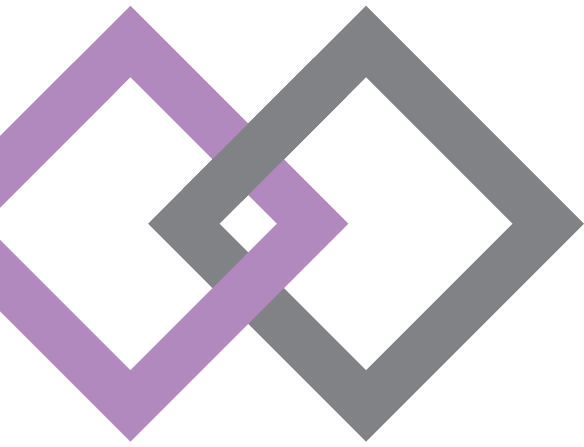




a string of achievements

 **askari High Yield Scheme**
(Formerly: Askari Income 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”

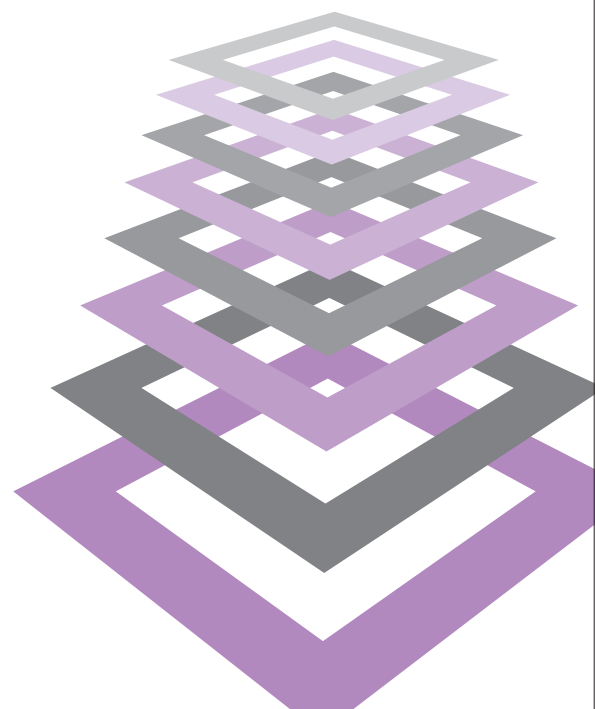
Askari Investment Management Limited

Good people n Sound advice n Great returns

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(Formerly: Askari Income Fund)

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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 Mekhari - 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
- ⌘ Bank AlFalah Limited
- ⌘ Bank AlFalah Limited (Islamic Banking)
- ⌘ Bank of Khyber Limited (Islamic Banking)
- ⌘ Bank of Khyber Limited
- ⌘ AL Barka Islamic Bank Limited
- ⌘ Summit Bank
- ⌘ Faysal Bank Limited

Trustee

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

Auditors

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

Legal Advisor

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

Registrar

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

Board of Directors' Report



DIRECTORS' REPORT TO THE UNITHOLDERS

On behalf of the Board of Directors of Askari Investment Management Limited ("the Management Company" or "the Company"), we are pleased to present the annual report of Askari High Yield Scheme (Formerly: Askari Income Fund) ("the Fund" or "AHYS") 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.

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 be 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 T-bills. 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 T-bills and Rs.50bn (net) from PIBs, and Rs.80bn (net) from Govt. Ijarah Sukuk.

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

Performance of the fund

Askari High Yield Scheme (Formerly: Askari Income Fund) (AHYS) closed the year at a positive 5.40%p.a. The net assets increased to PKR 1.732billion from PKR 1.313billion in June 2010. This increase of 31.91% is substantial for any income fund in the prevailing economic scenario and reflects the confidence of investors in management of AIM.

AHYS portfolio has been revamped substantially during FY11. This included reducing the exposures against non-earning / non-performing assets, rightly pricing the portfolio, structuring the portfolio in a way that would have the capacity of delivering consistent returns (over a horizon of 6months) and enhancing the credit quality of the portfolio. Exposure in TFCs was reduced to 39.77% (20.45% Tier 1 TFCs/Sukuks - 19.32% Tier 2 TFCs/Sukuks) from 67% in June 2010 as the allocations were shuffled throughout the year shifting our focus from Tier 2 and below TFCs to Tier 1 TFCs thus improving the overall credit quality of the portfolio. Along with this the exposure against the Non-Earning / Non Performing Assets was substantially reduced by making adequate provisioning and reporting these assets at zero prices. This has reduced the downside risk while at the same time positioning the fund to make higher returns in the future in case of revival in the fortunes/restructuring of any non-performing TFCs going forward.

Following our stance of delivering higher returns with a balanced risk profile, exposure against AAA rated category was increased from 0% to 36% of the net assets hence increasing the weighted average credit quality from BBB- to A+.

We are confident that after restructuring AHYS's portfolio, the fund has the capacity to deliver a "6month KIBOR +" returns along with balanced credit quality.

AHYS being an "aggressive fixed income scheme" gives greater flexibility & space to the Fund Manager to take directional view in order to enhance returns. The fund will practice active fund management (capitalizing on market opportunities/inefficiencies) while creating an optimal blend of risk and return.

Details required by the Code of Corporate Governance:

AHYS was listed on the Lahore Stock Exchange (Guarantee) Ltd on April 13, 2006 and Askari Investment Management Limited, as its Management Company, is committed to observe the Code of Corporate Governance as applicable.

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

Category	Number of unit holders	No. of units held	% of total
Askari Investment Management Limited	1	100,383	0.58%
Askari General Insurance Limited	1	50,911	0.29%
Askari Bank Limited (holding company of the - Management Company)	1	9,633,632	55.65%
Askari Bank Limited Employee Provident Fund	1	301,376	1.74%
President Askari Bank Limited Fund	1	82,434	0.48%
Individuals	98	1,596,603	9.22%
Insurance companies	1	246	0.01%
Commercial Banks	2	663,203	3.83%
Retirement funds	5	172,653	1.00%
Welfare organizations	6	3,628,256	20.96%
Others	7	1,080,597	6.24%
	124	17,310,294	100.00%

The Board of Directors of the Management Company state that:

1. The financial statements, prepared by the Management Company, present fairly the statement of affairs, the results of operations, cash flows and the changes in unit holders' fund.
2. Proper books of accounts have been maintained by the Fund.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
4. Relevant International Accounting Standards, as applicable in Pakistan, provision of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003, Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations, 2008), requirements of the trust deed and directives issued by the Securities and Exchange Commission of Pakistan have been followed in the preparation of the financial statement and any deviation there from has been disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. As detailed in note 15 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:

	No of meetings held during appointment	Meetings attended
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 for prior years is as follows:

	Jun-11	Jun-10	Jun-09	Jun-08	Jun-07	Jun -06
Net Assets as on - June 30th	1,731,515,674	1,312,868,229	3,049,420,048	8,346,972,640	9,399,362,925	1,163,679,611
Net Asset Value per - unit as on June 30th	100.03	94.90	102.14	103.98	111.74	104.98
Net (loss)/ income - for the year/ period	71,062,507	(134,398,403)	137,287,852	1,019,929,464	982,145,998	55,216,301
*Dividend Distribution - during the year/period	-	-	392,798,236	1,688,176,556	49,783,007	-

On July 06, 2011, the Board of Directors of the Management Company approved a final distribution at the rate of Rs 1.8786 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.

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

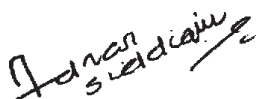
Auditors

The Board of Directors on the recommendation of the Audit committee has approved the 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.

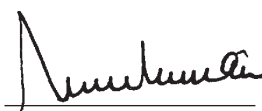
Acknowledgement

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 High Yield Scheme (formerly: Askari Income 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.

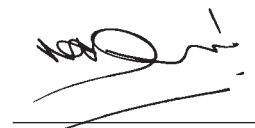
For Askari Investment Management Limited (Management Company)



Chief Executive



Chairman



Director

August 18, 2011
Karachi.

Fund Manager's Report



ASKARI HIGH YIELD SCHEME (Formerly: Askari Income Fund)

Askari High Yield Scheme (formerly: Askari Income Fund) (AHYS) is an open-ended aggressive income Scheme. The objective of the Fund is to provide investors an opportunity to make competitive returns from fixed income securities while targeting a portfolio duration of six months. In addition to accruing benefits from fixed income securities, the Fund would target capitalizing on yield enhancing opportunities available in the market using its proprietary investment efficiency tools. The Fund would aim to achieve top quartile performance in its category.

The Fixed Income Market

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

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

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

Fund Performance

Askari High Yield Scheme (AHYS) closed the year at a positive 5.40%p.a. The net assets increased to PKR 1.732billion from PKR 1.313billion in June 2010. This increase of 31.91% is substantial for any income fund in the prevailing economic scenario and reflects the confidence of investors in management of AIM.

