the year of stability

Annual Report 2009

Askari Income Fund
Askari Asset Allocation Fund

Managed by

aim Askari Investment Management Ltd.

A Wholly Owned Subsidiary Of askaribank LIMITED

aim Askari Investment Management Ltd.

Mazzanine Floor, Bahria Complex III,
M.T. Khan Road, Karachi.
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Annual Report 2009

Designed & produced by: Manhattan Leo Burnett

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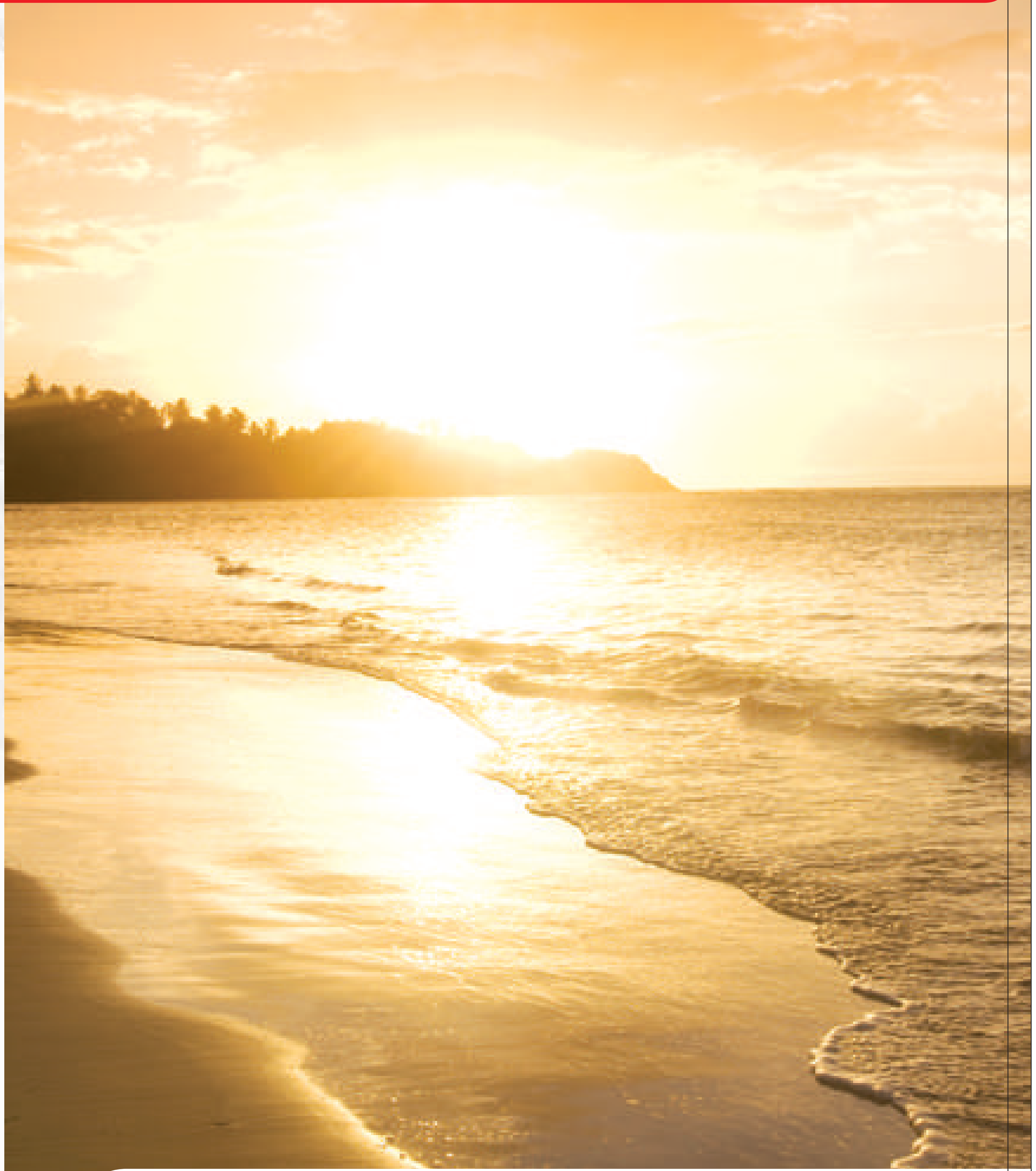
LIMITED

