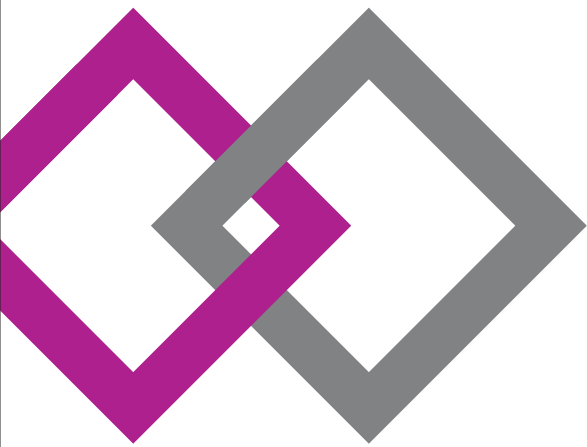




 askari Asset Allocation Fund



Vision

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

“Service to the Customer”

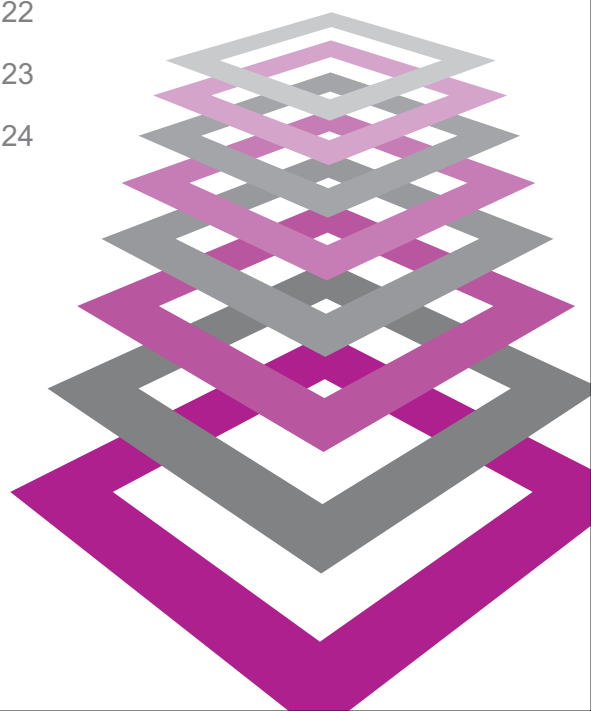
Askari Investment Management Limited

Good people ■ Sound advice ■ Great returns

Contents

 **askari Asset Allocation Fund**

Fund's Information	01
Directors' Report	03
Fund Manager's Report	09
Trustee Report to the Unit Holders	12
Review Report to the Units Holders on the Statement of Compliance with the best Practices of Code of Corporate Governance	13
Statement of Compliance with the Code of Coporate Governance	14
Independent Auditor's Report to the Unit Holders	16
Statement of Assets and Liabilities	18
Income Statement	19
Statement of Comprehensive Income	20
Distribution Statement	21
Statement of Movement in Unit Holders' Fund	22
Cash Flow Statement	23
Notes to the Financial Statements	24



Information about the Management Company

Registered Office

Askari Investment Management Ltd.
Office No. 2/W, Kashmir Plaza, Jinnah Avenue,
Blue Area, Islamabad.

Head Office

Askari Investment Management Ltd.
20-C Khayaban-e-Nishat,
Ittehad Commercial Area,
Phase VI, DHA, Karachi.
UAN : 111-246-111
Email : info@askariinvestments.com

Board of Directors

- Lt. Gen. (R.) Tahir Mehmood – Chairman
- Mr. Shahid Hafeez Azmi
- Mr. Muhammad Naseem- FCA
- Mr. Muhammad Rafiquddin Mekhari
- Maj Gen (R) Mukhtar Ahmed
- 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

HR Committee

- Maj Gen (R) Mukhtar Ahmed (Chairman)
- Mr. Muhammad Naseem- FCA
- Mr. Tahir Aziz

Chief Financial Officer:

- Zeeshan

Company Secretary:

- Zeeshan

Fund's Information

Bankers

- Askari Bank Limited
- JS Bank Limited
- Burj Bank Limited
- Habib Metropolitan 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 Advisors

- **Mohsin Tayabaly & Company**
Advocates & Legal Consultants
2nd Floor, Dine Centre, PC-4, Block 9,
Kehkashan, Clifton, Karachi
- **Bawaney & Partners**
Advocates & Investment & Corporate Advisers
404, 4th Floor Beaumont Plaza, 6-D-10,
Beaumont Road, Civil Lines, Karachi-75530

Registrar

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

Directors' Report



DIRECTORS' REPORT TO THE UNIT HOLDERS

On behalf of the Board of Directors of Askari Investment Management Limited ("Management Company" or "the Company"), we are pleased to present the annual report of Askari Asset Allocation Fund ("AAAF" or "the Fund") along with the Audited Financial Statements and Auditors' report thereon for the year ended June 30, 2012.

Economic Overview

Pakistan economy in FY12 was engulfed by many challenges. GDP growth in FY12 rebounded to 3.7% from 3.0% in FY11 but was less than the target of 4.2%. Primary drivers for this growth were Agricultural and Service sectors, which recorded a 3.1% and 4.0% growth respectively. Whereas, impeding power shortages, poor domestic law & order situation and lack of investments resulted in a dismissal growth in Large-Scale Manufacturing sector of 1.1%.

The country marked significant improvement on the price front. The headline Consumer Price Index (CPI) based inflation declined to 11% in FY12 from 13.7% in FY11, lower than SBP target of 12%. This decline in inflation was in part due to relatively improved crop production in the country, leading towards a better supply situation and subdued international commodity prices, helping taming food inflation to 11% on average compared to 18% on average in FY11. In addition to this, high base impact and reshuffling of CPI weights supported the price softening. Whereas at the same time the core inflation as measured by Non-Food, Non-energy registered a 10.6% growth on average compared to 9.4% on average in FY11.

Nevertheless, this price easing prompted the SBP to cut the policy rate by 200 bps to 12% in the 1HFY12, in a bid to rejuvenate country's ailing private sector investments, but the objective was far less achieved. As per the National Accounts, the provisional numbers indicate that the private sector investments fell to 7.9% of the GDP during the FY12. Overall real investments declined to 12.5% of the GDP in FY12 from 13.1% of GDP previous year.

The fall in investments not just owes to poor domestic situation but it also reflects the global funding risk. The sovereign debt crisis in EU and growth fragilities in US, emerging economies and elsewhere, meant the overall global real growth slowdown to 3.5% in 2012 compared to 5.3% in 2010 as per the IMF. Hence the effect of this benign global growth can also be traced in country's deteriorating external accounts. The balance of payment which posted a deficit of USD 3.3bn in FY12 compared to a surplus of USD of 2.5bn in FY11.

This deterioration in country's balance of payment, in part, could be explained by widening current account deficit, which posted a deficit of USD ~4.5bn (1.9% of the GDP) in FY12 compared to a surplus of USD 214mn in FY11. Attributed to rising oil prices and a cumulative increase in consumption of the commodity, country's import bill reached USD 40bn in FY12, up 12% YoY. Whereas the slowdown in cotton prices, resulted in limited growth in textile sector exports, which eventually was reflected in contracting export receipts to USD 25bn, showing a decline of ~3%. The total trade deficit reached USD 15.4bn, which alone explains the 70% deterioration in current account balance. On a positive note rising workers remittance to USD 13.2bn, (+18%Y/Y) helped restrict further erosion.

Moreover, capital and financial inflows to finance the balance of payment also dried up. The financial accounts declined 36% to USD 1.4bn as the foreign direct investment fell to USD 810mn from 1,635mn last year and the Portfolio Investment posted a net outflow of USD 159mn compared to a net inflow of USD 338mn in FY11. Furthermore non-materialization 3G auction proceeds, Collation Support Fund (CSF) and outgoing foreign debt repayments - including USD ~900mn made to IMF during the FY12 - further complicated the situation. Country's Foreign exchange reserve depleted to USD ~15bn by Jun-12 from USD 18bn in the Jun-11, exerting a considerable pressure on Pakistani rupee which breached the 94 mark by Jun-12 against USD (~9% depreciation during the year).