General Information

Minimum Investment	Rs. 5,000
Sales Load	Upto 2.0% front-end Upto 1.0% back-end
Management Fee	1.5% p.a.
Risk	Low
Benchmark	Average 6-Month KIBOR
Management Company Rating	AM3+ by PACRA

Fund Size and Growth

	30th June '11	30th June '10
Fund Size	Rs 1,732 mn	Rs 1313 mn
NAV	Rs 100.0281	Rs 94.90

Fund Performance

Return	1-Month	FY11
AHYS	7.70%	5.40%
Benchmark	13.86%	14.77%

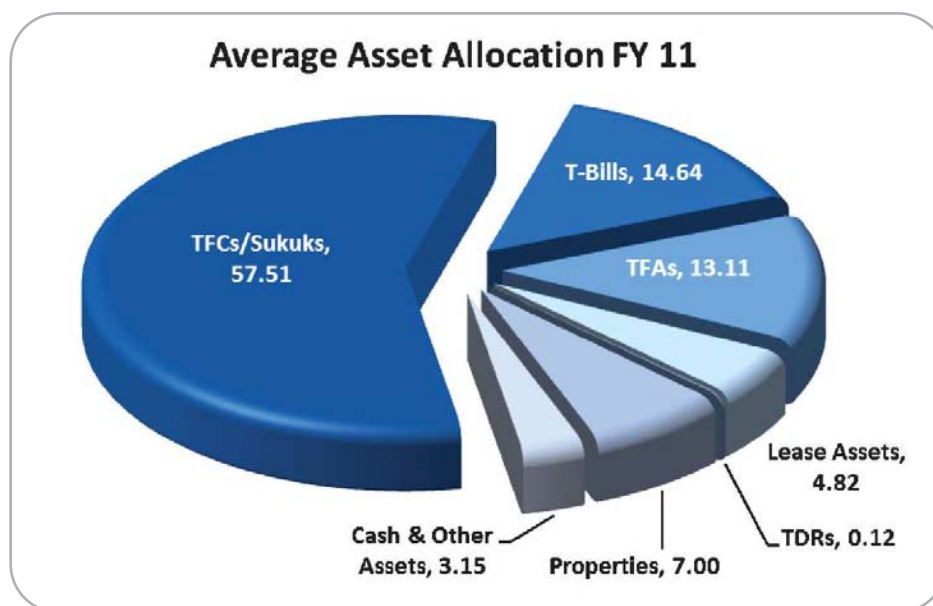
Portfolio Details

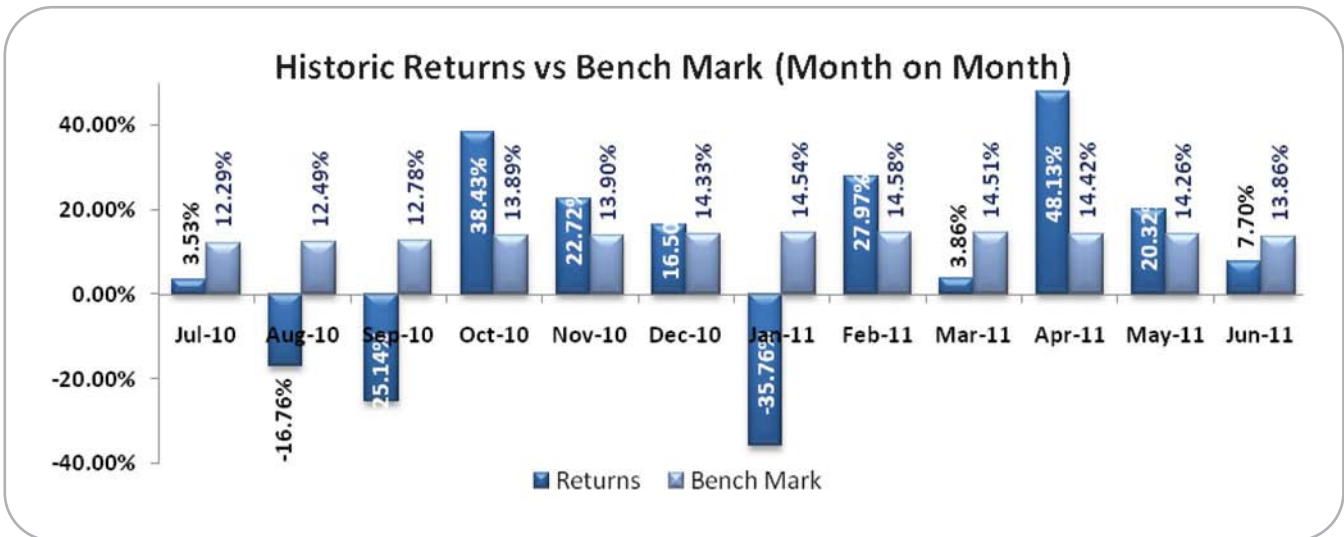
Duration (Days)	77
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Following our stance of delivering higher returns with a balanced risk profile, exposure against AAA rated category was increased from 0% to 36% of the net assets hence increasing the weighted average credit quality from BBB- to A+. We are confident that after restructuring AHYS's portfolio, the fund has the capacity to deliver a "6month KIBOR +" returns along with balanced credit quality.

AHYS being an "aggressive income fund" gives greater flexibility & space to the Fund Manager to take directional view in order to enhance returns. The fund will practice active fund management (capitalizing on market opportunities/inefficiencies) while creating an optimal blend of risk and return.





Financial Statements



**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED****Head Office**

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

**TRUSTEE REPORT TO THE UNIT HOLDERS
ASKARI HIGH YIELD SCHEME (FORMERLY ASKARI INCOME FUND)**

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

The Askari High Yield Scheme (formerly Askari Income Fund) (the Fund), an open-end Fund was established under a trust deed dated December 05, 2005 executed between Askari Investment Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the management company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

For the purpose of information, the attention of the unit holders of the Fund is drawn toward the following facts:

1. Out of seven properties acquired by the Fund in settlement against its investments, the three properties are still in the process of being transferred in the Fund's name. Further, the Management Company is pursuing to dispose off these properties at an appropriate price but till date has not been able to do so due to overall depression in the real estate sector. However, based on the request of Management Company, the Securities and Exchange Commission of Pakistan has further granted time extension for disposal of these properties upto August 12, 2012 subject to fulfillment of certain conditions by the Management Company.

2. The directives of the Securities and Exchange Commission of Pakistan issued vide Circulars # 1 of 2009 and 3 of 2010, which require that the debt securities shall only be reclassified as performing on receipt of all arrears i.e. principal as well as interest for the next two installments. The sukuk certificates of Maple Leaf Cement Factory Limited (MLCFL) were classified as performing in September 2010 based on their restructured plans approved in March 2010.

The Management Company while complying the same has reclassified these sukuk certificates as performing, however, the Management Company has not accrued the mark - up till October 13, 2010 for MLCFL. Going forward, the Management Company started accruing the mark up completely from October 14, 2010 for MLCFL. The Management Company has informed us that the same has been done on prudence basis, considering the underlying risk of realisability of the deferred mark-up which will be received in future periods. Moreover, it would be pertinent to note that subsequent to the year end MLCFL has shown their inability to fulfill obligation with respect to coupon payment of mentioned certificates.

3. As at June 30, 2011 the total outstanding receivable from Trust Investment Bank Limited (TIBL) and Saudi Pak Leasing Company Limited (SPLCL) is Rs.143.250 million and Rs.15 million respectively. Subsequent to the year end both the parties defaulted to pay the installment as per term finance agreement from August 2011 and July 2011, respectively. We have taken up the matter with the Management Company and were informed that they are negotiating with TIBL and SPLCL for the recovery of the outstanding amounts.


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

Karachi: October 26, 2011





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 High Yield Scheme - Formerly Askari Income Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Islamabad Stock Exchange (Guarantee) Limited where the Fund is listed.

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

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

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

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


Chartered Accountants

Karachi

Dated: October 5, 2011

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938; <www.pwc.com/pk>

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Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (799) 315320, +93 (799) 315320

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2011

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

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

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


Chairman
Chief Executive

Dated: August 18, 2011



A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Askari High Yield Scheme (Formerly Askari Income 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 High Yield Scheme (Formerly Askari Income Fund) for the year ended June 30, 2010 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated August 18, 2010.


Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: October 5, 2011

Karachi

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
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938; <www.pwc.com/pk>

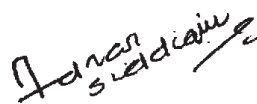
Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O. Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54660; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Faz-ul-Haq Road, P.O. Box 3021, Islamabad-44000; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320

ASKARI HIGH YIELD SCHEME (FORMERLY ASKARI INCOME FUND)
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011

	Note	2011 ------(Rupees)-----	2010
ASSETS			
Bank balances	4	76,576,482	9,776,325
Term deposit and money market placements	5	327,035,247	200,950,000
Investments	6	1,163,699,953	1,011,880,472
Accrued profit and other receivable	7	46,483,995	29,813,273
Unamortised formation costs	8	-	243,827
Security deposits	9	3,600,000	3,600,000
Assets acquired in settlement of investments			
Net investment in finance lease	10	48,461,478	108,375,839
Properties - held for sale	10	74,043,673	109,611,801
Total assets		<u>1,739,900,828</u>	<u>1,474,251,537</u>
LIABILITIES			
Payable to Askari Investment Management Limited - Management Company	11	1,869,286	1,738,502
Payable to Central Depository Company of Pakistan Limited - Trustee	12	176,556	199,103
Payable to Securities and Exchange Commission of Pakistan	13	1,002,919	1,871,900
Payable against redemption of units		-	64,039
Borrowing against repurchase agreement		-	147,574,350
Accrued and other liabilities	14	5,336,393	9,935,414
Total liabilities		<u>8,385,154</u>	<u>161,383,308</u>
NET ASSETS		<u>1,731,515,674</u>	<u>1,312,868,229</u>
Unit holders' fund (as per statement attached)		<u>1,731,515,674</u>	<u>1,312,868,229</u>
Contingencies and commitments	15		
Number of units in issue			
		<u>17,310,294</u>	<u>13,834,444</u>
Net asset value per unit			
		<u>100.0281</u>	<u>94.8985</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

