.77%
Benchmark	1.39%	4.22%	N/A	16.65%
KMI - 30	1.07%	3.16%	N/A	25.95%

Economic Data

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

Top Ten Holdings of the AAAF

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

The Equity Market

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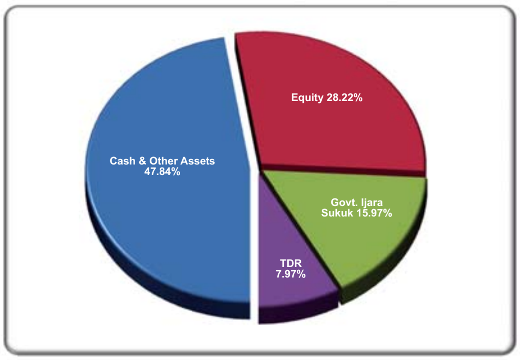
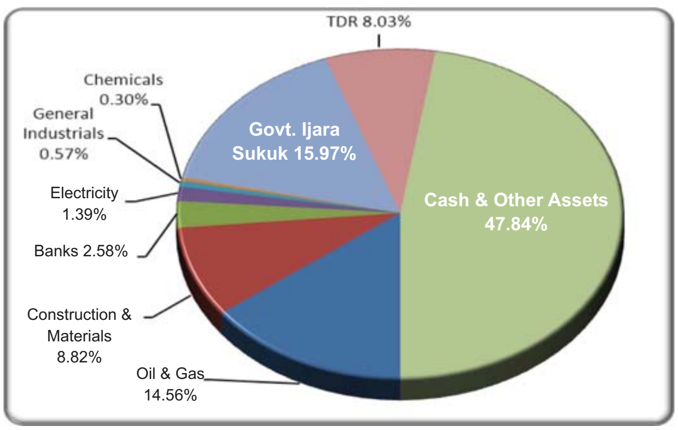
The overall strong performance in local equity market was mainly in the first half of the outgoing financial year where the market delivered a return of 23.66%. Foreign investors invested US$ 279.3M, in the local market, although significantly lower than US$553 compared to the previous financial year.

At the start of the financial year the Fund was 9.06% invested in Equity, 0.00% in Govt. Ijarah Sukuk, 70.85% in placements with Islamic Banks and 20.09% in cash and other assets. Following the floods, and anticipation of increased corporate profitability going forward the Fund increased its allocation to Equities. However, once the equities seemed to be near their intrinsic values following a strong rally in the market, the Fund decreased allocations to equities and increased exposure to cash, placements with Islamic Banks and Ijarah Sukuk. This allowed the Fund to lower losses in a downslide in February and March. In the first half on average, the Fund was 26.94% invested in Equity, 3.36% in Govt. Ijarah Sukuk, 25.91% in placements with Islamic Banks and 43.80% in cash and other assets. In the second half of the financial year, the index did not increase significantly but remained volatile. In this scenario, the Fund increased exposure scripts deemed to be significantly undervalued and decreased exposure to those close to their intrinsic values. This allowed the Fund to take advantage of the volatility in the market.

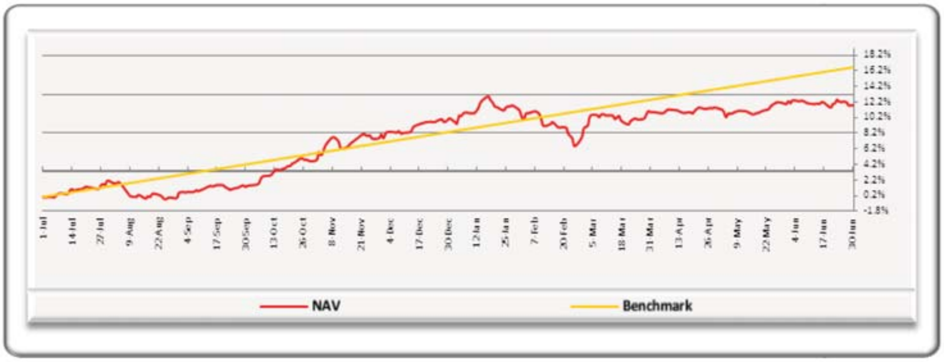
Asset Allocation at June 30th 2011



Sector Allocation at June 30th 2011



Askari Islamic Asset Allocation Fund (K+3% Years Rolling Basis)



Strong corporate profitability coupled attractive valuations attracted continued foreign investment in Pakistani equities during most of the year. Equity markets globally performed well during the start of the fiscal year following the quantitative easing (QE2) in the US led to huge surge in asset prices. Corporate earnings have been strong throughout the year in all major KSE100 heavyweight sectors including Oil & Gas, Banks and Chemicals (including fertilizer).

The KSE-100 recorded its high for the year on January 18, 2011 at 12,658 and fell by almost 10% during February as rising unrest in the North African countries and the Middle East pushed emerging markets down. However, the market bounced back in March but remained sideways till June amid sharp fall in volumes during the latter half of the year.

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

Fresh Issues of Ijara Sukuk were auctioned during the year alone amounting to approximately 182billion which is huge as compared to the previously outstanding issue of 42.2billion at the start of the year. Despite the massive target the prices did not depress at all as the cutoff yield were maintained at par with the 6-month Treasury Bills Weighted Average Yield. Major reason behind this is the enormous growth in the deposit size of Islamic Bank / Islamic Funds in the industry

GoP Ijara Sukuks Issued in the Year 2010-2011

Issue	Issue Size	Structure	Last Reset	Issue Date	Maturity Date
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Ijara Sukuk VIII	45,804	6m T.bill+0.00	13.4528%	16-May-11	16-May-14
Total:	**182,354**				

Fund Performance

During the financial year 2011, the Fund delivered a return of 11.77% as against benchmark (3 year risk free rate + 3%) performance of 16.65% implying an underperformance of 4.88%. The underperformance was mainly attributed to the depressed equity market condition in the second half of the financial year. Overall, on average the Fund was 27.93% invested in Equity, 16.75% in Govt. Ijarah Sukuk, 14.94% in placements with Islamic Banks and 40.38% in cash and other assets. With respect to sector allocation, at financial year end the Fund was 14.56% exposed in Oil & Gas, 8.82% in Construction and Materials, 2.58% in Banks, 1.39% in Electricity, in General Industrials 0.57% and 0.30% in Chemicals.