Nonetheless this lack of external funding had even wider reaching consequences than initially envisaged. The financing of country's high fiscal deficit became a major challenge for the country during the FY12. High fiscal deficit of 6.6% of the GDP in FY11 was never a good starting point. The country in FY12 posted a fiscal deficit of 7.4% of the GDP, owing to sluggish tax

revenue collection of 10.3% of the GDP and high total expenditure of 20.3% of the GDP. As result the government budgetary borrowing requirement stepped up substantially. The government during FY12 borrowed nearly PKR 1.23trn to full fill its budgetary requirements. Moreover, 53% of this borrowing was met through commercial banks and the rest 47% or PKR 591.7bn were done through SBP. As result of this substantial borrowing from the commercial banks, private sector was crowded out. The credit extended to the private sector during the FY12, increased by a mere 6%, representing an addition of PKR 184bn. Not only has it crowded out private sector, but it also increased total public debt burden which as of 3QFY12 shot up by 12% from FY11 end to PKR 12.3trn. The total debt as of 3QFY12 stood at PKR 13.2trn or 68.5% of the GDP.

The Equity Market

In FY12, Pakistan equity benchmark (KSE-100) gained 10.4%. Negative return in 1H (-9.2%) was followed by strong gains 2H (+21.6%). In 2H, stock market continued its rally with index making highest level since 2008. First half of the year was dominated by strained relationship with USA subsequent to OBL event in May 2011 which kept depressed performance of equities. KSE-100 index made a low of 10,760 in August 2011 and remained dull throughout 1H. Payments of CSF and Kerry Lugar Bill were delayed subsequent to Pakistan's halting NATO supplies routes amid Salala Event.

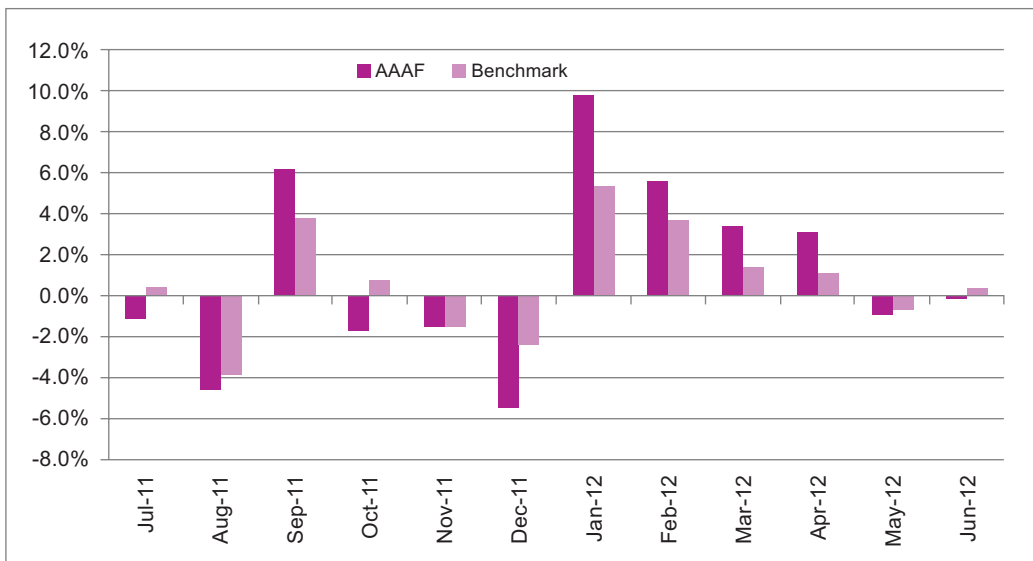
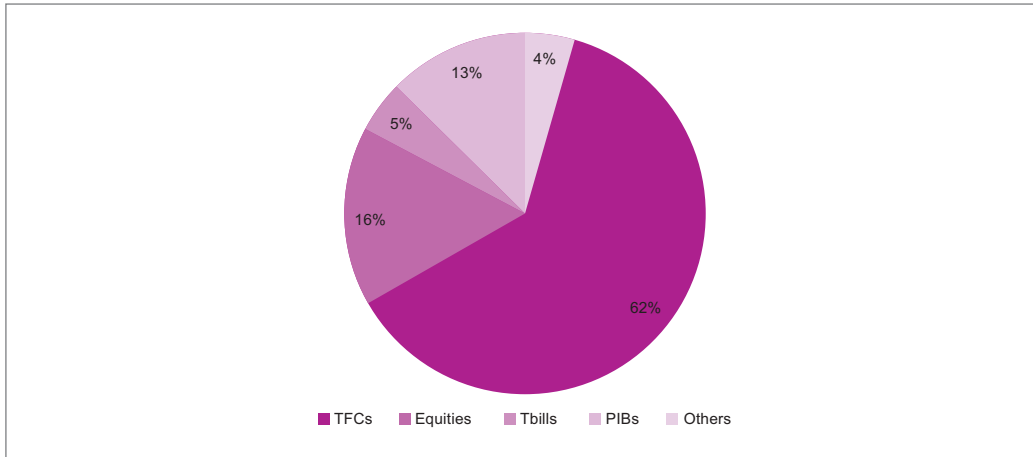
Strong activity in 2H was majorly triggered by relaxation in Capital Gain Tax (CGT) rules by FBR in Mid- January 2012. This boosted investors' confidence in equities and market rebounded strongly with higher volumes amid participation from retail investors. Gain in equities in FY12 was not only spurred by relaxation in CGT but also by improving corporate profitability. Corporate earnings improved whopping 26% in FY12 lead by cements, banks and E&P companies. Increased liquidity also enticed foreign participation in local bourses. Foreign Portfolio Investment witnessed net outflow of US \$130mn (including US \$125mn HUBC sell deal). In 2H FPI depicted net inflow of US \$134mn (net of hubc deal) as against net outflow of US \$139mn (net of hubc deal) in 1H. After making high of 14,706 in May 2012, equity index closed the year end at 13,801.

Fixed Income Review

During the first half of the year, SBP cumulatively cut the policy rate by 200bps to bring it at 12.0%. As a result, yields have fallen across all tenures. Yields on 10yrs duration came down by 81bps to 13.28% as of year-end from 14.09% at the start of the year. At the same time, rates on 3M, 6M and 12M paper fell by 135, 136 and 140bps to 11.9%, 11.93% and 11.93%, respectively. The second half of the year saw increased volatility as yields fluctuated amid changing expectations on policy rate decisions. During the fiscal year 2012 the government also raised PKR 186.8bn through 4 auctions of GoP Ijarah Sukuk. The rising number of auctions and rising investor's participation is an indication of demand for this particular kind of instrument. Yield on GoP Ijarah Sukuk fell to 11.94% at year end auction held on 28-Jun-2012, owing to 6M T-bill re-pricing.

Performance of the Fund

In FY12, the Fund delivered a return of 12.11% against the benchmark (50% KE-30 + 50% Kibor 6m) return of 8.35%. Equities gained strongly in 2H after remaining depressed in 1H. The Fund gradually increased its allocations in equities as market corrected during 1H and exposure was significantly increased to equities by end of 1H to those stocks which deemed to be the most under-priced. Though, this resulted underperformance in 1H but benefited the most in 2H when market recovered strongly. In 2H, the fund has gained 22.3% against its benchmark of 11.7%. Out performance was achieved by using market volatility to its advantage and capitalizing on value opportunities. Market began to recover from mid-January and fund's equity allocation was gradually reduced to 50.4% by the end of the financial year from 81% allocation at the end of 1H. The Fund made provision against Workers Welfare Fund (WWF) which impacted the fund's return in May 2012. We would like to mention here that we have only created a provision against this levy and any favorable verdict by the court of law would result in its immediate reversal. During the year, fund's equity allocation was skewed towards oil & gas, chemical and banking sectors. On average, the fund had 62.5% allocation in equities, 4.3% allocation in TFCs on average and 33% in cash & government securities. In equities, fund's sector exposures were in Oil & Gas (22.85%), Chemicals (11.24%), Banks (6.15%), Personal Goods (3.42%), Electricity (3.08%) and Construction & material (2.88%) at year-end.



Future Outlook

Key driving factor for the equity market will be growth in corporate sector profitability. The growth dynamics for some sectors in particular cement, oil/gas exploration, food, textiles and autos are expected to remain positive in this fiscal year. In addition, overall, we expect equities should perform better given the diversion of liquidity on account of relatively low interest rates. Similarly, global events such as low interest rates in the US and other developed markets should help in attracting foreign inflows into emerging/frontier markets like Pakistan.

On the fixed income front, following the cut in the discount rate by 150bps to 10.5% on August 10, 2012, the yields across various maturities have slipped between 150-200 bps. Overall, AAAF is expected to keep relatively higher allocation in equities as equities have become relatively attractive as their earnings yields have improved compared to the yields on fixed income instruments.