**For Askari Investment Management Limited
(Management Company)**



Chief Executive



Chairman



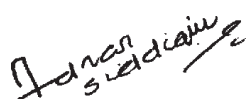
Director

ASKARI HIGH YIELD SCHEME (FORMERLY ASKARI INCOME FUND)
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
----- (Rupees) -----			
Income			
Net realised (loss) / gain on sale of investments		(43,199)	(20,079,386)
Profit on bank deposit		2,987,701	45,783,922
Profit on term deposit		8,383	-
Mark-up on term finance certificates / sukus		124,699,671	224,869,208
Income from government securities		19,885,530	5,735,350
Income from placements		22,843,140	29,887,712
Income from reverse repurchase transaction		1,761,297	-
Mark-up on finance lease		20,973,372	19,697,834
Rental income		4,929,495	2,324,622
Other income	16	1,791,741	-
		199,837,131	308,219,262
Net unrealised (loss) on revaluation of investments classified at fair value through profit or loss		(45,860,042)	(215,820,863)
		153,977,089	92,398,399
Expenses			
Remuneration of the Management Company	11.1	20,058,387	37,438,002
Remuneration of the Trustee	12.1	2,161,818	3,495,866
Annual fee - Securities and Exchange Commission of Pakistan	13.1	1,002,919	1,871,900
Amortisation of formation cost		243,827	500,003
Securities transaction costs		276,593	31,774
Listing fee		40,000	30,000
Mutual fund rating fee		200,002	200,000
Custodian fees		6,343	7,149
Settlement and bank charges		235,829	132,106
Financial charges		2,169,613	13,154,961
Legal and professional charges		33,556	140,000
Auditors' remuneration	17	901,160	665,500
Printing and stationery expenses		296,684	487,671
Provision against assets acquired in settlement of investments		57,370,369	41,249,969
Provision against non-performing placements		-	2,550,000
Other expenses		943,472	295,730
Total expenses		85,940,572	102,250,631
Net income from operating activities		68,036,517	(9,852,232)
Element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed - net		280,233	(121,800,414)
Reversal of provision / (provision) for contribution to the Workers' Welfare Fund	15	2,745,757	(2,745,757)
Net income / (loss) for the year before taxation		71,062,507	(134,398,403)
Taxation		-	-
Net income / (loss) for the year after taxation		71,062,507	(134,398,403)
Earnings per unit	20		

The annexed notes 1 to 32 form an integral part of these financial statements.

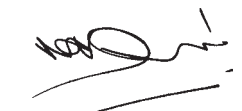
For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



Director

ASKARI HIGH YIELD SCHEME (FORMERLY ASKARI INCOME FUND)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

Net income / (loss) for the year after taxation

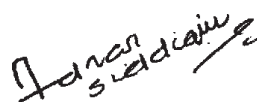
Other comprehensive income

Total comprehensive income / (loss) for the year

2011	2010
----- (Rupees) -----	
71,062,507	(134,398,403)
-	-
71,062,507	(134,398,403)

The annexed notes 1 to 32 form an integral part of these financial statements.

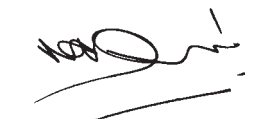
For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



Director

ASKARI HIGH YIELD SCHEME (FORMERLY ASKARI INCOME FUND)
DISTRIBUTION STATEMENT
AS AT JUNE 30, 2011

Undistributed income brought forward
 Realised income
 Unrealised loss

Net income for the year after taxation

Undistributed income carried forward

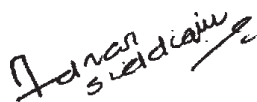
Undistributed income comprising:

Realised income
 Unrealised loss

	2011	2010
	------(Rupees)-----	
	270,553,149	285,597,964
	<u>(341,129,736)</u>	<u>(221,776,148)</u>
	(70,576,587)	63,821,816
	71,062,507	(134,398,403)
	<u>485,920</u>	<u>(70,576,587)</u>
	5,477,502	270,553,149
	<u>(4,991,582)</u>	<u>(341,129,736)</u>
	<u>485,920</u>	<u>(70,576,587)</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

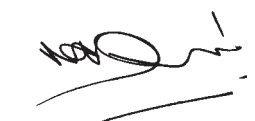
For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



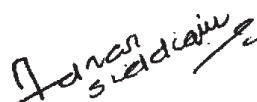
Director

ASKARI HIGH YIELD SCHEME (FORMERLY ASKARI INCOME FUND)
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2011

	2011 ------(Rupees)-----	2010
Net assets at the beginning of the year	1,312,868,229	3,049,420,048
Issue of 19,972,968 (2010: 31,702,137) units	1,974,493,265	3,327,430,661
Redemption of 16,497,118 (2010: 47,723,672) units	(1,626,628,094) 347,865,171	(5,051,384,491) (1,723,953,830)
Element of (income) / loss and capital (gains) / loss included - in prices of units issued less those in units redeemed - net - transferred to income statement	(280,233)	121,800,414
Net realised (loss) / gain on sale of investments	(43,199)	(20,079,386)
Net unrealised gain / (loss) on revaluation of investments classified - at fair value through profit or loss	(45,860,042)	(215,820,863)
Other net income for the year	116,965,748	101,501,846
Other comprehensive income	-	-
Total comprehensive income for the year	71,062,507	(134,398,403)
Net assets at the end of the year	<u>1,731,515,674</u>	<u>1,312,868,229</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

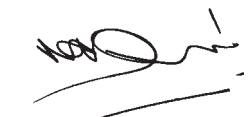
For Askari Investment Management Limited
(Management Company)



Chief Executive



Chairman



Director

ASKARI HIGH YIELD SCHEME (FORMERLY ASKARI INCOME FUND)
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOW FROM OPERATING ACTIVITIES

Net income / (loss) for the year

Adjustments for:

Net loss on investments classified as
at fair value through profit or loss'
Amortisation of formation costs
Income from government securities
Provision against assets acquired in settlement of investments
Provision against non-performing placements
(Reversal) / provision for contribution to Workers' Welfare Fund
Element of income / (loss) and capital gains / (loss) included
in prices of units issued less those in units redeemed - net

(Increase) / decrease in assets

Term deposit and money market placements
Accrued profit and other receivable
Assets acquired in settlement of investments

Increase / (decrease) in liabilities

Payable to Askari Investment Management
Limited - Management Company
Payable to Central Depository Company of Pakistan
Limited - Trustee
Payable to Securities and Exchange Commission
of Pakistan
Payable against redemption of units
Borrowing against repurchase agreement
Accrued and other liabilities

Net purchases of investments

Net cash (outflow) on / inflow from operating activities

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of units
Payment against redemption of units
Net cash inflow on financing activities

Net increase / (decrease) in cash and cash equivalents during the year

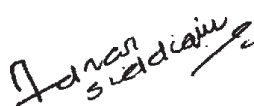
Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

	2011	2010
	------(Rupees)-----	
Net income / (loss) for the year	71,062,507	(134,398,403)
Adjustments for:		
Net loss on investments classified as at fair value through profit or loss'	45,903,241	235,900,249
Amortisation of formation costs	243,827	500,003
Income from government securities	(19,885,530)	-
Provision against assets acquired in settlement of investments	57,370,369	41,249,969
Provision against non-performing placements	-	2,550,000
(Reversal) / provision for contribution to Workers' Welfare Fund	(2,745,757)	2,745,757
Element of income / (loss) and capital gains / (loss) included in prices of units issued less those in units redeemed - net	(280,233)	121,800,414
	80,605,917	404,746,392
(Increase) / decrease in assets		
Term deposit and money market placements	(102,085,247)	40,500,000
Accrued profit and other receivable	(16,670,722)	48,861,202
Assets acquired in settlement of investments	38,112,120	4,132,735
	(80,643,849)	93,493,937
Increase / (decrease) in liabilities		
Payable to Askari Investment Management Limited - Management Company	130,784	(1,833,518)
Payable to Central Depository Company of Pakistan Limited - Trustee	(22,547)	(122,234)
Payable to Securities and Exchange Commission of Pakistan	(868,981)	(2,257,131)
Payable against redemption of units	(64,039)	(844,313)
Borrowing against repurchase agreement	(147,574,350)	(2,425,650)
Accrued and other liabilities	(1,853,264)	3,906,450
	(150,252,397)	(3,576,396)
Net purchases of investments	(177,837,192)	844,297,792
Net cash (outflow) on / inflow from operating activities	(257,065,014)	1,204,563,322
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	1,974,493,265	3,327,430,661
Payment against redemption of units	(1,626,628,094)	(5,051,384,491)
Net cash inflow on financing activities	347,865,171	(1,723,953,830)
Net increase / (decrease) in cash and cash equivalents during the year	90,800,157	(519,390,508)
Cash and cash equivalents at the beginning of the year	9,776,325	529,166,833
Cash and cash equivalents at the end of the year	100,576,482	9,776,325

The annexed notes 1 to 32 form an integral part of these financial statements.

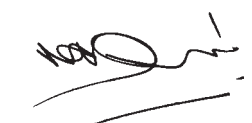
**For Askari Investment Management Limited
(Management Company)**



Chief Executive



Chairman



Director

ASKARI HIGH YIELD SCHEME (FORMERLY ASKARI INCOME 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 High Yield Scheme (formerly Askari Income Fund) (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) as an open end unit trust scheme. It was registered under a Trust Deed, dated December 16, 2005 executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited), as the Management Company and Central Depository Company of Pakistan Limited as its Trustee on December 5, 2005 and was approved by the Securities and Exchange Commission of Pakistan (the SECP) as a Notified Entity in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) on February 19, 2009. 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 be redeemed by surrendering them to the Fund. The units are listed on the Lahore Stock Exchange (Guarantee) Limited. As per the offering document, the Fund shall invest in a mix of spread transactions, debt securities and various other money market instruments. Pursuant to Circular 7 of 2009 of the SECP, the Board of Directors of the Management Company have approved the category of the Fund as "Aggressive Fixed Income Scheme" and required changes have been made in the constitutive documents of the Fund.
- 1.3** In March 2011, the Pakistan Credit Rating Agency Limited (PACRA) assigned an asset manager rating of 'AM3' to the Management Company with a positive outlook. As per the rating scale of PACRA, this rating denotes that the asset manager meets high industry standards and benchmarks. Subsequently in July, 2011, this rating has been upgraded from AM3 to AM3+.
- 1.4** The Management Company has initiated the process for seeking stability rating of the Fund which is expected to be received shortly.
- 1.5** Title to the assets of the Fund are held in the name of Central Depository Company (CDC) as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not 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 January 1, 2011:

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

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

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments and impairment thereagainst (notes 3.2 and 6) and assessing the recoverable amounts of assets acquired against settlement of investments (note 3.7 and 10).