Financial Statements

MCB FINANCIAL SERVICES LIMITED

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

ASKARI ISLAMIC ASSET ALLOCATION FUND

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

Askari Islamic Asset Allocation Fund, an open-end scheme established under a Trust Deed dated August 26, 2008 executed between Askari Investment Management Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on June 25, 2009.

1. Askari Investment Management Limited, the Management Company of Askari Islamic Asset Allocation Fund, has in all material respects, managed Askari Islamic Asset Allocation Fund during the year ended June 30, 2011 in accordance with the provisions of the following:

   (i) the limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;

   (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;

   (iii) the creation and cancellation of units are carried out in accordance with the deed;

   (iv) and any regulatory requirement

For the purpose of information, the attention of unit holders is drawn towards note 13 to the financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to Worker's Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh.

Further, the attention of unit holders is also drawn towards note 21 to the financial statements regarding the breach of brokerage commission limit in case of KASB Securities Limited.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: October 18, 2011

3rd Floor, Adamjee House, I. I. Chundrigar Road, Karachi - 74000
Direct Nos. 021-32430485, 32415454, 32415204, 32428731 PABX No. 021-32419770, Fax No. 021-32416371
Website: http://www.mcbfsl.com.pk

الجامعـــــة الإســــلامية العالميــــة
INTERNATIONAL ISLAMIC UNIVERSITY
Faculty of Shariah & Law كلية الشريعة والقانون
ISLAMABAD-PAKISTAN إسلام آباد . باكستان

REPORT OF THE SHARIAH ADVISOR
ASKARI ISLAMICASSET ALLOCATION FUND

Islamabad **August 10, 2011**

Alhamdulillah, Askari Islamic Asset Allocation Fund (AIAAF or the "Fund") has successfully completed its second year operations for the period from July01, 2010 to June 30, 2011 and I thank ALLAH Almighty on this occasion. In the capacity of being the Shariah Advisor of AIAAF, I am issuing this report in accordance with clause 6.2(c)(v) of the Trust Deed of AIAAF. The scope of this report is to express an opinion on the Shariah compliance of Fund's activities.

To establish and maintain a system for ensuring Shariah compliance according to the guidelines provided by the Shariah Advisor is the responsibility of the Management Company. The Shariah Advisor is responsible to form and express an opinion, based on its random checking and periodic review of the representation made by the management, to the extent where such compliance can be objectively verified.

In light of the above, as Shariah Advisor to AIAAF, I have reviewed the following during the period under consideration:

- Mode of investments and placements of AIAAF in light of the Shariah guidelines.
- Screening of investments and placements of AIAAF in light of the Shariah guidelines.
- Provisions of the scheme and investments & placements made on account on AIAAF in accordance with the Shariah criteria established.
- Amount of provision for charity made in the books of accounts of AIAAF. I confirm having checked and verified the amount of said provision and having approved the same from Shariah Perspective.

In light of the above, I hereby certify that operations of AIAAF and its investments & placements for the period ended June 30, 2011 have been in compliance with Shariah principles.

May ALLAH bless us with best Tawfeeq to accomplish our cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Dr. Muhammad Tahir Mansoori
Shariah Advisor-AIAAF

P.O. Box: 1243, Islamabad, Pakistan. Tel: 051-9257931 - Fax: 051-9258021, Email: drmansoory55@yahoo.com

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A. F. FERGUSON & CO.

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

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

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-regulation (xiii a) of the Listing Regulation No. 35 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

AFFerguson & Co.

Chartered Accountants

Karachi

Dated: October 5, 2011

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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A. F. FERGUSON & CO.

INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We have performed an independent assurance engagement of Askari Islamic Asset Allocation Fund (the Fund) to express an opinion on the annexed Statement of compliance with the Shariah principles (the 'Statement') for the year ended June 30, 2011. Our engagement was carried out as required under clause 6.3 of the Trust Deed of the Fund.

Management Company's responsibility

Management Company of the Fund is responsible for the preparation of the annexed statement (the subject matter) and for compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and its investment and placements have been made in compliance with the Shariah principles.

Responsibility of independent assurance providers

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the annexed statement reflects the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor (Criteria).

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah principles. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Amongst others, our scope included procedures to:

- Check compliance of specific guidelines relating to charity, maintaining bank accounts and for making investments of the Fund.
- Check that the Shariah Advisor has certified that operations of the Fund, its investments and placements have been in compliance with the Shariah principles.

Conclusion

In our opinion, the annexed statement, in all material respects, present fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended June 30, 2011.

A F Ferguson & Co

Chartered Accountants

Karachi

Dated: October 5, 2011

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STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2011

This statement is being presented in compliance with the Code of Corporate Governance ('the Code') contained in the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited (“the Exchange”). The purpose of the Code is to establish a frame work of good governance, where by a listed entity is managed in compliance with the best practices of corporate governance. Askari Investment Management Limited (“the Company” or “the Management Company”), an Unlisted Public Limited Company, is the Management Company of Askari Islamic Asset Allocation Fund (“the Fund”). The Fund being an open-end Collective Investment Scheme does not have its own Board of Directors. The Management Company which manages the affairs of the Fund has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present, all the Board members are non-executive directors except Chief Executive Officer.
2. The directors of the Management Company have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Management Company has prepared a “Statement of Ethics and Business Practices” which has been signed by all the directors and employees of the Management Company.
5. The Management Company has adopted a vision / mission statement and overall corporate strategy and formulated significant policies of the Fund which have been approved by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained,
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO has been taken by the Board.
7. The meetings of the Board were presided over by the Chairman, and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter during the year. Written notices of the meetings of the Board, along with agenda and working papers, were circulated at least seven days before the meetings and any exceptions thereto which were executed specifically with approval of the Board. The minutes of the meetings were appropriately recorded and circulated.
8. The Board encourages the holding of orientation course for its directors to apprise them of their duties and responsibilities.
9. The Directors' Report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
10. The financial statements of the Fund were dully endorsed by the CEO and CFO before approval of the Board.
11. The directors, CEO and executives do not hold any interest in the units of the Fund other than those disclosed in the Directors' Report.
12. The Management Company has complied with all other corporate and financial reporting requirements of the Code as applicable to the Fund.
13. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including Chairman of the Committee.
14. The meetings of Audit Committee were held once in every quarter and prior approval of interim and final results of the Fund as required by the Code. The terms of reference of the Committee have been formed and approved by the Board and advised to the Committee for reference.