Details required by the Code of Corporate Governance:

AAAF was listed on Islamabad Stock Exchange (Guarantee) Limited on September 18, 2007 and Askari Investment Management Limited, as its Management Company, is committed to observe the Code of Corporate Governance as applicable. The details as required by the Code of Corporate Governance regarding the pattern of unit holding of the Fund as on June 30, 2012 is as follows:

Category	Shareholding	Percentage of Shareholding
Associated companies, undertakings and related parties		
ASKARI BANK LIMITED	2,500,000	59.55%
ASKARI INVESTMENT MANAGEMENT LTD	828	0.02%
AIM EMPLOYEES PROVIDENT FUND	31,803	0.76%
Mutual Fund	-	0.00%
Directors and their spouse and minor children	-	0.00%
Executives	9,100	0.22%
Public sector companies and corporations	499,158	11.89%
Banks, DFIs, NBFCs, Insurance companies, Takafuls, Modrabas and Pension funds	801,431	19.09%
Shareholders holding five percent or more voting rights		
Mr MOHAMMAD ALI QAIYUM	304,011	7.24%
Other Individual Shareholders	52,019	1.24%
	4,198,350	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.

During the year, no trades in the units of the Fund were carried out by the Directors, CEO and their spouses and minor children. Trades of CFO and Company Secretary and his spouse and minor children, of the Management Company are as under.

	No of Units
Investment	41,556
Redemption	29,190

Meetings of the Board of Directors were held once in every quarter. During the year five board meetings were held. Detail of Attendance at these meetings is disclosed in the Financial Statements.

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

	Jun-12	Jun-11	Jun-10	Jun-09	Jun-08	Jun-07
	----- Rupees -----					
Net Assets as on June 30th	193,245,335	177,149,656	219,501,929	289,142,644	489,738,434	640,996,992
Net Asset Value per unit as on June 30th	46.0289	41.0517	58.7784	54.6213	87.8845	102.1714
Net income/ (loss) for the year/period	27,787,594	(16,042,681)	86,277,716	(172,701,632)	(68,677,504)	13,622,967
Dividend Distribution during the Year/period*	-	84,397,422	-	-	12,459,565	-

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

On July 06, 2012, the Board of Directors of the Management Company approved a final distribution at the rate of Rs 6.2878 per unit (Par value of Rs. 100 per Unit) out of the accounting income for the year ended June 30, 2012. 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.

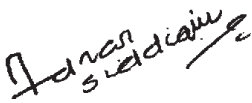
Auditors

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, 2013.

Acknowledgement

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

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



Chief Executive Officer

September 26, 2012
Karachi

Fund Manager's Report



FUND MANAGER'S REPORT

Askari Asset Allocation Fund (AAAF) is an open-end asset-allocation Fund. The objective of the Fund is to provide investors an investment solution through disciplined and structured investment techniques. The Fund shall target capitalizing on opportunities available in both fixed income and equity markets using in-house research and proprietary investment matrix.

Economic Overview

Pakistan economy in FY12 was engulfed by many challenges. GDP growth in FY12 rebounded to 3.7% from 3.0% in FY11 but was less than the target of 4.2%. Primary drivers for this growth were Agricultural and Service sectors, which recorded a 3.1% and 4.0% growth respectively. Whereas, impeding power shortages, poor domestic law & order situation and lack of investments resulted in a dismissal growth in Large-Scale Manufacturing sector of 1.1%.

The country marked significant improvement on the price front. The headline Consumer Price Index (CPI) based inflation declined to 11% in FY12 from 13.7% in FY11, lower than SBP target of 12%. This decline in inflation was in part due to relatively improved crop production in the country, leading towards a better supply situation and subdued international commodity prices, helping taming food inflation to 11% on average compared to 18% on average in FY11. In addition to this, high base impact and reshuffling of CPI weights supported the price softening. Whereas at the same time the core inflation as measured by Non-Food, Non-energy registered a 10.6% growth on average compared to 9.4% on average in FY11.

Nevertheless, this price easing prompted the SBP to cut the policy rate by 200 bps to 12% in the 1HFY12, in a bid to rejuvenate country's ailing private sector investments, but the objective was far less achieved. As per the National Accounts, the provisional numbers indicate that the private sector investments fell to 7.9% of the GDP during the FY12. Overall real investments declined to 12.5% of the GDP in FY12 from 13.1% of GDP previous year.

The fall in investments not just owes to poor domestic situation but it also reflects the global funding risk. The sovereign debt crisis in EU and growth fragilities in US, emerging economies and elsewhere, meant the overall global real growth slowdown to 3.5% in 2012 compared to 5.3% in 2010 as per the IMF. Hence the effect of this benign global growth can also be traced in country's deteriorating external accounts. The balance of payment which posted a deficit of USD 3.3bn in FY12 compared to a surplus of USD of 2.5bn in FY11.

This deterioration in country's balance of payment, in part, could be explained by widening current account deficit, which posted a deficit of USD ~4.5bn (1.9% of the GDP) in FY12 compared to a surplus of USD 214mn in FY11. Attributed to rising oil prices and a cumulative increase in consumption of the commodity, country's import bill reached USD 40bn in FY12, up 12% YoY. Whereas the slowdown in cotton prices, resulted in limited growth in textile sector exports, which eventually was reflected in contracting export receipts to USD 25bn, showing a decline of ~3%. The total trade deficit reached USD 15.4bn, which alone explains the 70% deterioration in current account balance. On a positive note rising workers remittance to USD 13.2bn, (+18%YY) helped restrict further erosion.

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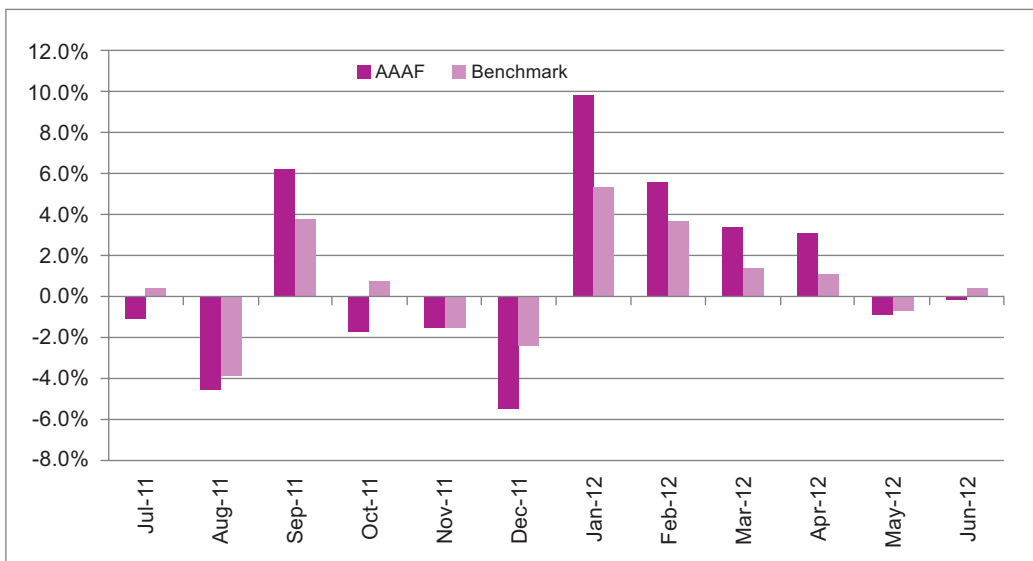
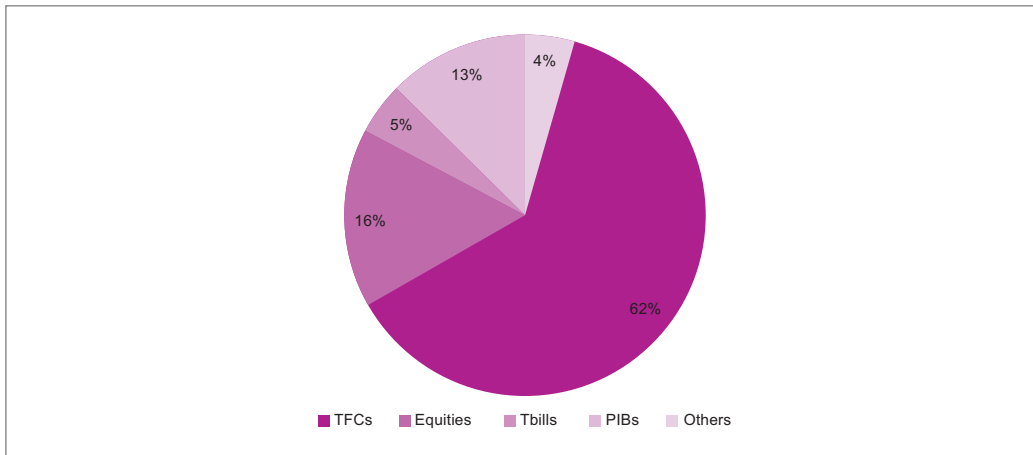
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Future Outlook

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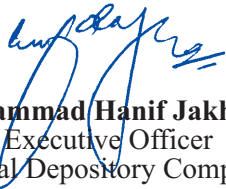
**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED****Head Office**

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

TRUSTEE REPORT TO THE UNIT HOLDERS**ASKARI ASSET ALLOCATION FUND****Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V
of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of Askari Asset Allocation Fund (the Fund) are of the opinion that Askari Investments Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

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



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

Karachi: October 22, 2012





A. F. FERGUSON & CO.

REVIEW REPORT TO THE MEMBERS 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 of **Askari Asset Allocation Fund**, to comply with the Listing Regulation No. 35 (Chapter XI) of the Islamabad Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. 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 Company'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 Company's personnel and review of various documents prepared by the 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.