2.5 Accounting convention

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

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

3.2 Financial assets

3.2.1 Classification

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

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

b) 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) loans and receivables, (b) held to maturity or (c) financial assets at fair value through profit or loss.

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Loans and receivables are initially recognised at fair value plus transaction cost.

3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss are valued as follows:

Basis of valuation of debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No.1 of 2009 dated January 6, 2009. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non performing debt securities.

Basis of valuation of government securities

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

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

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

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

3.2.5 Impairment

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of Management Company.

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 Financial liabilities

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

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

3.4 Derivatives

Derivative instruments are initially recognised at cost and subsequently each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.5 Securities under repurchase / resale agreements

Transactions of purchase under resale arrangement (reverse-repo) of marketable and government securities, including the securities purchased under continuous funding system, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the statement of assets and liabilities. Amount paid under these agreements are included as receivable balances. The difference between purchase and resale price is treated as income and accrued over the life of the reverse repo agreement.

All reverse repo / continuous funding system transactions are accounted for on the settlement date.

3.6 Investment in finance lease

The Fund acquired certain leased asset as part of settlement of investments. The risks and rewards incidental to ownership of the leased asset are transferred substantially to the lease over the lease period. Investment in lease finance is recognised at an amount equal to the aggregate of minimum lease payments including unearned finance income, if any.

3.7 Assets held for sale

The Fund acquired certain properties in settlement of its investments. These properties are classified as held for sale and measured at lower of carrying amount and fair value less costs to sell.

3.8 Formation costs

Formation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being charged over a period of five years commencing from December 2005 as per the requirements of the Trust Deed of the Fund.

3.9 Taxation

The income of the Fund is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

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

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.

3.10 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on 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 on acceptance of application for sale.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours on 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.

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

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

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

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

3.12 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

3.13 Provisions

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

3.14 Proposed distributions

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.15 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealized gains/ (losses) arising on marking to market 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.
- Profit on investments is recognised on an accrual basis.
- Profit on bank deposits is recognised on an accrual basis.
- Income from government securities is accrued using the effective interest method.

Rental income on properties held-for-sale is recognised on accrual basis.

The Fund follows the finance method in recognising income from leased assets acquired in settlement of investments. Under this method, the unearned income, i.e., the excess of aggregate lease rentals and the estimated residual value over the cost of the leased assets is deferred and then amortised over the term of the lease by applying the annuity method, so as to produce a constant rate of return on net investments in the leases.

4	BALANCES WITH BANKS	Note	2011	2010
			----- (Rupees) -----	
	In savings accounts	4.1	76,576,482	9,776,325
			<u>76,576,482</u>	<u>9,776,325</u>

- 4.1 These savings accounts carry markup at the rates ranging from 5% to 12% (June 30, 2010: 5% to 11.5%) per annum. This includes an amount of Rs 75,264,778 (June 30, 2010: Rs. 8,912,117) maintained with Askari Bank Limited, a connected person.

5	TERM DEPOSIT AND MONEY MARKET PLACEMENTS	Note	2011	2010
			----- (Rupees) -----	
	Term deposit	5.1	24,000,000	-
	Placements with banks and financial institutions	5.2	158,250,000	200,950,000
	Receivable against repurchase transaction	5.3	144,785,247	-
			<u>327,035,247</u>	<u>200,950,000</u>

- 5.1 This carry profit rate of 12.75% (June 30, 2010: Nil) per annum with maturity upto July 30, 2011.

	Note	2011 ------(Rupees)-----	2010 ------(Rupees)-----
5.2 Placements with banks and financial institutions			
Trust Investment Bank Limited	5.2.1	143,250,000	170,500,000
Saudi Pak Leasing Company Limited:			
- Carrying value before provision		15,000,000	33,000,000
- Provision held		-	(2,550,000)
Net carrying value	5.2.2	15,000,000	30,450,000
		<u>158,250,000</u>	<u>200,950,000</u>

5.2.1 Placement with Trust Investment Bank Limited carries mark-up at the rate of 1 month KIBOR with maturity upto February 2013.

5.2.2 During the year, upon payment of overdue installments and subsequent restructuring, this placement has been reclassified as performing. As per the terms of restructuring, principal will be settled by September 2012 and it does not carry any markup.

	Note	2011 ------(Rupees)-----	2010 ------(Rupees)-----
5.3 Receivable against repurchase transaction			
Pak Brunie Investment Company Limited	5.3.1	144,785,247	-
		<u>144,785,247</u>	<u>-</u>

5.3.1 Represents balance receivable against reverse repurchase transaction entered with an investment company in respect of treasury bill carrying mark-up at 13.22% per annum. The balance is recoverable by August 24, 2011.

	Note	2011 ------(Rupees)-----	2010 ------(Rupees)-----
6 INVESTMENTS			
At fair value through profit or loss - held for trading			
Government securities	6.1	473,938,100	-
Listed			
Term finance certificates	6.2	360,717,311	641,770,361
Unlisted			
Term finance certificates	6.2	191,829,788	157,702,860
Sukuk certificates	6.3	137,214,754	212,407,251
		329,044,542	370,110,111
Carrying value of investments		<u>1,163,699,953</u>	<u>1,011,880,472</u>
Cost of investments		<u>1,020,369,244</u>	<u>1,353,010,208</u>

6.1 Investment in government securities - 'at fair value through profit or loss'

6.1.1 Government Treasury Bills:

Issue date	Tenor	Face Value				Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 1, 2010	Purchased during the year	Disposed / matured during the year	As at July 30, 2011	Cost	Market value	Appreciation / (diminution)		
-----Rupees-----										
April 22, 2010	1 year	-	170,000,000	170,000,000	-	-	-	-	-	-
May 20, 2010	1 year	-	275,000,000	275,000,000	-	-	-	-	-	-
August 13, 2010	3 months	-	57,000,000	57,000,000	-	-	-	-	-	-
September 9, 2010	3 months	-	17,000,000	17,000,000	-	-	-	-	-	-
October 7, 2010	3 months	-	7,000,000	7,000,000	-	-	-	-	-	-
December 30, 2010	3 months	-	26,000,000	26,000,000	-	-	-	-	-	-
November 4, 2010	3 months	-	80,000,000	80,000,000	-	-	-	-	-	-
December 2, 2010	3 months	-	100,000,000	100,000,000	-	-	-	-	-	-
December 18, 2010	3 months	-	63,000,000	63,000,000	-	-	-	-	-	-
December 30, 2010	3 months	-	18,000,000	18,000,000	-	-	-	-	-	-
January 13, 2011	3 months	-	135,000,000	135,000,000	-	-	-	-	-	-
January 27, 2011	3 months	-	12,000,000	12,000,000	-	-	-	-	-	-
January 27, 2011	3 months	-	14,000,000	14,000,000	-	-	-	-	-	-
February 10, 2011	3 months	-	165,000,000	165,000,000	-	-	-	-	-	-
February 24, 2011	3 months	-	180,000,000	180,000,000	-	-	-	-	-	-
March 10, 2011	3 months	-	250,000,000	250,000,000	-	-	-	-	-	-
March 24, 2011	3 months	-	295,000,000	295,000,000	-	-	-	-	-	-
January 13, 2011	3 months	-	25,000,000	25,000,000	-	-	-	-	-	-
January 13, 2011	3 months	-	30,000,000	30,000,000	-	-	-	-	-	-
January 13, 2011	3 months	-	30,000,000	30,000,000	-	-	-	-	-	-
January 13, 2011	3 months	-	50,000,000	50,000,000	-	-	-	-	-	-
April 7, 2011	3 months	-	140,000,000	140,000,000	-	-	-	-	-	-
April 21, 2011	3 months	-	325,000,000	325,000,000	-	-	-	-	-	-
February 10, 2011	3 months	-	150,000,000	150,000,000	-	-	-	-	-	-
February 10, 2011	3 months	-	100,000,000	100,000,000	-	-	-	-	-	-
February 10, 2011	3 months	-	20,000,000	20,000,000	-	-	-	-	-	-
February 10, 2011	3 months	-	25,000,000	25,000,000	-	-	-	-	-	-
February 10, 2011	3 months	-	30,000,000	30,000,000	-	-	-	-	-	-
February 24, 2011	3 months	-	25,000,000	25,000,000	-	-	-	-	-	-
May 5, 2011	3 months	-	350,000,000	350,000,000	-	-	-	-	-	-
February 24, 2011	3 months	-	75,000,000	75,000,000	-	-	-	-	-	-
February 24, 2011	3 months	-	10,000,000	10,000,000	-	-	-	-	-	-
October 21, 2010	6 months	-	10,000,000	10,000,000	-	-	-	-	-	-
November 4, 2011	6 months	-	65,000,000	65,000,000	-	-	-	-	-	-
May 19, 2011	6 months	-	110,000,000	110,000,000	-	-	-	-	-	-
May 19, 2011	6 months	-	75,000,000	75,000,000	-	-	-	-	-	-
May 19, 2011	6 months	-	50,000,000	50,000,000	-	-	-	-	-	-
May 19, 2011	6 months	-	75,000,000	75,000,000	-	-	-	-	-	-
May 19, 2011	3 months	-	375,000,000	275,000,000	100,000,000	98,554,088	98,521,149	(32,939)	5.69%	8.47%
June 16, 2011	6 months	-	270,000,000	-	270,000,000	254,120,684	254,126,817	6,133	14.68%	21.84%
June 30, 2011	3 months	-	125,000,000	-	125,000,000	121,293,953	121,290,134	(3,819)	7.00%	10.42%
Total - June 30, 2011		-	4,404,000,000	3,909,000,000	495,000,000	473,968,725	473,938,100	(30,625)		
Total - June 30, 2010		-	-	-	-	-	-	-		

6.1.1.1 These securities have a remaining maturity period of upto 6 months (2010: Nil) with yield ranging from of 12.20% to 13.66% per annum.