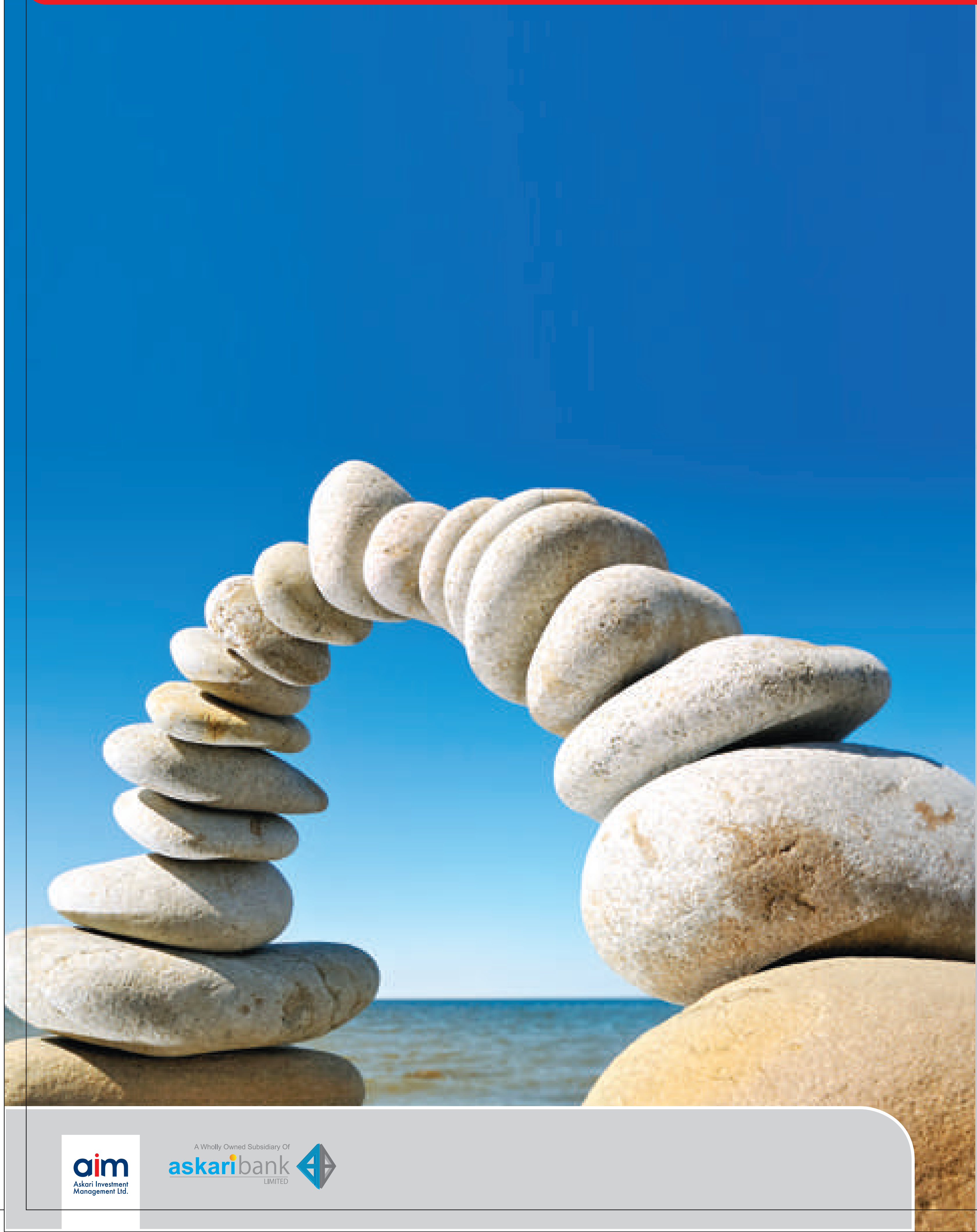
Vision

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

"service to the customer"

Askari Investment Management Limited
Good people. Sound advice. Great returns.