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

Chairman

Adnan Siddiqui

Chief Executive

Dated: August 18, 2011

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

Askari Islamic Asset Allocation Fund (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its operations, investments and placements made during the year ended June 30, 2011. This has been duly confirmed by the Shariah Advisor of the Fund.

Chief Executive

Chief Financial Officer

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A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

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

Management Company's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2011, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

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

Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: October 5, 2011

Karachi

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

	Note	2011	2010
		----------------(Rupees)----------------	
Assets			
Bank balances	4	50,844,812	26,539,962
Placements with Islamic banks	5	10,000,000	75,000,000
Investments	6	55,421,235	11,125,774
Receivable against sale of investments		-	815,953
Advances, deposits, prepayments and other receivables	7	8,438,452	787,022
Unamortised formation costs	8	712,150	931,314
Total Assets		125,416,649	115,200,025
Liabilities			
Remuneration payable to Askari Investment Management Limited- Management Company	9	307,963	279,174
Payable to MCB Financial Services Limited - Trustee	10	57,536	57,536
Annual fee payable to the Securities and Exchange Commission of Pakistan	11	112,430	80,015
Accrued expenses and other liabilities	12	451,216	1,885,959
Total Liabilities		929,145	2,302,684
NET ASSETS		124,487,504	112,897,341
Unit holders' fund (as per statement attached)		124,487,504	112,897,341
Contingencies and commitments	13		
		-------- (Number of units) --------	
Number of units in issue		1,112,970	1,095,837
		----------------(Rupees)----------------	
Net asset value per unit		111.8516	103.0238

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

For Askari Investment Management Limited
(Management Company)

Chief Executive	Chairman	Director

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

	Note	For the year ended June 30, 2011	For the period from June 25, 2009 to June 30, 2010
		----------------(Rupees)---------------	
Income			
Profit on balances and placements with banks		5,612,711	17,230,057
Profit on sukuk certificates		2,743,855	-
Dividend income		807,528	223,650
Net realised gain on sale of investments		10,664,760	2,957,140
Net unrealised loss on revaluation of investments classified as financial assets 'at fair value through profit or loss'	6.1 & 6.2	(1,141,681)	(165,012)
Total Income		18,687,173	20,245,835
Expenses			
Remuneration of the Management Company		3,550,302	4,856,979
Remuneration of the Trustee	9.1	700,000	525,480
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	112,430	80,015
Auditor's remuneration	11.1	422,815	445,108
Custodian fees	14	21,503	20,612
Amortisation of formation cost		219,164	164,523
Legal and professional charges		70,964	-
Brokerage commission		547,681	952,401
Bank and settlement charges		114,867	750
Rating fees		50,000	-
Annual listing fees		10,000	-
Printing charges		131,435	890
Charity expense		22,703	233,604
Total Expenses		5,973,864	7,280,362
Net income from operating activities		12,713,309	12,965,473
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		238,654	(508)
Reversal of provision/ (provision) for contribution to the Workers' Welfare Fund	13	67,625	(67,625)
Other income - provision no longer required writtern back		90,000	-
Net income for the year / period		13,109,588	12,897,340
Taxation	15	-	-
Net income for the year / period after taxation		13,109,588	12,897,340
Earnings per unit	16		

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

For Askari Investment Management Limited
(Management Company)

Chief Executive	Chairman	Director

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

	For the year ended June 30, 2011	For the period from June 25, 2009 to June 30, 2010
	----------------(Rupees)----------------	
Net income for the year / period after taxation	13,109,588	12,897,340
Other comprehensive income	-	-
Total Comprehensive Income for the year / (period)	13,109,588	12,897,340

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

For Askari Investment Management Limited
(Management Company)

Chief Executive	Chairman	Director

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

	For the year ended June 30, 2011	For the period from June 25, 2009 to June 30, 2010
	----------------(Rupees)----------------	
Undistributed income brought forward		
Realised income	3,478,623	-
Unrealised loss	(165,012)	-
	3,313,611	-
Net income for the year / period after taxation	13,109,588	12,897,340
Interim distribution of Rs 9.588 per unit on September 18, 2009 for the period from June 25, 2009 to June 30, 2010		
Cash dividend	-	-
Bonus units	-	(9,583,729)
Final distribution of Rs 2.95 per unit on July 6, 2010 for the period from June 25, 2009 to June 30, 2010		
Cash dividend	(3,232,720)	-
Bonus units	-	-
Undistributed Income carried forward	13,190,479	3,313,611
Undistributed Income comprising:		
Realised income	14,332,160	3,478,623
Unrealised loss	(1,141,681)	(165,012)
	13,190,479	3,313,611

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

For Askari Investment Management Limited
(Management Company)

Chief Executive	Chairman	Director

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

	For the year ended June 30, 2011	For the period from June 25, 2009 to June 30, 2010
	----------------(Rupees)----------------	
Net assets at beginning of the year / period	112,897,341	-
Issued 59,121 units (2010: 1,096,819 units)	6,631,972	100,100,001
Redemption of 41,988 units (2010: 982 units)	(4,680,023)	(100,508)
	1,951,949	99,999,493
Issue of Nil bonus units (2010: 95,837 units)	-	9,583,729
	114,849,290	109,583,222
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(238,654)	508
Net realised gain on sale of investments	10,664,760	2,957,140
Net unrealised loss on revaluation of investments classified as financial assets 'at fair value through profit or loss'	(1,141,681)	(165,012)
Other net income for the year / period	3,586,509	10,105,212
Other comprehensive income	-	-
Net income for the year / period	13,109,588	12,897,340
Interim distribution of Rs 9.588 per unit on September 18, 2009 for the period from June 25, 2009 to June 30, 2010		
Cash dividend	-	-
Bonus units	-	(9,583,729)
Final distribution of Rs 2.95 per unit on July 6, 2010 for the period from June 25, 2009 to June 30, 2010		
Cash dividend	(3,232,720)	-
Bonus units	-	-
Net assets as at the end of the year / period	124,487,504	112,897,341