6.1.2 Pakistan Investment Bonds:

Issue date	Tenor	Face Value				Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 1, 2010	Purchased during the year	Disposed / matured during the year	As at July 30, 2011	Carrying value	Market value	Appreciation / (diminution)		
-----Rupees-----										
July 22, 2010	10 years	-	25,000,000	25,000,000	-	-	-	-	-	-
July 22, 2010	7 years	-	25,000,000	25,000,000	-	-	-	-	-	-
July 22, 2010	3 years	-	25,000,000	25,000,000	-	-	-	-	-	-
Total - June 30, 2011		-	75,000,000	75,000,000	-	-	-	-	-	-
Total - June 30, 2010		-	-	-	-	-	-	-	-	-

6.1.3 Sukuk certificates

Name	Number of certificates				Rupees			Market value as percentage of net assets	Market value as percentage of total investment
	As at July 01, 2010	Purchases during the year	Sales / matured during the year	As at 30 June 2011	Cost	Market Value	Appreciation / (Diminution)		
GoP Ijara sukuk VII	-	5,000	5,000	-	-	-	-	-	-
GoP Ijara sukuk IV	-	6,000	6,000	-	-	-	-	-	-
Gop Ijara sukuk XI	-	5,000	5,000	-	-	-	-	-	-

6.2 Term finance certificates

Certificates have a face value of Rs 5,000 each unless stated otherwise in 6.6

Name of the investee company	Notes	Number of certificates				Market value as at June 30, 2011	Investment as a percentage of		
		As at July 1, 2010	Purchases during the year	Sales/ matured during the year	As at June 30, 2011		Net assets	Market value of total investments	Issue size
Rupees									
Term finance certificates - listed									
Engro fertilizer Limited (30-11-2007)		-	2,000	-	2,000	9,616,768	0.56%	0.83%	0.25%
Worldcall Telecom Limited (28-11-2006)		5,000	-	-	5,000	4,124,274	0.24%	0.35%	7.14%
Escorts Investment Bank Limited (15-03-2007)		16	-	16	-	-	-	-	-
Telecard Limited (27-05-2005)		10,000	-	-	10,000	12,132,903	0.70%	1.04%	2.08%
Dewan Cement Limited	6.3.1	25,000	-	-	25,000	-	-	-	-
PACE (Pakistan) Limited (15-02-2008)	6.3.1	15,000	-	-	15,000	50,377,799	2.91%	4.33%	5.00%
Trust investment Bank Limited (04-07-2008)		10,000	-	-	10,000	29,814,913	1.72%	2.56%	8.33%
Worldcall Telecom Limited (07-10-2008)		20,000	-	15,800	4,200	13,709,248	0.79%	1.18%	0.53%
Pakistan Mobile Communication Limited (28-10-2008)		94,000	-	54,690	39,310	185,040,425	10.69%	15.90%	3.47%
Century Paper Limited		-	2,000	2,000	-	-	-	-	-
Bank Al-Habib Limited (15-04-2004)		-	5,000	-	5,000	22,635,868	1.31%	1.95%	1.85%
Bank Al-Habib Limited (07-02-2007)		-	4,800	4,800	-	-	-	-	-
Pak Arab Fertilizers Limited (28-02-2008)		-	690	-	690	2,923,897	0.17%	0.25%	0.07%
United Bank Limited (15-03-2005)		-	6,670	-	6,670	30,341,216	1.75%	2.61%	1.67%
United Bank Limited (14-02-2008)		-	5,000	5,000	-	-	-	-	-
		179,016	26,160	82,306	122,870	360,717,311	20.84%	31.00%	
Term finance certificates - unlisted									
New Allied Electronics Industries (Pvt.) Limited (15-05-2007)	6.3.1	5,000	-	-	5,000	-	-	-	2.78%
Avari Hotels		15,200	-	-	15,200	62,848,988	3.63%	5.40%	2.03%
Agritech Limited (formerly Pak American Fertilizer Limited)	6.3.1	12,000	-	-	12,000	15,560,875	0.90%	1.34%	4.00%
Azgard Nine Limited	6.3.1	6,000	-	-	6,000	8,419,925	0.49%	0.72%	1.20%
Bank Al - Habib Limited			21,000	-	21,000	105,000,000	6.06%	9.02%	3.50%
First Dawood Investment Bank Limited (11-09-2007)		6,000	-	6,000	-	-	-	-	-
Kashf Foundation		10,000	-	10,000	-	-	-	-	-
Total - 2011		54,200	21,000	16,000	59,200	191,829,788	11.08%	16.48%	
Total - 2010		201,260	6,240	128,300	79,200	157,702,860	12.01%		

6.3 Sukuk bonds - At fair value through profit or loss

Certificates have a face value of Rs 5,000 each unless stated otherwise in 6.4

Name of the investee company	Notes	Number of certificates				Market value as at June 30, 2011	Investment as a percentage of		
		As at July 1, 2010	Purchases during the year	Sales/ during the year	As at June 30, 2011		Net assets	Market value of total investments	Issue size
Rupees									
Security Leasing Corporation Limited II		8,000	-	-	8,000	14,527,178	0.84%	1.25%	5.33%
Maple Leaf Cement Factory limited -1	6.3.1	35,000	-	-	35,000	109,610,443	6.33%	9.42%	2.19%
Maple Leaf Cement Factory limited -2		1,312	-	-	1,312	4,618,627	0.27%	0.40%	2.19%
Pak Elektron Limited		14,000	-	14,000	-	-	-	-	-
AI - Zamin Leasing Modaraba	6.3.1	7,000	-	-	7,000	8,458,506	0.49%	0.73%	5.00%
Total - 2011		65,312	-	14,000	51,312	137,214,754	7.93%	11.80%	
Total - 2010		69,000	1,312	5,000	65,312	212,407,251	14.00%		

6.3.1 Securities listed below have been classified as non-performing in accordance with the SECP's Circular 1 of 2009 and the Fund's provisioning policy for non-performing exposures. Accordingly, the carrying values stated above have been arrived at after taking into account provisions as under:

	2011			2010		
	Outstanding principal	Provision held	Net carrying value	Outstanding principal	Provision held	Net carrying value
-----Rupees-----						
AI Zamin Leasing Modaraba	27,246,671	18,788,165	8,458,506	-	-	-
New Allied Electronics Industries (Private) Limited	11,458,325	10,221,616	1,236,709	11,458,325	11,458,325	-
Dewan Cement Limited	125,000,000	125,000,000	-	125,000,000	125,000,000	-
Azgard Nine Limited	29,976,000	21,556,075	8,419,925	29,976,000	8,393,280	21,582,720
Agritech Limited (formerly Pak American Fertilizer Limited)	59,952,000	44,391,125	15,560,875	59,952,000	16,786,560	43,165,440
Maple Leaf Cement Factory Limited	-	-	-	181,485,624	81,668,529	99,817,095
Telecard Limited	18,380,000	6,247,097	12,132,903	-	-	-
Security Leasing Corporation Limited II	20,625,000	6,097,822	14,527,178	-	-	-
	292,637,996	232,301,900	60,336,096	407,871,949	243,306,694	164,565,255

6.4 Significant terms and conditions of term finance certificates and sukuk bonds outstanding at the year end are as follows:

Name of security	Number of certificates	Face value / Redemption value (Rupees)	Mark-up rate (Per annum)	Maturity	Secured / unsecured	Rating
Listed debt securities						
Engro fertilizer Limited (30-11-2007)	2,000	4,993	6 month KIBOR+1.55%	November 30, 2015	Secured	AA
Worldcall Telecom Limited (28-11-2006)	5,000	833	6 month KIBOR+2.75%	November 28, 2011	Secured	A
Telecard Limited (27-05-2005)	10,000	1,617	6 month KIBOR+3.75%	November 27, 2013	Secured	NPA
Dewan Cement Limited	25,000	5,000	6 months' KIBOR + 2%	January 2014	Secured	NPA
PACE (Pakistan) Limited (15-02-2008)	15,000	4,994	6 months' KIBOR + 2%	February 15, 2017	Secured	NPA
Trust investment Bank Limited (04-07-2008)	10,000	3,124	6 months' KIBOR + 1.85%	July 4, 2013	Unsecured	BBB
Worldcall Telecom Limited (07-10-2008)	4,200	3,569	6 month KIBOR+1.6%	October 7, 2013	Secured	A
Pakistan Mobile Communication Limited (28-10-2008)	39,310	5,000	6 month KIBOR+1.65%	October 28, 2013	Secured	A+
Bank Al-Habib Limited (15-07-2004)	5,000	4,987	6 month KIBOR+1.5%	July 15, 2012	Unsecured	AA
Pak Arab Fertilizers Limited (28-02-2008)	690	4,200	6 month KIBOR+1.5%	February 28, 2013	Secured	AA
United Bank Limited (15-03-2005)	6,670	4,999	Fixed	March 15, 2013	Unsecured	AA
Term finance certificates - unlisted						
New Allied Electronics Industries (Pvt.)Ltd. (15-05-07)	5,000	1,250	3 month KIBOR+3%	May 15, 2011	Secured	NPA
Avari Hotels	15,200	4,246	6 month KIBOR+3.25%	October 30, 2014	Secured	A-
Agritech Limited (formerly Pak American Fertilizer Limited)	12,000	3,997	6 months' KIBOR + 1.75%	November 29, 2014	Secured	NPA
Azgard Nine	6,000	4,496	6 months' KIBOR + 0.25%	December 4, 2014	Secured	NPA
Sukuk bonds - At fair value through profit or loss						
Security Leasing Corporation Limited (19-09-2007)	8,000	2,500	6% p.a. for first 18 months and 1 month KIBOR for next 30 months	September 19, 2012	Secured	NPA
Maple Leaf Cement Factory limited -1	35,000	4,994	3 month KIBOR+1%	December 3, 2018	Secured	NIG
Maple Leaf Cement Factory limited -2	1,312	5,000	3 month KIBOR+1%	March 31, 2012	Secured	NIG
Al - Zamin Leasing Modaraba - TFC (12-05-08)	7,000	3,333	6 months' KIBOR + 1.9%	May 12, 2012	Secured	NPA