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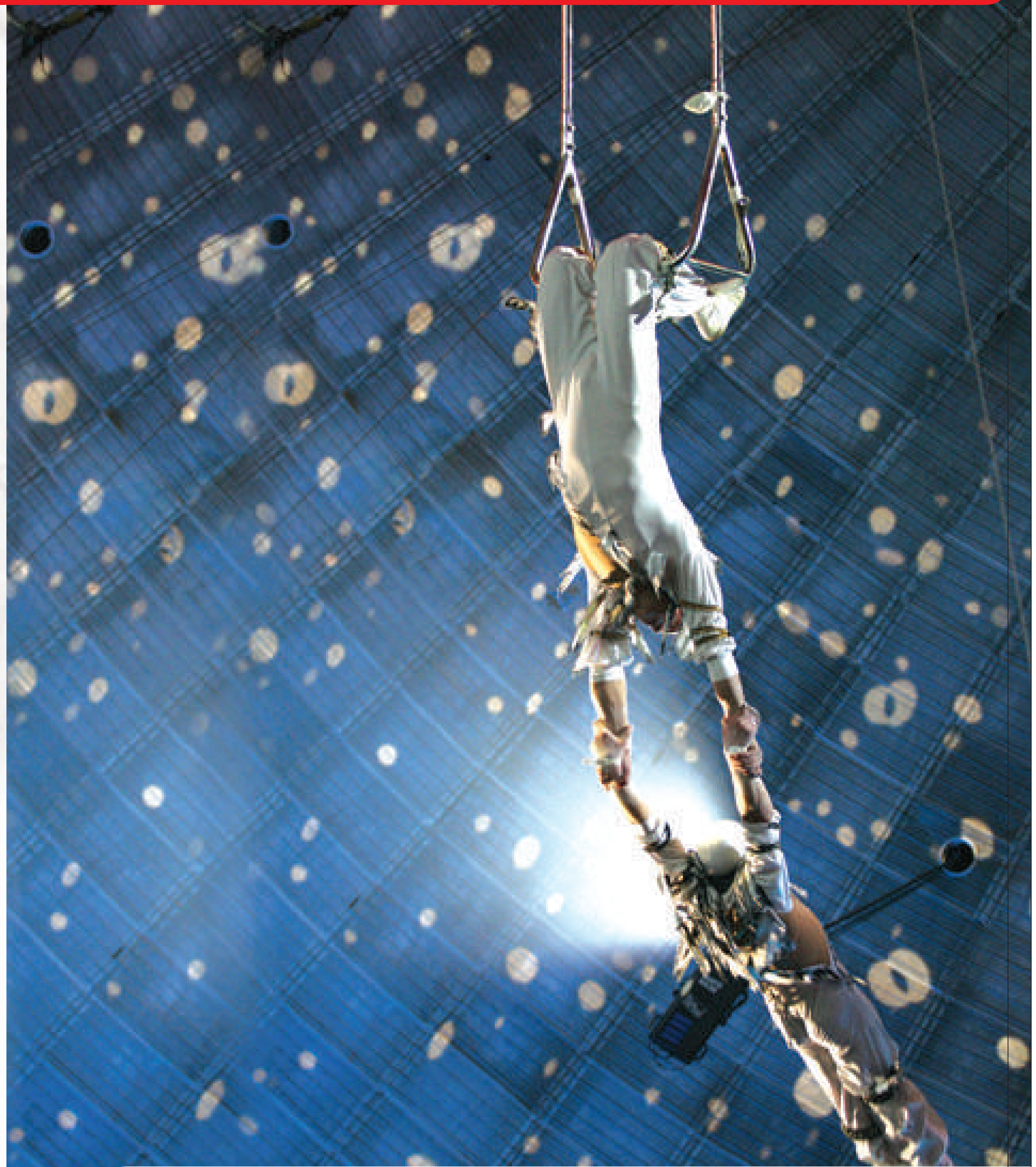


Board of Directors' Report

The Board of Directors of Askari Investment Management Limited is pleased to present to you the Annual Reports of its funds comprising Askari Income Fund (AIF) and Askari Asset Allocation Fund (AAAF) for the financial year ended June 30, 2009.