Regulation 35 (x) of the Listing Regulations 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 prices recording proper justification for using such alternate pricing mechanism. 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 Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.



Chartered Accountants

Dated: October 23, 2012

Karachi

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STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012

This statement is being presented by the Board of Directors of Askari Investment Management Limited ("the Management Company"), the Management Company of Askari Asset Allocation Fund ("the Fund") to comply with the Code of Corporate Governance contained in Regulation no. 35 of Listing Regulations of Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Askari Asset Allocation Fund is an open end mutual fund and is listed on Islamabad Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, Askari Investment Management Limited, on behalf 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 the Board includes

Category	Names
Independent Directors	1. Mr. Muhammad Naseem
	2. Mr. Shahid Hafiz Azmi
	3. Mr. Sufian Mazhar
Executive Directors	1. Mr. Adnan Ahmed Siddiqui - Chief Executive Officer
Non - Executive Directors	1. Lt. Gen. (Retd.) Tahir Mehmood
	2. Maj. Gen. (Retd.) Mukhtar Ahmed
	3. Mr. M. R. Mehkari
	4. Mr. Tahir Aziz

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company. The requirement of serving as a director of seven listed companies is applicable from the date of next elections of directors.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurring on the board on January 19, 2012 and February 3, 2012 were filled up by the directors within 90 days.
5. Subsequent to the year end, the Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board. No new appointment of Chief Executive Officer and executive director was made during the year. Two non-executive directors Lt. Gen. (Retd.) Tahir Mehmood and Maj. Gen. (Retd.) Mukhtar Ahmed were appointed to fill the casual vacancies which arose during the year.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. As required by the code, all the directors of the Management Company are required to attend the training program for directors by the year 2016 and atleast one director will attend the training program each year during the period from June 30, 2012 to June 30, 2016. However, the directors of the Management Company have been briefed about the recent changes made in laws and regulations to enable them to effectively manage the affairs of the Management Company.

10. The board has approved appointment of Chief Financial Officer and Company Secretary. The board has approved the remuneration and terms and conditions of employment, as determined by the Chief Executive Officer. The internal audit function has been outsourced to a professional firm and a full time employee has been designated to act as a coordinator between the firm and the Board.
11. The Directors' Report relating to the Fund for the year ended June 30, 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors of the Management Company and the Chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of the interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been approved by the board and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee.
18. The Management Company has outsourced the internal audit function to M. Yousuf Adil Saleem & Co. Chartered Accountants who are considered to be suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the 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 of the Fund. The firm and all its partners are also in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transaction that were made on terms equivalent to those that prevail in the arm's length transactions only if such term can be substantiated.
24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board

Adnan Ahmed Siddiqui

Adnan Ahmed Siddiqui
Chief Executive

Dated: October 23, 2012
Karachi



A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Askari Asset Allocation Fund (hereinafter referred to as 'the Fund')**, which comprise the statement of assets and liabilities as at June 30, 2012, 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 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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, 2012, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.


Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: October 18, 2012

Karachi

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Financial Statements

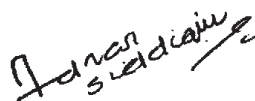



ASKARI ASSET ALLOCATION FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012

	Note	2012	2011
		----- (Rupees) -----	
ASSETS			
Bank balances	4	13,883,816	41,309,219
Investments	5	178,116,256	126,671,137
Receivable against sale of investments		-	202,365
Prepayments, dividend and other receivables	6	1,825,866	6,756,764
Security deposits	7	3,600,000	3,600,000
Preliminary expenses and floatation costs	8	-	490,253
Total assets		<u>197,425,938</u>	<u>179,029,738</u>
LIABILITIES			
Payable to the Management Company	9	698,906	636,839
Payable to the Trustee	10	57,376	57,534
Payable to Securities and Exchange Commission of Pakistan	11	174,646	148,979
Payable against purchase of investments		38,625	-
Payable against redemption of units		-	304,314
Accrued and other liabilities	12	3,211,050	732,416
		<u>4,180,603</u>	<u>1,880,082</u>
		<u>193,245,335</u>	<u>177,149,656</u>
UNIT HOLDERS' FUND (as per statement attached)		<u>193,245,335</u>	<u>177,149,656</u>
Contingencies and commitments	13		
		----- (Number of units) -----	
Number of units in issue		<u>4,198,350</u>	<u>4,315,278</u>
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT		<u>46.0289</u>	<u>41.0517</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)


Chief Executive


Director

ASKARI ASSET ALLOCATION FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
----- (Rupees) -----			
Income			
Capital gain on sale of investments		18,460,522	18,588,694
Dividend income		9,843,176	1,376,385
Profit on placements and balances with banks		2,052,193	3,554,567
Mark-up on term finance certificates		1,024,223	386,237
Mark-up on government securities		4,671,714	5,631,219
Other income		-	125,047
		36,051,828	29,662,149
Net unrealised diminution in value of investments classified as at 'fair value through profit or loss' - net	5.5	(565,605)	(3,369,871)
		35,486,223	26,292,278
Expenses			
Remuneration of the Management Company	9.1	5,515,097	4,704,677
Sindh sales tax on remuneration of the Management Company	9.2	882,415	-
Remuneration of the Trustee	10.1	700,000	700,000
Annual fee of Securities and Exchange Commission of Pakistan	11.1	174,646	148,979
Auditors' remuneration	14	498,904	472,145
Legal and professional charges		49,959	40,010
Securities transaction costs		761,368	1,421,344
Settlement and bank charges		237,419	237,914
Rating fee		100,000	100,000
Listing fee		10,000	10,000
Custodian Fee		44,546	41,976
Printing and stationery expenses		109,025	145,055
Amortisation of preliminary expenses and floatation costs	8	490,253	514,329
		9,573,632	8,536,429
Net income from operating activities		25,912,591	17,755,849
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net (Provision) / reversal of provision for contribution to the Workers' Welfare Fund	12.1	4,239,035 (2,364,032)	(35,559,300) 1,760,770
Net income / (loss) for the year before taxation		27,787,594	(16,042,681)
Taxation	15	-	-
Net income / (loss) for the year after taxation		27,787,594	(16,042,681)
Earnings per unit	16		

The annexed notes 1 to 29 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)

Adnan Siddiqui

Chief Executive

Sabir

Director

ASKARI ASSET ALLOCATION FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	----- (Rupees) -----	
Net income / (loss) for the year after taxation	27,787,594	(16,042,681)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	<u>27,787,594</u>	<u>(16,042,681)</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For Askari Investment Management Limited
 (Management Company)

Adnan Siddiqui

Chief Executive

Sabir

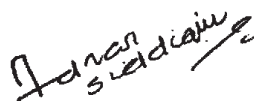
Director


ASKARI ASSET ALLOCATION FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	----- (Rupees) -----	
Accumulated loss brought forward		
Realised loss	(251,008,249)	(131,686,540)
Unrealised loss	(3,369,871)	(22,251,477)
	<u>(254,378,120)</u>	<u>(153,938,017)</u>
Net income / (loss) for the year	27,787,594	(16,042,681)
Final distribution of Rs nil for the year ended June 30, 2011 (2010: Rs 22.60 per unit on July 6, 2010):		
- Cash distribution	-	(73,731,676)
- Bonus units	-	(10,665,746)
	-	(84,397,422)
Accumulated loss carried forward	<u>(226,590,526)</u>	<u>(254,378,120)</u>
Accumulated loss comprising:		
Realised loss	(226,024,921)	(251,008,249)
Unrealised loss	(565,605)	(3,369,871)
	<u>(226,590,526)</u>	<u>(254,378,120)</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)