6.4.1 The Term Finance Certificates and Sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

7 ACCRUED PROFIT AND OTHER RECEIVABLE	Note	2011	2010
		------(Rupees)-----	
Profit receivable on bank balances	7.1	234,984	7,422
Profit on term deposit		8,383	-
Markup receivable on term finance certificates		43,167,048	26,719,319
Income receivable on placements		1,608,324	1,667,583
Advance tax		705,362	405,442
Other receivable		601,590	-
Insurance claim receivable		-	1,013,507
Rent receivable		158,304	-
		<u>46,483,995</u>	<u>29,813,273</u>

7.1 Includes amount of Rs 219,475 (2010: Rs 4,465) receivable from Askari Bank Limited (a connected person).

	Note	2011	2010
------(Rupees)-----			
8 UNAMORTISED FORMATION COSTS			
Opening Balance		243,827	743,830
Less: amortised during the year	8.1	(243,827)	(500,003)
Closing Balance		-	243,827

8.1 Formation costs represent expenditure incurred prior to the commencement of operations of the Fund. As per the requirement of the Trust Deed, these costs have been amortised over a period of five years.

	Note	2011	2010
------(Rupees)-----			
9 SECURITY DEPOSITS			
Security deposits	9.1	3,600,000	3,600,000

9.1 Represents security deposits maintained with the Central Depository Company of Pakistan Limited amounting to Rs.100,000 and National Clearing Company of Pakistan Limited of Rs.3,500,000.

10 ASSETS ACQUIRED AGAINST SETTLEMENT OF INVESTMENTS

During the year 2009, the Fund acquired certain assets in settlement of certificate of investment and letter of placement due from an Investment Bank as allowed by SECP vide its letter dated 12 August 2009. The carrying value of such assets as of 30 June 2011 is as under:

	Note	2011	2010
------(Rupees)-----			
Net investment in finance lease	10.1	88,111,780	123,673,900
Less: Provision against non-performing lease receivables	10.2	(39,650,302)	(15,298,061)
		48,461,478	108,375,839
Properties - held for sale	10.3	135,563,709	135,563,709
Less: Provision for diminution in value of properties held for sale	10.4	(61,520,036)	(25,951,908)
		74,043,673	109,611,801
		122,505,151	217,987,640

10.1 Represents lease rentals receivable from Pioneer Cement Limited for Grate Cooler Plant as follows:

	2011			2010		
	Less than 1 year	More than 1 year and less than 3 years	Total	Less than 1 year	More than 1 year and less than 3 years	Total
------(Rupees)-----						
Minimum lease payments	33,459,492	80,860,439	114,319,931	58,915,494	97,100,760	156,016,254
Unearned finance income	(12,326,712)	(13,881,439)	(26,208,151)	(18,750,256)	(13,592,098)	(32,342,354)
Net investment in finance lease	21,132,780	66,979,000	88,111,780	40,165,238	83,508,662	123,673,900

10.2 Represents provision made in accordance with the Fund's policy for non-performing exposure. During the year, the Fund has amended its methodology of estimation of provisioning as contained in its Provisioning Policy for Non-performing exposures. The balance due from PCL falls under the category of Other Exposures as included in the policy. As per the previous policy, non-performing Other Exposure which undergoes restructuring arrangement can be classified as performing when they pay:

- next six installments in case the payment frequency is less than quarterly installments; and
- next two installments in case the payment frequency is equal to or exceeds quarterly installments.

Under the previous policy, Investment Committee (IC) had the discretion to continue classification of Other Exposure as non-performing based on its analysis. In case the Other Exposure was kept classified as non-performing, all requirements for provisions continued to apply to such Other Exposures.

However, the revised policy, in addition to the criteria included in the previous policy also allows that a debt can be classified as performing if an amount equivalent to six installments as per the original repayment terms (prior to restructuring) is received for cases where the payment frequency is less than quarterly installments. In addition, it has also given an option that in case the EC decides to continue classification of a debt as non-performing it can freeze the provisioning level (based on the applicable slab percentage) against such debts.

Had the provision against PCL being determined in accordance with previous methodology of estimation as contained in provisioning policy, the provision against PCL would have been higher and consequently profit before taxation and net investment in finance lease (net of provisions) would have been lower by Rs 13.217 million.

10.3 Represents settlement value (together with related direct costs incurred) of seven different properties situated in Karachi. Titles of four properties have been transferred to the Fund and the Management Company is taking steps for transfer of titles for the remaining three properties in the name of the Trustee of the Fund. In terms of the SECP's letter dated August 12, 2009, the Fund was required to dispose off these properties within 1 year of the letter i.e. August 12, 2010. However, due to the prevailing conditions in the property market, these properties remain unsold as of the year end. The Management Company of the Fund remains committed to sell these properties at the earliest available suitable opportunity in the best interest of the Fund and, hence the same continue to be classified as held for sale. Further, the Fund, vide its letter dated August 9, 2011, has sought an extension from the SECP to dispose off the above properties. The SECP vide its letter No. NBFC/RS/JD-VS/AIML/359/2011 dated August 15, 2011 has granted an extension to the Fund upto August 12, 2012 for the disposal of the properties.

10.4 As of June 30, 2011, the fair value of these properties has been assessed by independent valuers at Rs 77,150,000 (2010: Rs 114,023,730). Accordingly, an aggregated provision of Rs 61,520,036 (2010: Rs 25,951,908) has been made on account of any impairment in the value of these properties. The provision has been made after adjusting the necessary cost to be incurred in order to make the sale from the fair value of these properties.

11	PAYABLE TO ASKARI INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2011 ------(Rupees)-----	2010 -----
	Management fee	11.1	1,869,286	1,738,502
			<u>1,869,286</u>	<u>1,738,502</u>

11.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), 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.

According to the provisions of the Trust Deed of the Fund, the Management Company has charged its remuneration at the rate of 1.5% (2010: 1.5%) per annum of the net assets of the Fund computed on a daily basis.

12	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2011	2010
			----- (Rupees) -----	
	Trustee fee	11.1	<u>176,556</u>	<u>199,103</u>
			<u>176,556</u>	<u>199,103</u>

12.1 As per the originally agreed terms, the Trustee was entitled to a remuneration, to be paid monthly in arrears, as per the following tariff structure:

**Amounts of funds under management
(Average NAV)**

Tariff per annum

Up to Rs. 1,000 million

Rs. 0.7 million or 0.20% per annum of Net Asset Value whichever is higher

Exceeding Rs. 1,000 million

Rs. 2 million plus 0.10% per annum of Net Asset Value exceeding Rs. 1,000 million

However, the above tariff structure has been revised by the Central Depository Company of Pakistan Limited with effect from January 1, 2011. The revised tariff structure is as follows:

**Amounts of funds under management
(Average NAV)**

Tariff per annum

Up to Rs. 1,000 million

Rs. 0.6 million or 0.17% per annum of Net Asset Value whichever is higher

Exceeding Rs. 1,000 million upto Rs. 5000 million

Rs. 1.7 million plus 0.085% per annum of Net Asset Value exceeding Rs. 1,000 million

Exceeding Rs. 5,000 million

Rs. 5.1 million plus 0.07% per annum of Net Asset Value exceeding Rs. 5,000 million

The remuneration is paid to the trustee monthly in arrears.

**13 PAYABLE TO THE SECURITIES AND EXCHANGE
- COMMISSION OF PAKISTAN**

Annual fee

Note	2011	2010
	----- (Rupees) -----	
13.1	<u>1,002,919</u>	<u>1,871,900</u>
	<u>1,002,919</u>	<u>1,871,900</u>

13.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as aggressive fixed income scheme is required to pay as an annual fee to the SECP, an amount equal to 0.075% (2010: 0.075%) of the average annual net assets of the scheme. The Fund has been classified as aggressive fixed income scheme by the Management Company.

14 ACCRUED AND OTHER LIABILITIES

Auditors remuneration payable
Payable to the Management Company
Payable to brokers
Legal and professional charges payable
Mutual Fund rating fee payable
Unearned rental income
Financial charges payable
Withholding tax payable
Lease markup - unearned
Provision for contribution to Workers' Welfare Fund
Other payable

2011	2010
----- (Rupees) -----	
550,000	420,000
1,364,499	1,289,244
84,514	186,097
259,998	300,311
300,002	100,000
961,307	2,021,535
-	374,796
185,115	1,590,847
676,876	-
-	2,745,757
<u>954,082</u>	<u>906,827</u>
<u>5,336,393</u>	<u>9,935,414</u>

15 CONTINGENCIES AND COMMITMENTS

15.1 PROVISION FOR WORKERS' WELFARE FUND

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 annual financial statements of the Fund for the year ended June 30, 2010.

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

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

Based on the current position, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised in these financial statements. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs 4.112 million (including Rs 1.366 million in respect of the current year).

15.2 There were no commitments outstanding as at June 30, 2011.

16 OTHER INCOME

Participation fee income
Reversal of liability no longer considered payable

Note	2011	2010
	----- (Rupees) -----	
16.1	525,000	-
	1,266,741	-
	<u>1,791,741</u>	<u>-</u>

16.1 This pertains to the investment in the initial public offer of Bank Al-Habib Limited term finance certificate.

17 AUDITORS' REMUNERATION

Annual audit fee
Half yearly review fee
Review of compliance with the Code of Corporate Governance
Out of pocket expenses

Note	2011	2010
	----- (Rupees) -----	
16.1	500,000	450,000
	170,000	150,000
	50,000	43,000
	181,160	22,500
	<u>901,160</u>	<u>665,500</u>

18 CASH AND CASH EQUIVALENTS

Balances with banks
Term deposit receipts

4	76,576,482	9,776,325
5	24,000,000	-
	<u>100,576,482</u>	<u>9,776,325</u>

19 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.