According to an IMF survey, developed economies experienced an unprecedented 7 1/2 percent decline in real GDP during the fourth quarter of CY 2008.Emerging economies also suffered badly and contracted 4% in the fourth quarter of CY 2008 on aggregate. The broad retrenchment of foreign investors and banks from emerging economies and the resulting buildup in funding pressures have been particularly worrisome. IMF downgraded its predictions for economic growth in CY 2008 and 2009, with world GDP growth expected to be 2.2% in 2009 instead of 3.0% predicted in October, and 3.7% in 2008 instead of 3.9% predicted in October. In the new forecast, the advanced economies are expected to contract by 1/4 percent on an annual basis in 2009. World growth is projected to fall to just 1/2 percent in 2009, its lowest rate in 60 years.

The economy of Pakistan grew at 2% against a target of 4.5%. The growth in the outgoing fiscal year was 4.1%. The massive contraction has been due to acute energy outages, security environment and political disruption throughout the year. The overall foreign investment during the first ten months declined by 42.7 percent and stood at $2.2 billion as against $3.9 billion in the comparable period of last year. Private portfolio investment on the other hand showed a net outflow of $451.5 million as against net flow of $98.9 million during the same period of last year.

During July-May 2008-09, Growth in money supply (M2) declined to 4.59 percent against 8.96 percent last year. The inflation rate as measured by the changes in Consumer Price Index (CPI) stood at 22.3 percent during July-April 2008-09, as against 10.3 percent in the comparable period of last year. The credit rating of Pakistan was downgraded from BB to CCC+ in December 2008, by Standard and Poors. The KSE 100 index closed at 7206.17, losing 46.6% during the year.

Performance of Funds

Askari Income Fund

Askari Income Fund (AIF) is an open-end income fund, invested in interest bearing instruments with no exposure to stock market. The objective of the Fund is to provide investors a broad range of asset classes so as to diversify fund risk and to optimize potential returns. Thus even an investor with only one unit will get invested into spread transactions, a range of debt instruments, short maturity securities and certificates of investment. This fund also offers investors the opportunity to exit at short notice. At the moment 3-Month KIBOR rate is the benchmark for the Fund.

AIF earned a return of 3.49% during FY09.The fund's annualized return since inception (March 2006) stands at 7.65%. The fund's MoM return is expected to improve significantly over the next 3 months.

The fund size declined to Rs. 3.1 billion in June 2009 from Rs 8.4 billion last year.

Askari Income Fund

General Information

Minimum Investment	Rs 5,000
Sales Load	None
Management Fee	1.5%
Benchmark	3-month KIBOR
Risk	Low
Manag'nt Company Rating	AM3 by PACRA
Performance Rating	5-Star by PACRA

Fund Size and Growth

	30 June 09	30 June 08
Fund Size	Rs 3.1 billion	Rs 8.4 billion
NAV	102.14	103.98

Fund Performance

Return	1-month	3 months	FY09	Since IPO
AIF	17.23%	11.75%	3.49%	7.65%
Benchmark*	13.15%	13.42%	13.82%	10.18%

*Monthly Average

Standard Deviation*	24.31%
Sharpe Ratio**	(0.2)
Duration (months)	2.5
Expense Ratio	1.77%