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

For Askari Investment Management Limited
(Management Company)

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

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

	Note	For the year ended June 30, 2011	For the period from June 25, 2009 to June 30, 2010
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year / period		13,109,588	12,897,340
Adjustment for:			
Dividend income		(807,528)	(223,650)
Net unrealised loss on revaluation of investments classified as financial assets 'at fair value through profit or loss'		1,141,681	165,012
Amortisation of formation costs		219,164	164,523
Provision for contribution to Workers ' Welfare Fund		(67,625)	67,625
Element of (income) / loss and capital (gains) / losses in prices of units issued less those in units redeemed - net		(238,654)	508
		247,038	174,018
(Increase)/decrease in assets:			
Investments - net		(45,437,142)	(11,290,786)
Receivable against sale of securities		815,953	(815,953)
Advances, deposits, prepayments and other receivables		(7,592,205)	(725,772)
		(52,213,394)	(12,832,511)
Increase/ (decrease) in liabilities			
Remuneration payable to Askari Investment Management Limited - Management Company		28,789	279,174
Payable to MCB Financial Services Limited - Trustee		-	57,536
Annual fee payable to the Securities and Exchange Commission of Pakistan		32,415	80,015
Accrued expenses and other liabilities		(1,367,118)	722,497
		(1,305,914)	1,139,222
Dividend received		748,303	162,400
Net cash (outflow) inflow from operating activities		(39,414,379)	1,540,469
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of units		6,631,972	100,100,001
Payment against redemption of units		(4,680,023)	(100,508)
Dividend paid		(3,232,720)	-
Net cash (outflow)/ inflow from financing activities		(1,280,771)	99,999,493
Net (decrease) / increase in cash and cash equivalents during the year / period		(40,695,150)	101,539,962
Cash and cash equivalents at the beginning of the year / period		101,539,962	-
Cash and cash equivalents at the end of the year / period	17	60,844,812	101,539,962

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

For Askari Investment Management Limited
(Management Company)

Chief Executive	Chairman	Director

ASKARI ISLAMIC ASSET ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Askari Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed executed between Askari Investments Management Limited (a wholly owned subsidiary of Askari Bank Limited), as the Management Company and MCB Financial Services Limited as the Trustee on August 26, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Notified Entity on June 25, 2009 in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).The registered office of the Management Company is situated at Suite No. 502, 5th Floor, Green Trust Tower, Blue Area, Islamabad with its Head Office situated at Mezzanine floor, Bahria Complex III, M.T. Khan Road, Karachi.

1.2 The Fund offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrending them to the Fund except for the core units which are subject to certain restrictions as per NBFC Regulations and the constitutive documents of the Fund. The units are listed on the Islamabad Stock Exchange (Guarantee) Limited.

1.3 As per the offering document, the Fund shall invest in shariah compliant equities and debt securities and other shariah compliant instruments including shariah compliant securities available outside Pakistan as approved by the Shariah Advisor and SECP from time to time.

1.4 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM3+' to the Management Company in July 2011. As per the rating scale of PACRA, this rating denotes that the asset manager meets high industry standards and benchmarks. Further, Pakistan Credit Rating Agency Limited (PACRA) has assigned a performance rating of "4 - Star" (short - term) to the Fund.

1.5 Title to the assets of the Fund are held in the name of MCB Financial Services Limited as a trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

The following revised standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Management Company is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies related primarily to classification and valuation of investments (note 3.2 and 6).

2.5 Accounting convention

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks and other short term highly liquid shariah compliant investments with original maturities of three months or less.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: 'Financial assets at fair value through profit or loss', 'available-for-sale' and 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets 'at fair value through profit or loss'

These are acquired principally for the purpose of generating profit from short-term fluctuations in prices.

b) Loans and receivables

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

c) Available-for-sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss (b) loans and receivables or (c) held to maturity investments.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

a) Financial assets 'at fair value through profit or loss'

These are initially recognised at fair value and transaction costs are expensed in the Income Statement.

b) Available-for-sale & Loans and receivables

These are initially recognised at fair value plus transaction cost that are directly attributable to the acquisition of such investments.

3.2.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and available-for-sale

Subsequent to initial recognition, financial assets 'at fair value through profit or loss' and available-for-sale are valued as follows:

i) Basis of valuation of equity securities

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

ii) Basis of valuation of government securities

Investment in Ijara sukuks issued by the Government of Pakistan (GoP Ijara sukuks) are valued on the basis of latest weighted average Reuter's rate. Government securities other than GoP Ijara sukuks are valued on the basis of rates announced by the Financial Market Association of Pakistan.

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

Net gains and losses arising from changes in fair value of available-for-sale financial assets are taken to 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

b) Loans and receivables

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

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

3.2.5 Impairment

The Fund assesses at each reporting date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that securities are impaired. If any such evidence exist for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement - is reclassified from unit holders' fund to income statement. Impairment losses recognised on equity instruments are not reversed through income statement.

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the carrying value and the present value of estimated future cash flows discounted at original effective interest rates.

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 Financial liabilities

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

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

3.4 Formation costs

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

3.5 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 amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.6 Taxation

Current

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

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

Deferred

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

3.7 Issue and redemption of units

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

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

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

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

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

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

3.9 Net asset value per unit (NAV)

NAV per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year/ period end.

3.10 Revenue recognition

- Gains/ (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains/ (losses) on revaluation of investments classified as 'Financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive dividend is established.
- Profit on balances and placements with banks is recognised on an accrual basis.
- Profit on sukuk certificate is recognised using the effective interest rate method.

3.11 Proposed distributions

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

	Note	June 30, 2011	June 30, 2010
4 BANK BALANCES		------------Rupees------------	
Saving accounts	4.1	50,844,812	26,539,962

4.1 These are shariah compliant bank accounts and carry profit at the rates ranging from 5% to 11.70% (2010: 5% to 8.06%) per annum.