 Chief Executive

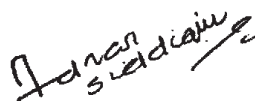

 Director

ASKARI ASSET ALLOCATION FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	----- (Rupees) -----	
Net assets at the beginning of the year	177,149,656	219,501,929
Issue of 3,464,514 units (2011: 467,112 units)	153,531,931	18,884,782
Redemption of 3,581,442 (2011: 181,043 units)	(160,984,811)	(7,021,998)
Issue of nil bonus units (2011: 294,810 units)	-	10,665,746
	(7,452,880)	22,528,530
Element of (income)/loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net - transferred to income statement	(4,239,035)	35,559,300
Capital gain on sale of investments	18,460,522	18,588,694
Net unrealised diminution in value of investments classified as at 'fair value through profit or loss' - net	(565,605)	(3,369,871)
Other net income / (loss) for the year	9,892,677	(31,261,504)
	27,787,594	(16,042,681)
Final distribution of Rs nil for the year ended June 30, 2011 (2010: Rs 22.60 per unit on July 6, 2010):		
- Cash distribution	-	(73,731,676)
- Bonus units	-	(10,665,746)
Net assets at the end of the year	<u>193,245,335</u>	<u>177,149,656</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)



Chief Executive



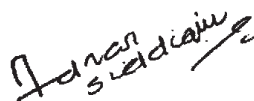
Director


ASKARI ASSET ALLOCATION FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

Note	2012	2011
	------(Rupees)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year before taxation	27,787,594	(16,042,681)
Adjustments for:		
Net unrealised diminution in value of investments classified as at 'fair value through profit or loss'	565,605	3,369,871
Amortisation of preliminary expenses and floatation costs	490,253	514,329
Provision / (reversal of provision) for contribution to the Workers' Welfare Fund	2,364,032	(1,760,770)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(4,239,035)	35,559,300
	(819,145)	37,682,730
	26,968,449	21,640,049
(Increase) / decrease in assets		
Investments - net	(27,325,384)	20,379,803
Receivable against sale of investments	202,365	(202,365)
Prepayments, dividend and other receivables	4,930,898	(5,753,177)
	(22,192,121)	14,424,261
Increase / (decrease) in liabilities		
Payable to the Management Company	62,067	(142,936)
Payable to the Trustee	(158)	1
Payable to Securities and Exchange Commission of Pakistan	25,667	(106,473)
Payable against purchase of investments	38,625	(1,708,967)
Payable against redemption of units	(304,314)	-
Accrued and other liabilities	114,602	150,232
	(63,511)	(1,808,143)
Net cash generated from operating activities	4,712,817	34,256,167
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	153,531,931	18,884,782
Payments on redemption of units	(160,984,811)	(6,717,684)
Cash distribution	-	(73,731,676)
Net cash used in financing activities	(7,452,880)	(61,564,578)
Net decrease in cash and cash equivalents during the year	(2,740,063)	(27,308,411)
Cash and cash equivalents at the beginning of the year	41,309,219	68,617,630
Cash and cash equivalents at the end of the year	4.2 38,569,156	41,309,219

The annexed notes 1 to 29 form an integral part of these financial statements.

For Askari Investment Management Limited
(Management Company)


Chief Executive


Director

ASKARI ASSET ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Askari Asset Allocation Fund (the Fund) was established under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). It was registered under a Trust deed executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee on January 17, 2007. The Fund was registered as a Notified Entity under the Non Banking Finance Companies Regulations, 2008 (NBFC Regulations) in February 2009. The units of the Fund were initially issued at Rs 100 per unit.
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at Office No. 2/W, Kashmir Plaza, Jinnah Avenue, Blue Area, Islamabad with its Head Office situated at 20-C, Khayaban-e-Nishat, Phase VI, DHA, Karachi.
- 1.3** The Fund is an open ended mutual fund. Units are offered 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 Islamabad Stock Exchange (Guarantee) Limited.
- 1.4** The objective of the Fund is to invest in equity securities as well as debt securities including government securities, commercial papers and various other money market instruments.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM3+' to the Management Company on June 14, 2012. As per the rating scale of PACRA, this rating denotes that the asset manager meets high investment industry standards and benchmarks.

- 1.5** Pakistan Credit Rating Agency Limited (PACRA) has assigned a short term rating of '3 star' and a long term rating of 'star' to the Fund based on the performance review upto the year ended October 5, 2011.
- 1.6** Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise 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 Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures' This amendment is effective from January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Fund's financial statements.

- b) IFRS 7, 'Financial instruments: Disclosures' This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Fund's financial statements during the current year.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Fund's financial statements.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. 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 revised standard does not have any impact on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning 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.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning after July 1, 2011:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment will not have any effect on the Fund's financial statement.
- b) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 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 the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise the judgment in applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements relate to classification and valuation of investments (notes 3.2 and 5)

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

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 balances with banks, other short term highly liquid investments with original maturities of three months. Cash and cash equivalents are carried in the statements of Assets and Liabilities at cost.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets into 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) financial assets at fair value through profit or loss or (b) loans and receivables.

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 are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. 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.

3.2.4 Subsequent measurement

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

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

- **Basis of valuation of equity securities**

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

- Basis of valuation of debt securities

The investment of the Fund in term finance certificates is valued in accordance with the methodology for valuation of debt securities prescribed in the SECP's circular no. 1/2009 dated January 06, 2009. Under the said directive, investment in term finance certificates is valued on the basis of traded, thinly traded and non traded securities. Accordingly, investment in debt securities have been valued at the rates determined and announced by the MUFAP based on the methodology prescribed in the circular.

- 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 the fair value of financial assets carried at fair value through profit or loss are taken to the Income Statement.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to 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'.

b) Loans and receivables

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

Gain or loss is recognised in the 'Income Statement' when financial assets carried at amortised cost are derecognised or impaired.

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 is made in accordance with the criteria for provisioning of non-performing debt securities specified in Circular No. 1 dated January 06, 2009 and Circular No. 13 dated May 4, 2009 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the 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 fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

3.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation 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 June 2, 2007 in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

3.6 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.

3.7 Taxation

Current

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.

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is 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.

3.8 Proposed distributions

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

3.9 Issue and redemption of units

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

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

3.10 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 the year is transferred to the Income Statement.

3.11 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.

3.12 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date on which the transaction takes place.
- Unrealized appreciation / (diminution) in value of investments classified as 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income is recognised when the fund's right to receive dividend is established.
- Income on term finance certificates and government securities is recognised on an accrual basis and suspended in accordance with SECP's circular No. 1 of 2009 and the provisioning policy of the Fund.
- Profit on placements and balances with banks is recognised on an accrual basis.

	Note	2012	2011
------(Rupees)-----			
4 BANK BALANCE			
In savings accounts	4.1	13,883,816	41,309,219

4.1 These savings accounts carry profit at the rates ranging from 6.00% to 12.25% (2011: 5.00% to 11.50%) per annum. Deposits in savings accounts include Rs 13,807,339 (2011: Rs 41,272,093) maintained with Askari Bank Limited, a connected person.

	Note	2012	2011
------(Rupees)-----			
4.2 Cash and cash equivalents			
Bank balances		13,883,816	41,309,219
Treasury bills having maturity of three months or less	5.2	24,685,340	-
		<u>38,569,156</u>	<u>41,309,219</u>

5 INVESTMENTS

Financial assets at fair value through profit or loss

- held for trading

Listed equity securities	5.1	99,301,463	74,677,511
Government securities	5.2	73,738,513	31,376,040
Term finance certificates	5.3	5,076,280	20,617,586
		<u>178,116,256</u>	<u>126,671,137</u>