20 EARNINGS PER UNIT (EPU)

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

21 FINANCIAL INSTRUMENTS BY CATEGORY

Assets

Bank balances	-	76,576,482	76,576,482
Term deposit and money market placements	-	327,035,247	327,035,247
Investments	1,163,699,953	-	1,163,699,953
Accrued profit and other receivable	-	45,778,633	45,778,633
Net Investment in Finance Lease	-	48,461,478	48,461,478
	1,163,699,953	497,851,840	1,661,551,793

-----As at June 30, 2011-----		
Assets at fair value through profit or loss	Loans and receivables	Total
-----Rupees-----		
-	76,576,482	76,576,482
-	327,035,247	327,035,247
1,163,699,953	-	1,163,699,953
-	45,778,633	45,778,633
-	48,461,478	48,461,478
1,163,699,953	497,851,840	1,661,551,793

Liabilities

Payable to Askari Investment Management Limited - Management Company	-	1,869,286	1,869,286
Payable to Central Depository Company of Pakistan Limited - Trustee	-	176,556	176,556
Accrued and other liabilities	-	3,513,095	3,513,095
	-	5,558,937	5,558,937

-----As at June 30, 2011-----		
Liabilities at fair value through profit or loss	At amortised cost	Total
-----Rupees-----		
-	1,869,286	1,869,286
-	176,556	176,556
-	3,513,095	3,513,095
-	5,558,937	5,558,937

Assets

Bank balances	-	9,776,325	9,776,325
Term deposit and money market placements	-	200,950,000	200,950,000
Investments	1,011,880,472	-	1,011,880,472
Accrued profit and other receivable	-	29,407,831	29,407,831
Net Investment in Finance Lease	-	108,375,839	108,375,839
	1,011,880,472	348,509,995	1,360,390,467

-----As at June 30, 2010-----		
Assets at fair value through profit or loss	Loans and receivables	Total
-----Rupees-----		
-	9,776,325	9,776,325
-	200,950,000	200,950,000
1,011,880,472	-	1,011,880,472
-	29,407,831	29,407,831
-	108,375,839	108,375,839
1,011,880,472	348,509,995	1,360,390,467

-----As at June 30, 2010-----		
Liabilities at fair value through profit or loss	At amortised cost	Total
-----Rupees-----		
Payable to Askari Investment Management Limited - Management Company	-	1,738,502
Payable to Central Depository Company of Pakistan Limited - Trustee	-	199,103
Payable against redemption of units	-	64,039
Borrowing against repurchase agreement	-	147,574,350
Accrued and other liabilities	-	3,577,275
	-	153,153,269

22 TRANSACTIONS WITH CONNECTED PERSONS

22.1 Connected persons / related parties include Askari Investment Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, Askari Bank Limited being the holding company of the Management Company, group companies, staff retirement benefit schemes of group companies, various funds under common management of the Management Company and directors and officers of the Management Company.

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

22.3 Details of the transactions with connected persons are as follows:

Transactions with Askari Investment Management Limited - (Asset Management Limited) - Management Company

	2011	2010
	------(Rupees)-----	
Management fee expense for the year	20,058,387	37,438,002
Reimbursement of expenses	-	1,073,787
Units issued / transferred in (100,383 units; 2010 : 713,292 units)	9,998,177	74,000,000
Units redeemed / transferred out (242,927 units; 2010: 470,367units)	24,127,479	50,000,000

Askari General Insurance Company Limited (Group Company)

Units issued / transferred in (50,911 units; 2010: 456,462 units)	5,000,000	48,015,365
Units redeemed / transferred out (Nil units; 2010: 509,785 units)	-	54,100,422

Central Depository Company of Pakistan Limited - Trustee

Remuneration of the Trustee	2,161,818	3,495,866
Settlement charges	180,949	120,000
Custodian fee	6,343	7,149

Askari Bank Limited (Holding company of the Management Company)

Units issued / transferred in (13,201,690 units; 2010 : 10,073,188 units)	1,306,550,325	1,063,667,658
Units redeemed / transferred out (13,641,246 units; 2010: 9,798,740 units)	1,357,226,924	1,037,561,073
Return on bank balances	2,082,596	18,238,997
Financial charges on borrowing under repurchase agreement	2,169,613	13,154,961

Askari Cement Limited (Group Company)

Units redeemed / transferred out (13,075 units; 2010: Nil units)	1,242,397	-
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Askari Asset Allocation Fund (Fund under common management)

Purchase of term finance certificates	-	50,455,025
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Key Management Personnel

Redemption of units (Nil units; 2010: 3,279 units)	-	334,917
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22.4 Amounts outstanding as at year end
Transactions with Askari Investment Management Limited - (Asset Management Limited) - Management Company

 Remuneration payable to management company
 Outstanding 100,383 units (2010: 242,927 units)

Askari General Insurance Company Limited (Group Company)

Outstanding 50,911 units (2010: Nil units)

President Askari Bank Limited Fund

Outstanding 82,434 units (2010: 82,434 units)

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable to Trustee

Askari Bank Limited (Holding company of the Management Company)

Outstanding 9,633,632 units (2010: 10,073,188 units)

Balance with bank

Accrued profit receivable

Askari Cement Limited (Group Company)

Outstanding Nil units (2010: 13,075 units)

Askari Bank Limited Employees' Provident Fund

Outstanding 301,376 units (2010: 301,376 units)

June 30, 2011	June 30, 2010
------(Rupees)-----	

1,869,286	1,738,502
10,041,151	23,053,745

5,092,562	-
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8,245,708	7,822,978
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176,556	199,103
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963,633,871	955,930,599
75,264,778	8,912,117
219,475	4,465

-	1,240,798
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30,146,081	28,600,136
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23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

-----2011-----			
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. Mustafa Kamal	Chief Investment Officer and Fund manager	MBA	8
4 Mr. Muhammad Farrukh	Senior Compliance Officer	CMA (Finalist)	11
5 Mr. Agha Tariq Ali	Head of Research / Fund Manager	B.A (Hons.) Canada	4

23.1 Mr. Mustafa Kamal is the fund manager of the Fund. He is also the fund manager of Askari Islamic Income Fund and Askari Sovereign Cash Fund.

24 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

		June 30, 2011
1	JS Global Securities Ltd.	50.99%
2	KASB Securities	16.44%
3	Invest & Finance Securities Limited	13.37%
4	Elixir Securities Pakistan (Private) Limited	9.08%
5	Invest & Capital Securities Limited	4.17%
6	BMA Capital Securities Ltd.	2.16%
7	Icon Securities Limited	1.41%
8	Global Securities Pakistan Limited	1.35%
9	Invisor Securities Limited	0.79%
10	Summit Capital	0.24%

TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

1	Global Securities Pakistan Limited
2	JS Global Securities Ltd.
3	KASB Securities
4	BMA Capital Securities Ltd.
5	Arif Habib Securities Limited
6	Invisor Securities Limited
7	First Capital Securities Corporation Limited
8	Invest Capital Investment Bank Ltd.

June 30, 2010

24.25%
22.41%
15.38%
11.93%
8.35%
8.08%
5.39%
4.21%

25 PATTERN OF UNIT HOLDING

Category	As at June 30, 2011			
	Number of unit holders	No of units held	Investment amount (Rupees)	Percentage investment
Individuals	98	1,596,603	159,705,151	9.22%
Associated companies	5	10,168,736	1,017,159,256	58.74%
Insurance companies	1	246	24,607	0.01%
Commercial banks	2	663,203	66,338,930	3.83%
Retirement funds	5	172,653	17,270,150	1.00%
Welfare organizations	6	3,628,256	362,927,524	0.21
Others	7	1,080,597	108,090,056	6.24%
	124	17,310,294	1,731,515,674	100.00%

Category	As at June 30, 2010			
	Number of unit holders	No of units held	Investment amount (Rupees)	Percentage investment
Individuals	122	319,090	30,281,168	2.31%
Associated companies	5	10,713,000	1,016,647,820	77.44%
Insurance companies	1	246	23,345	-
Commercial banks	2	1,534,071	145,581,064	11.09%
Retirement funds	16	689,299	65,413,453	4.98%
Welfare organizations	7	157,146	14,912,922	1.14%
Others	6	421,592	40,008,457	3.04%
	159	13,834,444	1,312,868,229	100.00%

26 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 of directors in the meetings is given below:

Name of director	Number of meetings			Meetings not attended
	Held	Attended	Leave	
Mr. Lt Gen. (R) Imtiaz Hussain	7	7	-	
Mr. Shahid Hafeez Azmi	7	4	3	32nd, 34th and 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	33rd meeting
Mr. Tahir Aziz	7	7	-	
Mr. Sufian Mazhar	7	4	3	32nd, 33rd and 35th meeting
Mr. Adnan Ahmed Siddiqui	7	7	-	

27 FINANCIAL RISK MANAGEMENT

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

27.1 Market risk

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

The Management Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

27.1.1 Currency risk

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

27.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2011, the Fund holds KIBOR based interest bearing term finance certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2011, with all other variables held constant, the net income for the year and net assets would have been higher / lower by Rs 1.251 million (2010: Rs 2.219 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2011, the Fund holds market treasury bill exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Markets Association on June 30, 2011, with all other variables held constant, the net income for the year and net assets would be lower by Rs 1.466 million (2010: Rs Nil). In case of 100 basis points decrease in rates announced by Financial Markets Association on June 30, 2011, with all other variables held constant, the net income for the year and net assets would be higher by Rs 1.476 million (2010: Rs Nil).