	Note	June 30, 2011	June 30, 2010
5 PLACEMENTS WITH ISLAMIC BANKS		------------Rupees------------	
Placements with Islamic banks	5.1	10,000,000	75,000,000

5.1 This represents placement with an Islamic bank carrying profit at the rate of 12.75% (2010: 11%) per annum.

	Note	June 30, 2011	June 30, 2010
6 INVESTMENTS		------------Rupees------------	
At fair value through profit and loss - Held for trading			
Listed equity securities	6.1	35,389,975	11,125,774
Sukuk certificates	6.2	20,031,260	-
		55,421,235	11,125,774

6.1 Listed equity securities

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

Name of the investee company	---Number of shares--- As at July 1, 2010	Purchases during the year	Bonus/ right issues during the year	Sales during the year	As at June 30, 2011	---Rupees--- Carrying Value	Market value	Appreciation/ (Diminution)	Market value as a percentage of net assets	Market value as a percentage of investments	Paid-up value of shares held as a % of total paid up capital of the investee company
Automobile and Parts											
Pakistan Suzuki Motor Company Limited	1,600	-	-	1,600	-	-	-	-	-	-	-
	1,600	-	-	1,600	-	-	-	-	-	-	-
Oil and Gas											
Attock Petroleum Limited	-	70,025	-	70,025	-	-	-	-	-	-	-
Attock Refinery Limited	-	212,000	-	212,000	-	-	-	-	-	-	-
National Refinery Limited	-	91,960	-	91,960	-	-	-	-	-	-	-
Pakistan Oil Fields Limited	-	132,109	-	116,382	15,727	4,776,373	5,646,150	869,777	4.54%	10.19%	0.01%
Pakistan Petroleum Limited	-	46,595	-	22,500	24,095	5,030,344	4,989,352	(41,136)	4.01%	9.00%	-
Pakistan State Oil Company Limited	9,200	134,382	-	114,756	28,826	8,222,677	7,626,783	(595,894)	6.13%	13.76%	0.02%
Shell Pakistan Limited	1,318	400	-	1,718	-	-	-	-	-	-	-
	10,518	687,471	-	629,341	68,648	18,029,395	18,262,285	232,719	14.67%	32.95%	0.02%
Chemicals											
Fauji Fertilizers Bin Qasim Limited	105,000	300,000	-	405,000	-	-	-	-	-	-	-
Fauji Fertilizers Company Limited	6,000	60,000	-	66,000	-	-	-	-	-	-	-
ICI Pakistan Limited	-	159,997	-	157,530	2,467	374,984	374,614	(370)	0.30%	0.68%	-
	111,000	519,997	-	628,530	2,467	374,984	374,614	(370)	0.30%	0.68%	-
Industrial Engineering											
Millat Tractors Limited	400	8,100	-	8,500	-	-	-	-	-	-	-
	400	8,100	-	8,500	-	-	-	-	-	-	-
Construction and Materials											
D. G. Khan Cement Limited	-	641,500	40,000	395,000	286,500	7,904,078	6,586,635	(1,317,728)	5.29%	11.88%	0.08%
Lucky Cement Limited	38,500	436,011	-	411,328	63,183	4,710,931	4,475,884	(235,047)	3.60%	8.08%	0.02%
	38,500	1,077,511	40,000	806,328	349,683	12,615,009	11,062,519	(1,552,775)	8.89%	19.96%	0.10%
General Industries											
Packages Limited	-	55,500	-	49,000	6,500	686,589	715,000	28,412	0.57%	1.29%	0.01%
	-	55,500	-	49,000	6,500	686,589	715,000	28,412	0.57%	1.29%	0.01%
Personal Goods											
Nishat (Chunian) Limited	25,000	319,229	-	344,229	-	-	-	-	-	-	-
Nishat Mills Limited	-	73,837	-	73,837	-	-	-	-	-	-	-
	25,000	393,066	-	418,066	-	-	-	-	-	-	-
Fixed Line Telecommunication											
Pakistan Datacom Limited	11,939	300	-	12,239	-	-	-	-	-	-	-
Pakistan Telecommunication Company Limited	35,000	180,000	-	215,000	-	-	-	-	-	-	-
	46,939	180,300	-	227,239	-	-	-	-	-	-	-
Electricity											
The Hub Power Company Limited	-	70,199	-	23,799	46,400	1,713,928	1,740,000	26,072	1.40%	3.14%	-
Kot Addu Power Company Limited	-	124,100	-	124,100	-	-	-	-	-	-	-
	-	194,299	-	147,899	46,400	1,713,928	1,740,000	26,072	1.40%	3.14%	0.00%
Banks											
Bank Islami Pakistan Limited	-	357,192	-	-	357,192	1,333,819	1,214,453	(119,366)	0.98%	2.19%	0.07%
Meezan Bank Limited	750	100,600	17,354	3,014	115,690	1,809,043	2,021,104	212,061	1.62%	3.65%	0.01%
	750	457,792	17,354	3,014	472,882	3,142,862	3,235,557	92,695	2.60%	5.84%	0.08%
Total - June 30,2011						36,562,916	35,389,975	(1,172,941)	28.43%	63.86%	

6.1.1 30,000 shares of Lucky Cement Limited and 10,000 shares of Pakistan State Oil Company Limited, having market value of Rs 2,125,200 and Rs 2,645,800 respectively as at June 30, 2011, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited as margin.