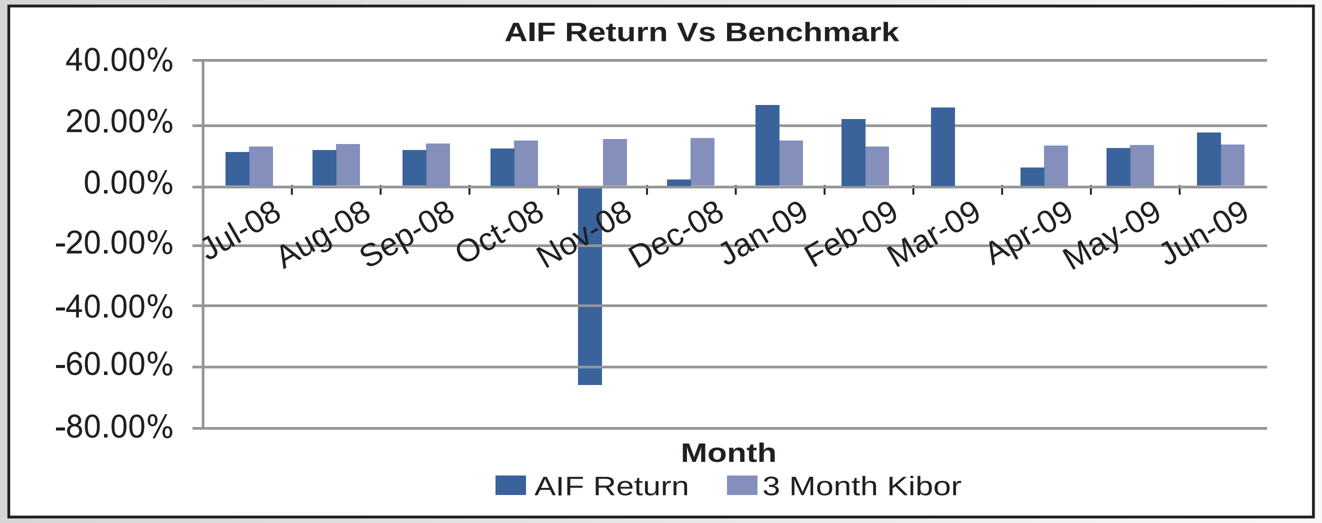
* On monthly basis - last twelve months
** Risk-free Rate is 3-Month Treasury Bill Rate

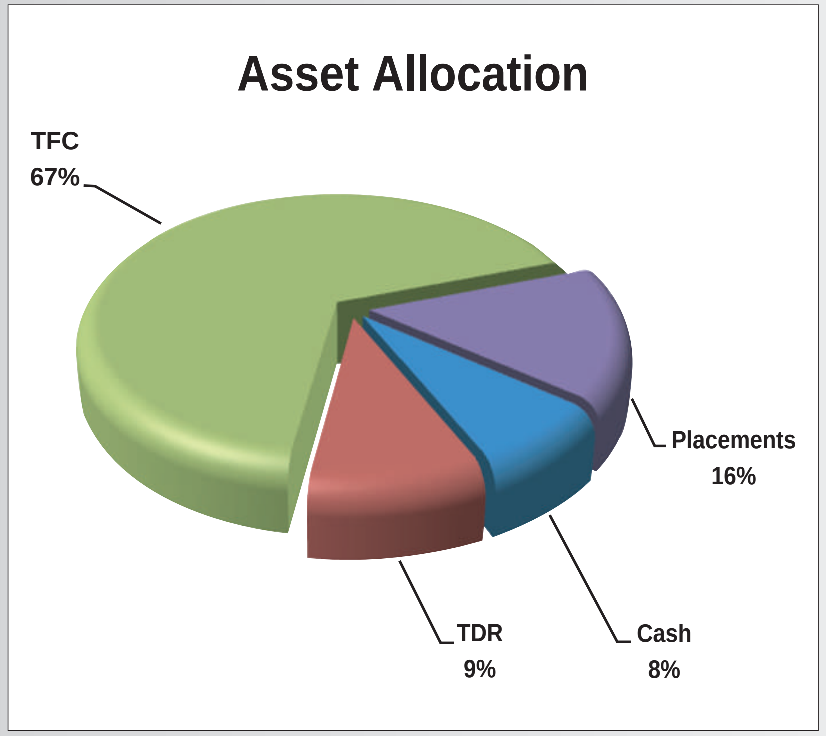
Economic Data

	Jun/08	Sep/08	Dec/08	Mar/09	Jun/09
KSE100 Index	12,289.03	9,182.80	6,037.38	7,014.81	7,206.17
6M KIBOR	14.19%	14.52%	15.70%	12.85%	12.76%
CPI Inflation	17.2%	21.2%	21.6%	19.3%	15.5%

The fund size declined subsequently as many commercial banks redeemed their investments from mutual funds to meet their own liquidity needs after SBP drained a large chunk of liquidity from the money market due to increased cash reserve requirement and other measures. Asset allocation of the Fund changed over the year as proportion of TFCs increased gradually to 67% compared to 45% last year. The allocation was changed to hedge against higher interest rate risk in the wake of high inflation, as TFC coupon rates are KIBOR-linked. Investments in CFS were reduced to zero as the CFS product was withdrawn from the market by SECP.