The composition of the Fund's investment portfolio, KIBOR and rates announced by Financial Markets Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

27.1.2.1 Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

The Fund's Market Rate of Return (MROR) sensitivity related to financial assets and financial liabilities as at June 30, 2011 can be determined from the following:

-----As at June 30, 2011-----					
Effective yield / Interest rate	Exposed to Yield/Interest rate risk			Not exposed to Interest rate/ Yield risk	Total
	Up to three months	More than three months and up to one year	More than one year		
-----Rupees-----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	5% - 12%	76,576,482	-	-	76,576,482
Term deposit and money market placements	12.75% -13.22%	168,785,247	-	143,250,000	327,035,247
Investments	Refer note 6	219,811,283	267,203,950	676,684,720	1,163,699,953
Accrued profit and other receivable		-	-	45,778,633	45,778,633
Security Deposit				3,600,000	3,600,000
Net Investment in Finance Lease		-	21,132,780	27,328,698	48,461,478
Sub Total		<u>465,173,012</u>	<u>288,336,730</u>	<u>847,263,418</u>	<u>1,665,151,793</u>
Financial liabilities					
Payable to Askari Investment Management - Limited - Management Company		-	-	1,869,286	1,869,286
Payable to Central Depository Company of Pakistan - Limited - Trustee		-	-	176,556	176,556
Accrued and other liabilities		-	-	3,513,095	3,513,095
Sub Total		<u>-</u>	<u>-</u>	<u>5,558,937</u>	<u>5,558,937</u>
On-balance sheet gap		<u>465,173,012</u>	<u>288,336,730</u>	<u>847,263,418</u>	<u>1,659,592,856</u>
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		<u>465,173,012</u>	<u>288,336,730</u>	<u>847,263,418</u>	<u>1,659,592,856</u>
Cumulative interest rate sensitivity gap		<u>465,173,012</u>	<u>753,509,742</u>	<u>1,600,773,160</u>	

-----As at June 30, 2010-----					
Effective yield / Interest rate	Exposed to Yield/Interest rate risk			Not exposed to Interest rate/ Yield risk	Total
	Up to three months	More than three months and up to one year	More than one year		
-----Rupees-----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	5% - 11.5%	9,776,325	-	-	9,776,325
Term deposit and money market placements		-	42,700,000	158,250,000	200,950,000
Investments		169,773,620	842,106,852	-	1,011,880,472
Accrued profit and other receivable		-	-	29,407,831	29,407,831
Security deposit				3,600,000	3,600,000
Assets acquired against settlement of investments			108,375,839	-	108,375,839
Sub Total		<u>179,549,945</u>	<u>884,806,852</u>	<u>266,625,839</u>	<u>1,363,990,467</u>
Financial liabilities					
Payable to Askari Investment Management - Limited - Management Company		-	-	1,738,502	1,738,502
Payable to Central Depository Company of Pakistan - Limited - Trustee		-	-	199,103	199,103
Payable against redemption of units		-	-	64,039	64,039
Borrowing against repurchase agreement		147,574,350	-	-	147,574,350
Accrued and other liabilities		-	-	3,577,275	3,577,275
Sub Total		<u>147,574,350</u>	<u>-</u>	<u>5,578,919</u>	<u>153,153,269</u>
On-balance sheet gap		<u>31,975,595</u>	<u>884,806,852</u>	<u>266,625,839</u>	<u>1,210,837,198</u>
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		<u>31,975,595</u>	<u>884,806,852</u>	<u>266,625,839</u>	<u>1,210,837,198</u>
Cumulative interest rate sensitivity gap		<u>31,975,595</u>	<u>916,782,447</u>	<u>1,183,408,286</u>	

27.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Fund is not exposed to any price risk as no equity securities are held by the Fund as on June 30, 2011.

27.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in loans and receivables, government securities and balances with banks. The credit risk of the Fund is limited as the investments are made and balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Risk attributable to investment in government securities is limited as these are guaranteed by the Federal Government.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. 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.

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

Bank balances by rating category

Askari Bank Limited
Bank Al Falah Limited
Al Baraka Bank (Pakistan) Limited
Faysal Bank Limited
The Bank of Khyber Limited
Summit Bank Limited

2011	2010
AA	AA
AA	AA+
A	A-
AA	AA
A-	A-
A	A

Term finance certificates by rating category

Listed

Engro fertilizer Limited (30-11-2007)
Worldcall Telecom Limited (28-11-2006)
Telecard Limited (27-05-2005)
Dewan Cement Limited
PACE (Pakistan) Limited (15-02-2008)
Trust investment Bank Limited (04-07-2008)
Worldcall Telecom Limited (07-10-2008)
Pakistan Mobile Communication Limited (28-10-2008)
Bank Al-Habib Limited (15-04-2004)
Pak Arab Fertilizers Limited (28-02-2008)
United Bank Limited (15-03-2005)

2011	2010
AA	AA
A	A
NPA	BBB
NPA	NPA
NPA	A+
BBB	BBB
A	A
A+	AA-
AA	AA
AA	AA
AA	AA
A-	A-
NPA	NPA
NPA	NPA
NPA	BBB
BBB	NPA
BBB	-
NPA	A

Unlisted

Avari Hotels
Agritech Limited (formerly Pak American Fertilizer Limited)
Azgard Nine Limited

Sukuks by rating category

Security Leasing Corporation Limited II
Maple Leaf Cement Factory limited -1
Maple Leaf Cement Factory limited -2
Al - Zamin Leasing Modaraba

27.2.2 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mostly concentrated in government securities and term deposits held with a commercial bank.

The table below analyses the Fund's concentration of credit risk by sectoral distribution:

	% of debt instruments	
	2011	2010
Financial services	30.57	11.58
Personal Goods	1.22	2.13
Construction and materials	23.86	9.86
Real Estate Investment and Services	-	7.13
Chemicals	4.07	4.27
Fixed Line Telecommunication	4.34	12.26
Mobile Telecommunications	26.83	40.18
Travel and Leisure	9.11	6.38
Household goods	-	6.21
The above excludes government guaranteed investments.	100.00	100.00

27.3 Liquidity risk

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

The Fund is exposed to the daily settlement of government 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 government securities are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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

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

	-----As at June 30, 2011-----			
	Up-to-three months	More than three months and up to one year	More than one year	Total
	-----Rupees-----			
Assets				
Bank balances	76,576,482	-	-	76,576,482
Term deposit and money market placements	168,785,247	-	158,250,000	327,035,247
Investments	219,811,283	267,203,950	676,684,720	1,163,699,953
Accrued profit and other receivable	2,611,585	43,167,048	-	45,778,633
Security Deposit	3,600,000	-	-	3,600,000
Net Investment in Finance Lease	-	21,132,780	27,328,698	48,461,478
	471,384,597	331,503,778	862,263,418	1,665,151,793

Liabilities

Payable to Askari Investment Management
 - Limited - Management Company
 Payable to Central Depository Company of Pakistan
 - Limited - Trustee
 Accrued and other liabilities

-----As at June 30, 2011-----			
Up-to-three months	More than three months and up to one year	More than one year	Total
-----Rupees-----			
1,869,286	-	-	1,869,286
176,556	-	-	176,556
3,513,095	-	-	3,513,095
5,558,937	-	-	5,558,937
465,825,660	331,503,778	862,263,418	1,659,592,856

Assets

Bank balances
 Term deposit and money market placements
 Investments
 Accrued profit and other receivable
 Security Deposit
 Net Investment in Finance Lease

-----As at June 30, 2010-----			
Up-to-three months	More than three months and up to one year	More than one year	Total
-----Rupees-----			
9,776,325	-	-	9,776,325
-	42,700,000	158,250,000	200,950,000
169,773,620	842,106,852	-	1,011,880,472
1,020,929	28,386,902	-	29,407,831
-	-	3,600,000	3,600,000
-	-	108,375,839	108,375,839
180,570,874	913,193,754	270,225,839	1,363,990,467

Liabilities

Payable to Askari Investment Management
 - Limited - Management Company
 Payable to Central Depository Company of Pakistan
 - Limited - Trustee
 Payable against redemption of units
 Borrowing against repurchase agreement
 Accrued and other liabilities

-----As at June 30, 2010-----			
Up-to-three months	More than three months and up to one year	More than one year	Total
-----Rupees-----			
1,738,502	-	-	1,738,502
199,103	-	-	199,103
64,039	-	-	64,039
147,574,350	-	-	147,574,350
3,577,275	-	-	3,577,275
153,153,269	-	-	153,153,269
27,417,605	913,193,754	270,225,839	1,210,837,198

28 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, whether directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Investments of the Fund carried at fair value are categorised as follows:

	-----As at June 30, 2011 -----			
	Level 1	Level 2	Level 3	Total
	----- Rupees-----			
ASSETS				
Investment in securities - at fair value through profit or loss	-	959,139,502	204,560,451	1,163,699,953

29 UNIT HOLDERS' FUND RISK MANAGEMENT

The Fund's capital is represented by redeemable units. These 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 to the Fund.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders and to maintain a strong base of assets under management.

30 GENERAL

30.1 Figures have been rounded off to the nearest rupees.

30.2 Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison. No significant reclassification was done during the year.

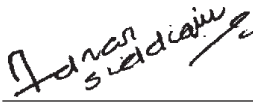
31 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in the meeting held on July 6, 2011 have approved a distribution by way of bonus issue of Rs 1.8786 per unit for the year ended June 30, 2011 (2010: Nil per unit). 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.

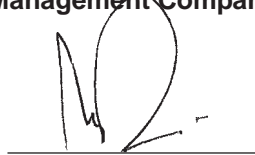
32 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _____ by the Board of Directors of the Management Company.

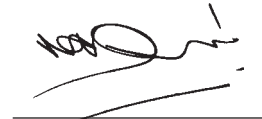
**For Askari Investment Management Limited
(Management Company)**



Chief Executive



Chairman



Director



Invest with Aim!

111-AIM-111

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