6.2 Face value of Rs. 5,000 each unless otherwise stated

Name of the investee company	------------Number of certificates------				--------------------Rupees------------------				
	As at July 01, 2010	Purchases during the year	Sales during the year	As at June 30, 2011	Carrying value as at June 30, 2011	Market value as at June 30, 2011	Appreciation / (Diminution)	Market value as a percentage of net assets	Market value as a percentage of investments
Government of Pakistan Ijara Sukuk V	-	6,000	6000	-	-	-	-	-	-
Government of Pakistan Ijara Sukuk VII	-	4,000	-	4,000	20,000,000	20,031,260	31,260	16.09%	36.14%
					20,000,000	20,031,260	31,260	16.09%	36.14%

6.2.1 Significant terms and conditions of sukuk certificates held as at June 30, 2011 are as follows:

Name of the investee company	Issue	Expected Profit	Maturity	Security
Government of Pakistan Ijara Sukuk V	March 2011	Average 6 month T- bill rate	March 2014	GoP guaranteed
Government of Pakistan Ijara Sukuk VII	November 2010	Average 6 month T- bill rate	November 2013	GoP guaranteed

7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	June 30, 2011	June 30, 2010
		------------Rupees------------	
Advance against subscription of shares	7.1	14,987,500	-
Security deposits	7.2	2,600,000	100,000
Prepayments		50,000	-
Dividend receivable		120,475	61,250
Profit receivable on balances and placements with banks		333,933	625,772
Profit receivable on Sukuk certificates		346,544	-
		8,438,452	787,022

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

7.2 This represent deposits with Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited of Rs 100,000/- (2010: Rs 100,000/-) and Rs 2,500,000/- (2010: Nil) respectively.

8 UNAMORTISED FORMATION COSTS

	Note	June 30, 2011	June 30, 2010
		------------Rupees------------	
Opening balance		931,314	1,095,837
Less: amortisation during the year / period		(219,164)	(164,523)
Closing balance	3.4	712,150	931,314

9 REMUNERATION PAYABLE TO ASKARI INVESTMENT MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY

	Note	June 30, 2011	June 30, 2010
		------------Rupees------------	
Management fee	9.1	307,963	279,174

9.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. Management fee is currently being charged at the rate of three percent of the average annual net assets of the Fund. The remuneration is paid to the Management Company monthly in arrears.

10 REMUNERATION PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE

	Note	June 30, 2011	June 30, 2010
		------------Rupees------------	
Trustee fee	10.1	57,536	57,536

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein based on daily Net Assets Value (NAV) of the Fund.

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

Amount of Funds under Management	Tariff per annum
- Up to Rs 500 million	Rs 0.7 million or 0.20% per annum of net assets computed on a daily basis, which ever is higher.
- From Rs 500 to Rs 1 billion	Rs 1 million plus 0.15% per annum of the net assets of the Fund exceeding Rs 500 million computed on a daily basis.
- From Rs 1 billion to Rs 2 billion	Rs 1.75 million plus 0.08% per annum of the net assets of the Fund exceeding Rs 1 billion computed on a daily basis.
- Over Rs 2 billion	Rs 2.55 million plus 0.05% per annum of the net assets of the Fund exceeding Rs 2 billion computed on a daily basis.

The remuneration is paid to the Trustee monthly in arrears.

11 ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

	Note	June 30, 2011	June 30, 2010
		------------Rupees------------	
Annual fee	11.1	112,430	80,015

11.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, a collective investment scheme categorised as asset allocation scheme is required to pay an annual fee to the SECP, an amount equal to 0.095% (2010: 0.095%) of the average net assets of the Scheme. The Fund has been categorised as an asset allocation scheme by the Management Company.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	June 30, 2011	June 30, 2010
		------------Rupees------------	
Auditor's remuneration		320,000	388,750
Legal and professional charges payable		35,000	-
Payable against printing expenses		56,014	-
Charity payable	12.1	22,703	233,604
Payable to the Management Company		-	1,195,980
Provision for contribution to Worker's Welfare Fund	13	-	67,625
Other payable		17,711	-
		451,216	1,885,959

12.1 This represents the portion of income determined as shariah non-compliant in line with the advice of the Shariah Advisor. This amount is to be paid to charities with the approval of the Shariah Advisor in accordance with the constitutive documents of the Fund.

13 CONTIGENCIES AND COMMITMENTS

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

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

Further, a fresh Constitutional Petition filed with the Honorable High Court of Sindh by a CIS/mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds/voluntary pension funds being pass through vehicles/entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

Based on the current position, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs 520,139 (including Rs 260,839 in respect of the current year).

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

14 AUDITORS' REMUNERATION

	For the year ended June 30, 2011	For the period from June 25, 2009 to June 30, 2010
	------------Rupees------------	
Annual audit fee	200,000	180,000
Half yearly review fee	50,000	50,000
Fee for review of statement of compliance with the Code of Corporate Governance	50,000	43,000
Other certification	70,000	165,000
Out of pocket expenses	47,815	7,108
	422,815	445,108

15 TAXATION

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

16 EARNINGS PER UNIT (EPU)

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

17 CASH AND CASH EQUIVALENTS

	Note	June 30, 2011	June 30, 2010
		------------Rupees------------	
Saving accounts	4	50,844,812	26,539,962
Placements with Islamic banks	5	10,000,000	75,000,000
		60,844,812	101,539,962

18 FINANCIAL INSTRUMENTS BY CATEGORY

	----As at June 30, 2011----		
	Loans and receivables	Financial assets at fair value through profit or loss	Total
	----Rupees----		
Financial assets			
Bank balances	50,844,812	-	50,844,812
Placements with Islamic banks	10,000,000	-	10,000,000
Investments	-	55,421,235	55,421,235
Receivable against sale of investments	-	-	-
Advances, deposits, prepayments and other receivables	3,400,952	-	3,400,952
	64,245,764	55,421,235	119,666,999

	----As at June 30, 2011----		
	Financial liabilities at fair value through profit or loss	At amortised cost	Total
	----Rupees----		
Financial liabilities			
Remuneration payable to Askari Investment Management Limited- Management Company	-	307,963	307,963
Payable to MCB Financial Services Limited - Trustee	-	57,536	57,536
Accrued expenses and other liabilities	-	451,216	451,216
	-	816,715	816,715

	----As at June 30, 2010----		
	Loans and receivables	Financial assets at fair value through profit or loss	Total
	----Rupees----		
Financial assets			
Bank balances	26,539,962	-	26,539,962
Placements with Islamic banks	75,000,000		75,000,000
Investments	-	11,125,774	11,125,774
Receivable against sale of investments	815,953	-	815,953
Advances, deposits, prepayments and other receivables	787,022	-	787,022
	103,142,937	11,125,774	114,268,711

	As at June 30, 2010		
	Financial liabilities at fair value through profit or loss	At amortised cost	Total
	Rupees		
Financial liabilities			
Remuneration payable to Askari Investment Management Limited - Management Company	-	279,174	279,174
Payable to MCB Financial Services Limited - Trustee	-	57,536	57,536
Accrued expenses and other liabilities	-	1,885,959	1,885,959
	-	**2,222,669**	**2,222,669**

19 TRANSACTIONS WITH CONNECTED PERSONS

19.1 Connected persons / related parties include Askari Investment Management Limited being the Management Company, MCB Financial Services Limited being the Trustee, Askari Bank Limited being the holding company of the Management Company, Askari General Insurance Company Limited being an associate company of the Management Company,Askari Investment Management Employees Provident Fund and Askari High Yield Scheme (Formerly Askari Income Fund), Askari Sovereign Cash Fund, Askari Islamic Income Fund and Askari Asset Allocation Fund being funds under common management and the directors and officer of the Management Company.