At the end of the year, the weighted average credit quality of the fund was A+ and more than 83% of the instruments in the portfolio were rated higher than or equal to A-. Duration of the portfolio was 2.5 months.





Asset allocation of the fund at the end of FY09 was as shown on the left. On an overall basis the fund in the current year earned net income of Rs 137.28 million as against the income of Rs 1019.92 million during the last year. The Basic Earnings per Unit amounted to Rs 4.60. Financial income was Rs 651.63 million during the year.

Current year's bonus distribution in amount represents Rs 84.68 million and 68.21 million in cash distribution. The amount of Rs 152.891 million represents more than 90% of current year's profit. The percentage of distribution shall ensure that tax exemption under clause 99 of Part 1 of the Second Schedule of the Income Tax Ordinance 2001, is availed by the fund and the returns for the year are exempt from Income Tax.

The distribution of income was Rs. 2.37 per unit which was made on October 07, 2008 resulting in the decline in NAV from Rs. 103.71/unit to an ex-dividend NAV after bonus distribution of Rs. 101.34/ unit.

Askari Asset Allocation Fund

Askari Asset Allocation Fund (AAAF) is an open-end multi-asset fund, which invests in interest bearing securities and equities. The fund seeks to maximize long-term total return (stocks plus income) while incurring lesser risk than a fund comprising entirely of stocks. The asset universe of the fund includes stocks, term finance certificates, Government bonds, treasury bills, certificates of investment, continuous funding system, and spread transactions (Redi-Future), etc. The fund seeks to provide its investors with returns that are 5% higher than the benchmark (KSE-100 index).

The Fund was launched (Pre-IPO) on June 2, 2007 and the IPO took place between Sep 10-13, 2007. We are thankful to our unit holders for posing their confidence in us. AAAF received its core capital from the Askari Bank on May 25, 2007 and started the investments from June 02, 2007. As at June 30, 2009 the fund size was Rs 289.142 million, compared to Rs 489.7 million at the start of the financial year.

The Fund's return for FY09 was -37.85% compared to -12.24% for FY08. Against the benchmark KSE 100 Index, which fell 41.72%, the Fund slightly over performed during the period. Since inception, the Fund's return was -43.42%.

The stock market remained volatile during the period due to domestic political instability and unfavourable global economic conditions, which led to lacklustre performance. Generally, the Fund invested more in equities and less in fixed income instruments when price-earnings ratio of the KSE 100 Index was comparatively low and vice versa.

General Information

Minimum Investment	Rs 5,000
Sales Load	2.5% front-end, 0.0% back-end
Management Fee	3.0%
Risk	Medium
Manag'nt Company Rating	AM3 by JCR-VIS and PACRA

Fund Size and Growth

	30 Jun 09	30Jun 08
Fund Size	Rs 289.14 mn	Rs 498 mn
NAV	54.6213	87.8845

Fund Performance

Rolling Return	1-Month	3-Month	Since Inc.	FY09
AAAF	-3.54%	-3.35%	-43.42%	-37.85%
KSE 100	-1.57%	4.40%	-44.62%	-41.72%

Portfolio Details

P/E (FY09)	6.40
Beta	0.81
R2	78.01%
Max Drawdown (DD)	39.85%
Number of days in DD	652
Standard Deviation*	10.71%