5.1 Listed equity securities - At fair value through profit or loss - held for trading

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

Name of the investee company	Number of Shares					Carrying value as at June 30, 2012	Market value as at June 30, 2012	Unrealised gain / (loss)	Market value as a percentage of net assets	Market value as a percentage of total investments	Percentage of paid up capital of investee company held
	As at July 1, 2011	Purchases during the year	Bonus/right issues during the year	Sales during the year	As at June 30, 2012						
-----Rupees-----											
Oil and Gas											
Pak Oilfields Limited	19,853	65,096	-	40,106	44,843	16,007,008	16,454,690	447,682	8.51%	9.24%	0.02%
Pakistan Petroleum Limited	33,263	144,284	3,326	97,259	83,614	15,571,019	15,743,680	172,661	8.15%	8.84%	0.01%
Pakistan State Oil Company Limited	34,902	99,730	-	80,117	54,515	13,164,972	12,856,817	(308,155)	6.65%	7.22%	0.03%
Oil and Gas Development Company Limited	-	2,821	-	2,821	-	-	-	-	-	-	-
						44,742,999	45,055,187	312,188	23.32%	25.30%	
Chemicals											
Arif Habib Corporation Limited	133,441	-	-	133,441	-	-	-	-	-	-	-
Engro Corporation Limited	58,810	268,966	20,721	310,745	37,752	3,853,278	3,844,664	(8,614)	1.99%	2.16%	0.01%
Fauji Fertilizers Bin Qasim Limited	-	33,688	-	33,688	-	-	-	-	-	-	-
Fauji Fertilizers Company Limited	-	114,821	-	54,149	60,672	7,135,271	6,737,626	(397,645)	3.49%	3.78%	0.00%
Fatima Fertilizers Company Limited	-	1,351,153	-	881,598	469,555	10,952,437	11,583,922	631,485	5.99%	6.50%	0.02%
Lotte Pakistan PTA Limited	-	498,581	-	498,581	-	-	-	-	-	-	-
ICI Pakistan Limited	3,505	21,234	-	24,739	-	-	-	-	-	-	-
						21,940,986	22,166,212	225,226	11.47%	12.44%	
Construction and Materials											
D.G. Khan Cement Limited	327,148	445,063	-	677,697	94,514	3,270,103	3,721,961	451,858	1.93%	2.09%	0.02%
Lucky Cement Limited	77,771	130,768	-	191,668	16,871	1,963,417	1,946,745	(16,672)	1.01%	1.09%	0.01%
						5,233,520	5,668,706	435,186	2.93%	3.18%	
General Industrials											
Packages Limited	-	17,128	-	2,552	14,576	1,507,084	1,453,227	(53,857)	0.75%	0.82%	0.02%
						1,507,084	1,453,227	(53,857)	0.75%	0.82%	
Personal Goods											
Nishat (Chunian) Limited	-	593,967	-	593,967	-	-	-	-	-	-	-
Nishat Mills Limited	158,141	186,536	-	202,910	141,767	6,987,373	6,745,274	(242,099)	3.49%	3.79%	0.04%
						6,987,373	6,745,274	(242,099)	3.49%	3.79%	
Electricity											
Nishat Power Limited	-	70,061	-	60,000	10,061	152,091	147,897	(4,194)	0.08%	0.08%	0.00%
Hub Power Company Limited	-	83,236	-	83,236	-	-	-	-	-	-	-
Pak Gen Power Company Limited	-	485,452	-	21,606	463,846	8,083,166	5,932,590	(2,150,576)	3.07%	3.33%	0.12%
						8,235,257	6,080,487	(2,154,770)	3.15%	3.41%	
Fixed Line Telecommunication											
Pakistan Telecommunication Company Limited	-	575,341	-	575,341	-	-	-	-	-	-	-
						-	-	-	-	-	-
Banks											
Allied Bank Limited	99,334	107,425	13,638	80,385	140,012	7,849,927	8,985,970	1,136,043	4.65%	5.05%	0.01%
Askari Bank Limited	-	88,176	-	88,176	-	-	-	-	-	-	-
Bank Alfalah Limited	-	284,000	-	100,000	184,000	3,078,469	3,146,400	67,931	1.63%	1.77%	0.01%
Bank Al-Habib Limited	60,363	-	-	60,363	-	-	-	-	-	-	-
BankIslami Pakistan Limited	512,082	231,332	-	743,414	-	-	-	-	-	-	-
MCB Bank Limited	6,560	97,626	2,840	107,026	-	-	-	-	-	-	-
Meezan Bank Limited	98,057	3,783	-	101,840	-	-	-	-	-	-	-
National Bank of Pakistan	52,749	64,414	-	117,163	-	-	-	-	-	-	-
United Bank Limited	19,753	178,141	-	197,894	-	-	-	-	-	-	-
						10,928,396	12,132,370	1,203,974	6.28%	6.82%	
Automobile Assemblers											
Pak Suzuki Motor Company Limited	-	134,994	-	134,994	-	-	-	-	-	-	-
						-	-	-	-	-	-
Food Producers											
Engro Foods Limited	-	354,000	-	354,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Total - June 30, 2012						99,575,615	99,301,463	(274,152)	51.39%	55.76%	
Total - June 30, 2011						78,097,802	74,677,511	(3,420,291)	42.16%	58.95%	

5.1.1 Investments include shares with market value of Rs 8,588,300 (2011: Rs 6,896,200) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

5.2 Government securities - At fair value through profit or loss - held for trading

Issue date	Tenor	Face Value				Carrying value as at June 30, 2012	Market value as at June 30, 2012	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2011	Purchases during the year	Disposed / matured during the year	As at June 30, 2012					
-----Rupees-----										
MARKET TREASURY BILLS										
May 19, 2011	6 Months	33,000,000	-	33,000,000	-	-	-	-	-	-
July 14, 2011	1 year	-	60,000,000	60,000,000	-	-	-	-	-	-
February 9, 2012	1 year	-	10,000,000	10,000,000	-	-	-	-	-	-
August 11, 2011	1 year	-	35,000,000	35,000,000	-	-	-	-	-	-
October 6, 2011	1 year	-	25,000,000	25,000,000	-	-	-	-	-	-
October 6, 2011	1 year	-	25,000,000	25,000,000	-	-	-	-	-	-
December 1, 2011	1 year	-	25,000,000	11,000,000	14,000,000	13,389,611	13,340,740	(48,871)	6.90%	7.49%
January 26, 2012	1 year	-	25,000,000	10,000,000	15,000,000	14,109,445	14,047,725	(61,720)	7.27%	7.89%
June 16, 2011	6 Months	-	30,000,000	30,000,000	-	-	-	-	-	-
March 10, 2011	6 Months	-	25,000,000	25,000,000	-	-	-	-	-	-
May 17, 2012	3 Months	-	25,000,000	-	25,000,000	24,691,215	24,685,340	(5,875)	12.77%	13.86%
PAKISTAN INVESTMENT BONDS										
August 22, 2007	5 years	-	3,000,000	-	3,000,000	2,989,801	2,987,082	(2,719)	1.55%	1.68%
August 18, 2011	3 years	-	25,000,000	25,000,000	-	-	-	-	-	-
August 18, 2011	5 years	-	25,000,000	25,000,000	-	-	-	-	-	-
August 18, 2011	10 years	-	45,000,000	25,000,000	20,000,000	19,226,619	18,677,626	(548,993)	9.67%	10.49%
Total - June 30, 2012		33,000,000	383,000,000	339,000,000	77,000,000	74,406,691	73,738,513	(668,178)	38.16%	41.40%
Total - June 30, 2011						31,387,114	31,376,040	(11,074)	17.71%	24.77%

5.3 Term finance certificates - At fair value through profit or loss - held for trading

Name of the investee company	Number of certificates				Carrying value as at June 30, 2012	Market value as at June 30, 2012	Appreciation / (diminution)	Investment as a percentage of		
	As at July 1, 2011	Purchases during the year	Sales during the year	As at June 30, 2012				Net assets	Market value of total investments	Issue size
----- Rupees -----										
Term finance certificates - listed										
Bank Al-Habib Limited	1,400	-	1,400	-	-	-	-	-	-	-
United Bank Limited	1,150	-	-	1,150	1,610,755	1,883,770	273,015	0.97%	1.06%	0.09%
					1,610,755	1,883,770	273,015	0.97%	1.06%	
Term finance certificates - unlisted										
Bank Al-Habib Limited	1,600	1,800	2,800	600	3,088,800	3,192,510	103,710	1.65%	1.79%	0.11%
					3,088,800	3,192,510	103,710	1.65%	1.79%	
Total - June 30, 2012					4,699,555	5,076,280	376,725	2.62%	2.85%	
Total - June 30, 2011					20,556,092	20,617,586	61,494	11.64%	16.28%	

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

Name of security	Number of certificates	Face value (Rupees)	Mark-up rate (per annum)	Maturity	Secured / Unsecured	Issue rating
Listed						
United Bank Limited	1,150	5,000	8.45%	August 10, 2012	Unsecured	AA
Unlisted						
Bank Al-Habib Limited	1,600	5,000	15%	June 30, 2021	Unsecured	AA

	Note	2012	2011
		------(Rupees)-----	
5.5	Net unrealised diminution in value of investments classified as 'at fair value through profit or loss'		
Market value of investments	5.1, 5.2 & 5.3	178,116,256	126,671,137
Less: Carrying value of investments	5.1, 5.2 & 5.3	178,681,861	130,041,008
		<u>(565,605)</u>	<u>(3,369,871)</u>
6	PREPAYMENTS, DIVIDEND AND OTHER RECEIVABLES		
Dividend receivable		125,319	166,315
Profit receivable on placements and balances with banks		144,198	425,600
Income accrued on term finance certificates		289,088	628,411
Income accrued on Pakistan Investment Bonds		981,737	-
Advance against subscription of shares		-	5,244,000
Withholding tax receivable		253,587	253,587
Others		31,937	38,851
		<u>1,825,866</u>	<u>6,756,764</u>
7	SECURITY DEPOSITS		
Security deposits with:			
Central Depository Company of Pakistan Limited (CDC)		100,000	100,000
National Clearing Company of Pakistan Limited		3,500,000	3,500,000
		<u>3,600,000</u>	<u>3,600,000</u>
8	PRELIMINARY EXPENSES AND FLOATATION COSTS		
Opening balance		490,253	1,004,582
Less: Amortised during the year		490,253	514,329
Closing balance		<u>-</u>	<u>490,253</u>
9	PAYABLE TO THE MANAGEMENT COMPANY		
Remuneration of the Management Company	9.1	475,343	420,580
Sindh Sales Tax on remuneration of the Management Company	9.2	76,054	-
Other payables		116,000	216,000
Sales load		31,509	259
		<u>698,906</u>	<u>636,839</u>
9.1	Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3 percent of the average annual net assets of the Fund and thereafter of an amount equal to 2 percent of such assets of the Fund. During the current year, the Management Company has charged remuneration at the rate of 3 percent of the average annual net assets of the Fund. The remuneration is paid to the Management Company monthly in arrears.		
9.2	During the current period, the Sindh Revenue Board levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.		
10	PAYABLE TO THE TRUSTEE		
	Note	2012	2011
		------(Rupees)-----	
Trustee fee	10.1	<u>57,376</u>	<u>57,533</u>