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

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

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

19.5 **Details of transactions with connected persons are as follows:**

	For the year ended June 30, 2011	For the period from June 25, 2010 to June 30, 2010
	Rupees	
Askari Investment Management Limited		
Remuneration of the Management Company	3,550,302	4856979
Payment to the Management Company against formation cost and others	1,234,494	-
Expenses incurred on behalf of the Fund	38,514	1,195,980
MCB Financial Services Limited		
Remuneration of the Trustee	700,001	525,480
Custodian fee	-	20,612
Askari Bank Limited		
Profit on bank balances and placements	31,498	12,509,912
Issue of Nil units (2010: 1,000,000 units)	-	100,000,000
Placements / encashment	-	2,000,000,000
Issue of Nil bonus units (2010: 95,837 units)	-	9,583,729

19.6 Amounts outstanding as at year end	June 30, 2011	June 30, 2010
	---------Rupees------------	
Askari Investment Management Company Limited		
Remuneration payable	307,963	279,174
Other payables	-	1,196,250
MCB Financial Services Limited		
Trustee fee payable	57,536	57,536
Askari Bank Limited		
Outstanding 1,095,837 units (June 30, 2010 1,095,837 units)	122,571,150	112,897,341

20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

-----2011-----				
S.No	**Name**	**Designation**	**Qualification**	**Experience in years**
1	Mr. Adnan Siddiqui	Chief Executive Officer	MBA	20
2	Syed Shoaib Jaffery	Financial Controller and Company Secretary	FPA, CA (Finalist)	10
3	Mr. Muhammad Farrukh	Senior Compliance Officer	CMA (Finalist)	11
4	Mr. Agha Tariq Ali	Head of Research/ Fund Manager	B.A (Hons.) - Canada	4

20.1 Mr. Agha Tariq Ali is the Manager of the Fund. He is also the Manager of Askari Asset Allocation Fund.

21 TRANSACTIONS WITH TOP TEN BROKERS/DEALERS

		For the year ended June 30, 2011
1	KASB Securities Limited	37.73%
2	Pearl Securities Limited	23.43%
3	Foundation Securities (Private) Limited	13.33%
4	Habib Metropolitan Financial Services Limited	11.04%
5	AKD Securities Limited	10.38%
6	Global Securities Pakistan Limited	1.29%
7	Taurus Securities Limited	1.22%
8	Invisor Securities (Private) Limited	1.15%
9	Askari Securities Limited	0.30%
10	Elixir Securities	0.13%

		For the period from June 25, 2009 to June 30, 2010
1	Foundation Securities (Private) Limited	67.71%
2	AKD Securities Limited	19.32%
3	KASB Securities Limited	12.97%

22 PATTERN OF UNIT HOLDING

Category	As at June 30, 2011			
	Number of unit holders	No of units held	Investment amount	Percentage investment
			(Rupees)	
Individuals	17	5,568	622,790	0.50%
Associated companies / connected person				
Askari Bank Limited	1	1,095,837	122,571,150	98.46%
Others Corporate	1	11,565	1,293,564	1.04%
	19	1,112,970	124,487,504	100.00%

Category	As at June 30, 2010			
	Number of unit holders	No of units held	Investment amount	Percentage investment
			(Rupees)	
Associated companies / connected person				
Askari Bank Limited	1	1,095,837	112,897,341	100.00%
	1	1,095,837	112,897,341	100.00%

23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 32nd, 33rd, 34th, 35th, 36th, 37th and 38th Board Meetings were held on July, 6, 2010 and July, 12, 2010, August 18, 2010, October, 22, 2010, December, 28, 2010, January, 5, 2011, February, 14, 2011 and April, 25, 2011 respectively. Information in respect of attendance by the directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave Granted	
Mr. Lt. Gen.(R) Imtiaz Hussain	7	7	-	-
Mr. Shahid Hafeez Azmi	7	4	3	32nd, 34th & 37th meeting
Mr. Muhammad Naseem	7	7	-	-
Mr. Mohammad Rafiquddin Mehkari	7	6	1	34th meeting
Mr. Maj Gen.(R) Saeed Ahmed Khan	7	6	1	33rdmeeting
Mr. Tahir Aziz	7	7	-	-
Mr. Sufian Mazhar	7	4	3	32nd, 33rd & 35th meeting
Mr. Adnan Siddiqui	7	7	-	-

24 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

24.1 Market risk

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

The Management Company manages market risk through diversification of the investment portfolio and by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

24.1.1 Currency risk

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

24.1.2 Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

a) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instruments which may expose it to fair value interest rate risk.

b) Sensitivity analysis for variable rate instruments

As at June 30, 2011, the Fund holds GoP Ijara sukuks which are classified as 'financial assets at fair value through profit or loss', exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in the coupon rates on June 30, 2011, with all other variables held constant, the net income for the year and net assets as at June 30, 2011 would have been higher / lower by Rs. 204,930 (2010: Nil).