- 10.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund is as follows:

Amount of Funds under management (Average NAV)	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.2% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million	Rs 2.0 million plus 0.1% p.a. of NAV exceeding Rs 1,000 million

The remuneration is paid to the Trustee monthly in arrears.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Note	2012	2011
	----- (Rupees) -----	
Annual fee	174,646	148,979

- 11.1** Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment categorised as Asset Allocation scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the scheme. The Fund has been categorised as an Asset Allocation scheme by the Management Company.

12 ACCRUED AND OTHER LIABILITIES

Note	2012	2011
	----- (Rupees) -----	
Auditors' remuneration	335,135	310,000
Legal and professional charges	247,782	147,823
Provision for contribution to the Workers' Welfare Fund	2,364,032	-
Withholding tax	7,658	11,352
Printing charges payable	68,370	76,398
Brokerage payable	104,643	76,015
Other payables	83,430	110,828
	<u>3,211,050</u>	<u>732,416</u>

12.1 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, the 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 was maintained in the books of accounts.

Further, a Constitutional Petition was 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. We have been advised by the Management Company that the Bench of the Honorable Court hearing the case had been dissolved and a fresh Bench shall be constituted to take up the proceedings.

Subsequent to June 30, 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company believes that the decision of LHC will lend further support to the constitutional petition which is pending in the Sindh High Court (SHC).

During the year ended June 30, 2012, a show cause notice has been issued to one of the Funds managed by the Management Company by Deputy Commissioner Inland Revenue stating that the Fund is liable to pay WWF under section 4 of the Workers' Welfare Fund Ordinance, 1971. Although the Management Company is hopeful that the case will be decided in its favour, it has taken a decision to provide for WWF and accordingly has recognised the aggregate amount of unrecorded provision for WWF amounting to Rs 2,364,032 (including 603,262 pertaining to the current year). The provision has been made without prejudice to pending application in the High Court of Sindh.

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2012.

14 AUDITORS' REMUNERATION

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

	2012	2011
	----- (Rupees) -----	
Annual audit fee	285,000	260,000
Half yearly review fee	120,000	110,000
Fee for review of statement of compliance with the Code of Corporate Governance	50,000	50,000
Out of pocket expenses	43,904	52,145
	498,904	472,145

15 TAXATION

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

16 EARNINGS PER UNIT

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

17 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Bank balances
Investments
Dividend and other receivables
Security deposits

As at June 30, 2012		
Financial assets at fair value through profit or loss	Loans and receivables	Total
----- Rupees-----		
-	13,883,816	13,883,816
178,116,256	-	178,116,256
-	1,572,279	1,572,279
-	3,600,000	3,600,000
<u>178,116,256</u>	<u>19,056,095</u>	<u>197,172,351</u>

Financial liabilities

Payable to the Management Company
Payable to the Trustee
Payable against purchase of investments
Accrued and other liabilities

As at June 30, 2012		
Financial Liabilities at fair value through profit or loss	At amortised cost	Total
----- Rupees-----		
-	698,906	698,906
-	57,376	57,376
-	38,625	38,625
-	839,360	839,360
-	<u>1,634,267</u>	<u>1,634,267</u>

Financial assets

Bank balances
Investments
Receivable against sale of investments
Dividend and other receivables
Security deposits

As at June 30, 2011		
Financial assets at fair value through profit or loss	Loans and receivables	Total
----- Rupees-----		
-	41,309,219	41,309,219
126,671,137	-	126,671,137
-	202,365	202,365
-	6,503,177	6,503,177
-	3,600,000	3,600,000
<u>126,671,137</u>	<u>51,614,761</u>	<u>178,285,898</u>

Financial liabilities

Payable to the Management Company
Payable to the Trustee
Payable against redemption of units
Accrued and other liabilities

As at June 30, 2011		
Financial Liabilities at fair value through profit or loss	At amortised cost	Total
----- Rupees-----		
-	420,580	420,580
-	57,534	57,534
-	304,314	304,314
-	937,323	937,323
-	<u>1,719,751</u>	<u>1,719,751</u>

18 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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, Askari General Insurance Company Limited being an associate company of the Management Company, Askari Investment Management Employees Provident Fund and Askari High Yield Scheme, Askari Sovereign Cash Fund, Askari Islamic Income Fund, Askari Equity Fund, Askari Sovereign Yield Enhancer Fund and Askari Islamic Asset Allocation Fund being funds under common management and the directors and officer of the Management Company.

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

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

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

18.1 Details of transactions with connected persons are as follows:

Askari Investment Management Limited - the Management Company

	2012	2011
	------(Rupees)-----	
Remuneration for the year	5,515,097	4,704,677
Sindh sales tax on remuneration of the Management company	882,415	-
Sales load charged during the year	3,837,432	-
Sales load paid during the year	3,806,182	-
Payments made on behalf of the Fund	-	152,261
Payments made against reimbursable expenses	-	39,436
Sale of unlisted term finance certificates by the Fund having a book value of Rs 7,993,600	-	12,989,600
Issue of 926,384 units (2011: Nil units)	40,993,559	-
Redemption of 925,557 units (2011: Nil units)	41,964,329	-

Central Depository Company of Pakistan Limited - the Trustee

Remuneration for the year	700,000	700,000
Custodian Fee	44,546	41,976

Askari Bank Limited - Holding company of the Management Company

Profit on bank deposits	2,035,263	3,532,365
Bank charges	25,908	24,000
Dividend paid	-	56,500,000

Askari Investment Management Employees Provident Fund

Issue of 5,900 units (2011: 25,903 units)	248,339	1,013,921
---	---------	-----------

Key Management Personnel

Issue of 23,019 units (2011: Nil units)	950,000	-
Redemption of 13,919 units (2011: Nil units) 625,000	625,000	-

18.2 Amounts outstanding as at year end

Askari Investment Management Limited - the Management Company

Remuneration payable	475,343	420,580
Sindh sales tax payable	76,054	-
Sales load payable	31,509	259
Other payables	116,000	216,000
Investment held in the fund 827 units (2011: Nil units)	38,066	-

	2012	2011
	----- (Rupees) -----	
Central Depository Company of Pakistan Limited - the Trustee		
Remuneration payable	57,376	57,534
Security deposit receivable	100,000	100,000
Askari Bank Limited - Holding company of the Management Company		
Investment held in the fund 2,500,000 units (2011: 2,500,000 units)	115,072,250	102,629,250
Balance with bank	13,807,338	41,272,093
Profit receivable	143,926	425,441.00
Askari Investment Management Employees Provident Fund		
Investment held in the fund 31,803 units (2011: 25,903 units)	1,463,857	1,063,354
Key Management Personnel		
Investment held in the fund 9,100 units (2011: Nil units)	416,864	-

19 FINANCIAL RISK MANAGEMENT

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

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

19.1.1 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.

19.1.2 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 in government securities and term finance certificates 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

Presently, the fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2011, the Fund holds fixed rate government securities and term finance certificates exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in market interest rates as at June 30, 2012, with all other variables held constant, the net income for the year and net assets would have been lower by Rs 1,114,350 (2011: 113,197). In case of 100 basis points decrease in market interest rates as at June 30, 2012, with all other variables held constant, the net income for the year and net assets would have been higher by Rs 1,189,641 (2011: 114,019).