The composition of the Fund's investment portfolio and the coupon rates are expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.
Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

	--------------------------------- As at June 30, 2010 ---------------------------------					
		Exposed to yield / interest risk				
	Effective yield / interest rate	Upto three months	More than three months and up-to one year	More than one year	Not exposed to yield/ interest risk	Total
	--------------------------------- Rupees-----------------------------------					
On-balance sheet financial instruments						
Financial Assets						
Bank balances	5.00% to 11.70%	50,844,812	-	-	-	50,844,812
Placements with Islamic banks	12.75%	10,000,000	-	-	-	10,000,000
Investments	13.10% to 13.67%	-	20,031,260	-	35,389,975	55,421,235
Receivable against sale of investments		-	-	-	-	-
Advances, deposits, prepayments and other receivables		-	-	-	3,400,952	3,400,952
		60,844,812	20,031,260	-	38,790,927	119,666,999
Financial Liabilities						
Remuneration payable to Askari Investment Management Limited- Management Company		-	-	-	307,963	307,963
Payable to MCB Financial Services Limited		-	-	-	57,536	57,536
Accrued expenses and other liabilities		-	-	-	451,216	451,216
		-	-	-	816,715	816,715
On-balance sheet gap		60,844,812	20,031,260	-	37,974,212	118,850,284
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		60,844,812	20,031,260	-	37,974,212	118,850,284
Cumulative interest rate sensitivity gap		60,844,812	80,876,072	80,876,072	118,850,284	

	--------------------------------- As at June 30, 2010 ---------------------------------					
		Exposed to yield / interest risk				
	Effective yield / interest rate	Upto three months	More than three months and up-to one year	More than one year	Not exposed to yield/ interest risk	Total
	--------------------------------- Rupees-----------------------------------					
On-balance sheet financial instruments						
Financial Assets						
Bank balances	5.00% to 8.06%	26,539,962	-	-	-	26,539,962
Placements with Islamic banks	11.00%	75,000,000	-	-		75,000,000
Investments		-	-	-	11,125,774	11,125,774
Receivable against sale of investments		-	-	-	815,953	815,953
Advances, deposits, prepayments and other receivables		-	-	-	787,022	787,022
		101,539,962	-	-	12,728,749	114,268,711
Financial Liabilities						
Remuneration payable to Askari Investment Management Limited- Management Company		-	-	-	279,174	279,174
Payable to MCB Financial Services Limited		-	-	-	57,536	57,536
Accrued expenses and other liabilities		-	-	-	1,885,959	1,885,959
		-	-	-	2,222,669	2,222,669
On-balance sheet gap		101,539,962	-	-	10,506,080	112,046,042
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total interest rate sensitivity gap		101,539,962	-	-	10,506,080	112,046,042
Cumulative interest rate sensitivity gap		101,539,962	101,539,962	101,539,962	112,046,042	

24.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

The Fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as 'fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 15% of net assets, or issued capital of the investee company and sector exposure limit to 35% of the net assets or index weight of securities whichever is higher, subject to maximum of 40% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2011, with all other variables held constant, net income of the Fund for the year and net assets would increase / decrease by Rs. 530,528 (2010: Rs. 1,112,577).

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

24.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. Credit risk arises from deposits with banks, credit exposure arising as a result of dividends receivable on equity securities, receivable against sale of investments and investments in debt securities. For banks only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited. The risk of default is considered minimal due to inherent systematic measures taken therein. Risk attributable to investment in Ijara Sukuks is limited as these are guaranteed by the Federal Government.

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

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

Bank balances by rating category	June 30, 2011	June 30, 2010
	------------Rupees------------	
A1+, A-1+	37,800,029	1,588,412
A1, A-1	2,980,783	24,951,550
A2, A-2	10,010,000	-

24.1.3 Management, after giving due consideration to their strong financial standing, does not expect non–performance by these counter parties on their obligations to the Fund. The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial instruments is mostly concentrated in government securities and deposits held with a shariah compliant bank having short term credit rating as disclosed above.

24.3 Liquidity risk

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

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

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

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

	As at June 30, 2011			
	Up-to three months	More than three months and up-to one year	Over one year	Total
Financial assets				
Bank balances	50,844,812	-	-	50,844,812
Placements with Islamic banks	10,000,000	-	-	10,000,000
Investments	35,389,975	-	20,031,260	55,421,235
Receivable against sale of investments	-	-	-	-
Advances, deposits, prepayments and other receivables	3,400,952	-	-	3,400,952
	99,635,739	-	20,031,260	119,666,999
Financial liabilities				
Remuneration payable to Askari Investment Management Limited- Management Company	307,963	-	-	307,963
Payable to MCB Financial Services Limited - Trustee	57,536	-	-	57,536
Accrued expenses and other liabilities	451,216	-	-	451,216
	816,715	-	-	816,715
	98,819,024	-	20,031,260	118,850,284

	As at June 30, 2011			
	Up-to three months	More than three months and up-to one year	Over one year	Total
	----------------------- Rupees -----------------------			
Financial assets				
Bank balances	26,539,962	-	-	26,539,962
Placements with Islamic banks	75,000,000	-	-	75,000,000
Investments	11,125,774	-	-	11,125,774
Receivable against sale of investments	815,953	-	-	815,953
Advances, deposits, prepayments and other receivables	787,022	-	-	787,022
	114,268,711	-	-	114,268,711
Financial liabilities				
Remuneration payable to Askari Investment Management Limited- Management Company	279,174	-	-	279,174
Payable to MCB Financial Services Limited - Trustee	57,536	-	-	57,536
Accrued expenses and other liabilities	1,885,959	-	-	1,885,959
	2,222,669	-	-	2,222,669
	112,046,042	-	-	112,046,042

25 UNITS HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable on the Fund.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies stated in note 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

quoted prices (unadjusted) in active markets for identical assets or Iiabliities (level 1).

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

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

	Level 1	Level 2	Level 3	Total
Financial assets classified as fair value through -profit or loss at initial recognition				
- Investment in equity securities	35389975	-	-	35,389,975
- Investment in sukuk certificates	-	20031260	-	20,031,260

27 CORRESPONDING FIGURES

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

28 NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on July 06, 2011 have approved a distribution of Rs 11.1899/- per unit (2010: Rs 2.95/- per unit) for the year ended June 30, 2011. The financial statements of the Fund for the year ended June 30, 2011 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2012.

29 DATE OF AUTHORISATION FOR ISSUE

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

30 GENERAL

Figures have been rounded off to the nearest rupee.

For Askari Investment Management Limited
(Management Company)

Chief Executive	Chairman	Director

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