----- As at June 30, 2012 -----					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and up-to one year	More than one year		
----- Rupees -----					
Financial assets					
Bank balances	6% to 12.25%	13,883,816	-	-	13,883,816
Investments	8.45% to 15%	29,556,192	30,580,975	18,677,626	178,116,256
Dividend and other receivables		-	-	-	1,572,279
Security deposits		-	-	-	3,600,000
		43,440,008	30,580,975	18,677,626	104,473,742
					197,172,351
Financial liabilities					
Payable to the Management Company		-	-	-	698,906
Payable to the Trustee		-	-	-	57,376
Payable against purchase of investments		-	-	-	38,625
Accrued and other liabilities		-	-	-	839,360
		-	-	-	1,634,267
		43,440,008	30,580,975	18,677,626	102,839,475
					195,538,084

----- As at June 30, 2011 -----					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and up-to one year	More than one year		
----- Rupees -----					
Financial assets					
Bank balances	5% to 11.5%	41,309,219	-	-	41,309,219
Investments	8.45% to 15.71%	7,183,081	31,376,040	13,434,505	126,671,137
Receivable against sale of investments		-	-	-	202,365
Dividend and other receivables		-	-	-	6,503,177
Security deposits		-	-	-	3,600,000
		48,492,300	31,376,040	13,434,505	84,983,053
					178,285,898
Financial liabilities					
Payable to the Management Company		-	-	-	420,580
Payable to the Trustee		-	-	-	57,534
Payable against redemption of units		-	-	-	304,314
Accrued expenses and other liabilities		-	-	-	937,323
		-	-	-	1,719,751
		48,492,300	31,376,040	13,434,505	83,263,302
					176,566,147

19.1.3 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.

The Fund is exposed to equity price risk because of investments in equity securities held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of net assets.

In case of 5% increase / decrease in KSE 100 index on June 30, 2012, net income for the year would increase / decrease by Rs 1,168,824 (2011: Rs. 1,211,911) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as 'at fair value through profit or loss'.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

19.2 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 debt securities, balances with banks, dividend receivable and profit receivable on balances with banks. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection. The internal risk management policies and investment guidelines (approved by the Board) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency. 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. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit rating quality of the Fund's financial assets as at year end:

	2012	2011
Bank balances by rating category		
A1+	13,842,674	41,272,093
A-1, A1	41,142	37,126
Term finance certificates by rating category		
AA	5,076,280	20,617,586

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Funds portfolio of financial instruments is broadly diversified and mostly concentrated in government securities, term finance certificates and deposits held with commercial banks having high credit ratings thereby mitigating any significant concentrations of credit risk.

Collateral

The Fund does not hold any collateral against its investment in government securities, term finance certificates and balances with banks and these are unsecured.

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

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. However, no borrowing was obtained by the fund during the year.

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.

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

	As at June 30, 2012			
	Upto three months	More than three months and up to one year	More than one year	Total
	----- Rupees -----			
Financial liabilities				
Payable to the Management Company	698,906	-	-	698,906
Payable to the Trustee	57,376	-	-	57,376
Payable against purchase of investments	38,625	-	-	38,625
Accrued and other liabilities	839,360	-	-	839,360
	1,634,267	-	-	1,634,267
	----- Rupees -----			
	----- Rupees -----			
Financial liabilities				
Payable to the Management Company	420,580	-	-	420,580
Payable to the Trustee	57,534	-	-	57,534
Payable against redemption of units	304,314	-	-	304,314
Accrued expenses and other liabilities	937,323	-	-	937,323
	1,719,751	-	-	1,719,751

20 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. They 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 restriction on the subscription and redemption of units. There is no specific capital requirement which is applicable on the Fund.

The Fund's objectives when managing unit holders' 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 to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing at the close of trading on the year end date. The estimated fair value of all other financial assets and liabilities is 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, 2012			
	Level 1	Level 2	Level 3	Total
	----- Rupees-----			
Financial assets at fair value through profit or loss				
Listed equity securities	99,301,463	-	-	99,301,463
Government securities	-	73,738,513	-	73,738,513
Term finance certificates	-	5,076,280	-	5,076,280
	As at June 30, 2011			
	Level 1	Level 2	Level 3	Total
	----- Rupees-----			
Financial assets at fair value through profit or loss				
Listed equity securities	74,677,511	-	-	74,677,511
Government securities	-	31,376,040	-	31,376,040
Term finance certificates	-	20,617,586	-	20,617,586

22 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2012
1 KASB Securities Limited	8.33%
2 Invest and Finance Securities Limited	6.69%
3 Elixer Securities Limited	6.67%
4 Arif Habib Limited	6.57%
5 Foundation Securities Limited	6.49%
6 Taurus Securities Limited	6.48%
7 JS Global Capital Market Ltd.	6.40%
8 BMA Capital Limited	5.80%
9 Next Capital Limited	5.71%
10 Al-Habib Capital Market Limited	5.46%

	2011
1 Foundation Securities (Private) Limited	11.66%
2 Shehzad Chamdia Securities (Private) Limited	10.63%
3 Habib Metropolitan Financial Services Limited	8.38%
4 Pearl Securities Limited	8.28%
5 Invest and Finance Securities Limited	8.10%
6 Taurus Securities Limited	7.43%
7 Askari Securities Limited	5.80%
8 Pearl Capital Management (Private) Limited	5.11%
9 KASB Securities Limited	5.05%
10 AKD Securities Limited	4.34%

23 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S. No	Name	Designation	Qualification	Experience in years
1	Mr. Adnan Siddiqui	Chief Executive Officer	MBA	21
2	Mr. Basharat Ullah	Chief Investment Officer	MBA	19
3	Mr. Kamran Rehmani	Fund Manager	MBA	4
4	Mr. Zeeshan	Chief Financial Officer	ACA	10
5	Mr. Tariq Hashmi	Head of Business Development	B.A. (USA)	25
6	Mr. M. Farrukh	Senior Compliance Officer	CMA (Finalist)	12

23.1 Mr. Kamran Rehmani is the Manager of the Fund. He is also the fund manager of Askari Islamic Asset Allocation Fund.

24 PATTERN OF UNIT HOLDING

-----As at June 30, 2012-----				
Category	Number of unit holders	Number of units held	Investment amount	Percentage of total investment
(Rupees)				
Individuals	29	365,129	16,806,478	8.70%
Associated companies / DirectorS	2	2,500,828	115,110,304	59.57%
Retirement funds	4	724,801	33,361,776	17.26%
Others	4	607,592	27,966,777	14.47%
	39	4,198,350	193,245,335	100.00%

-----As at June 30, 2011-----				
Category	Number of unit holders	Number of units held	Investment amount	Percentage of total investment
(Rupees)				
Individuals	32	81,114	3,329,870	1.88%
Associated companies / Directors	2	2,525,903	103,692,705	58.53%
Banks / DFI's	1	254,956	10,466,387	5.91%
Retirement funds	3	954,147	39,169,391	22.11%
Others	2	499,158	20,491,303	11.57%
	40	4,315,278	177,149,656	100.00%

25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 39th, 40th, 41st, 42nd and 43rd Board meetings were held on July 06, 2011, August 18, 2011, October 13, 2011, February 6, 2012 and April 18, 2012 respectively. Information in respect of attendance by Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings held	Attended	Leave granted	Meetings not attended
1	Mr. Lt Gen.(R) Imtiaz Hussain	3	3	-	-
2	Mr. Shahid Hafeez Azmi	5	3	2	39th & 43rd meeting
3	Mr. Muhammad Naseem	5	5	-	-
4	Mr. Mohammad Rafiquddin Mehkari	5	5	-	-
5	Mr. Maj Gen.(R) Saeed Ahmed Khan	3	3	-	-
6	Mr. Tahir Aziz	5	4	1	39th meeting
7	Mr. Sufian Mazhar	5	3	2	39th & 41st meeting
8	Mr. Adnan Siddiqui	5	5	-	-
9	Mr. Lt Gen.(R) Tahir Mahmood	2	2	-	-
10	Mr. Maj Gen.(R) Mukhtar Ahmed	1	1	-	-

25.1 Mr. Lt. Gen. (R) Imtiaz Hussain and Mr. Maj. Gen. (R) Saeed Ahmed Khan resigned on January 19, 2012 and February 3, 2012 respectively and in their place Mr. Lt Gen.(R) Tahir Mahmood and Mr. Maj Gen.(R) Mukhtar Ahmed have been appointed on February 6, 2012.

26 CORRESPONDING FIGURES

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

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 26, 2012 by the Board of Directors of the Management Company.

28 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in the meeting held on July 6, 2012 have approved a final dividend distribution of Rs 6.2878 (2011: Nil) per unit for the year ended June 30, 2012. The financial statements of the Fund for the period ended June 30, 2012 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, 2013.

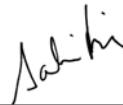
29 GENERAL

Figures have been rounded off to the nearest rupees.

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



Chief Executive



Director



111-AIM-111

Invest with Aim!

HEAD OFFICE:

20-C, Khayaban-e-Nishat, Ittehad Commercial Area, DHA Phase VI, Karachi.

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