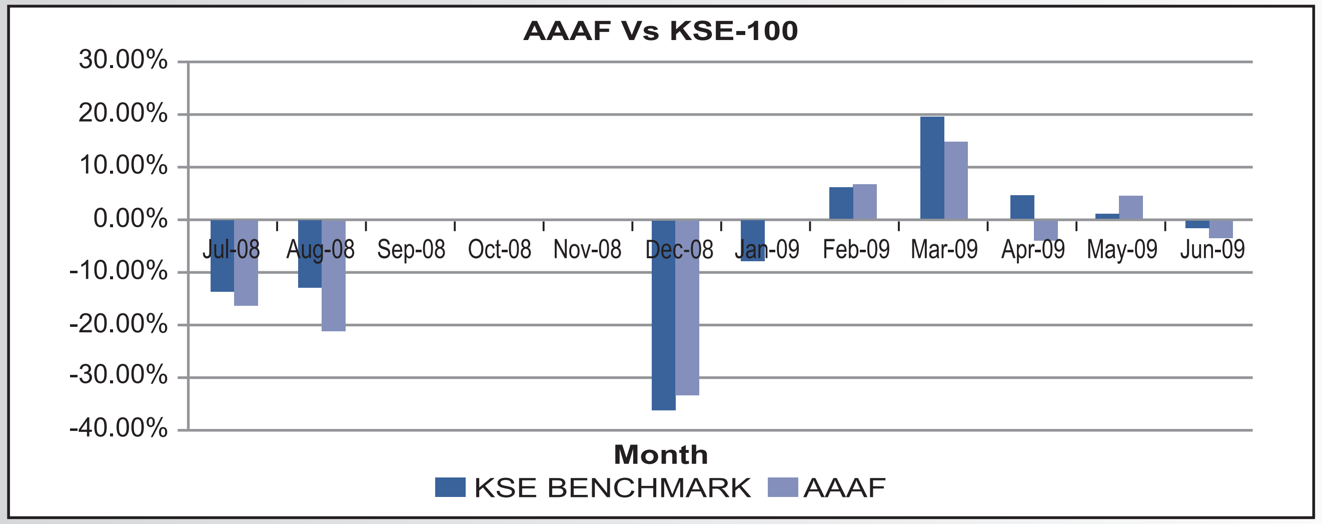
* On monthly basis

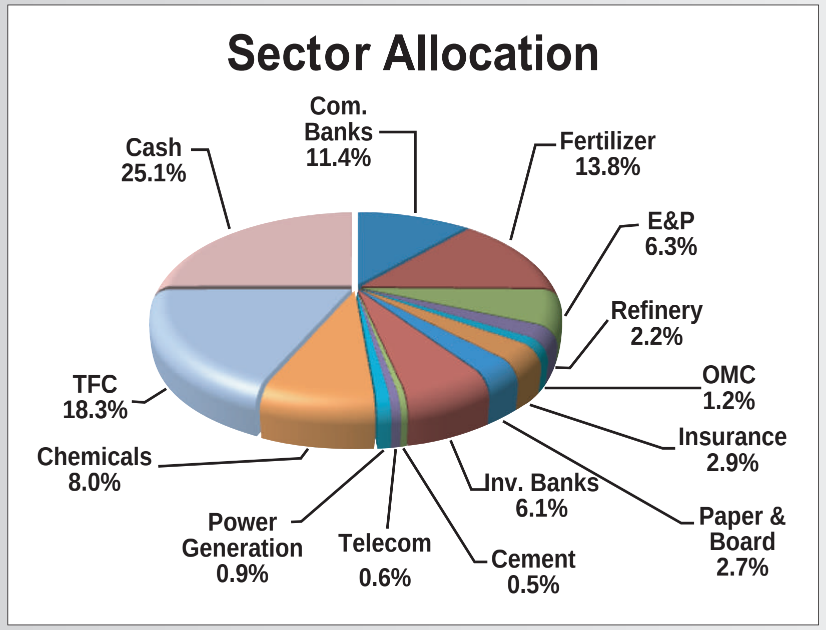
Economic Data

	Jun/08	Sep/08	Dec/08	Mar/09	Jun/09
KSE100 Index	12,289.03	9,182.80	6,037.38	7,014.81	7,206.17
6M KIBOR	14.19%	14.52%	15.70%	12.85%	12.76%
CPI Inflation	17.2%	21.2%	21.6%	19.3%	15.5%

Top Ten Holdings of the AAAF

Pakistan Oil Fields Limited	Habib Bank Limited
Adamjee Insurance Co. Ltd.	Engro Chemical
Engro Polymer	Fauji Fertilizer Co. Ltd.
National Bank of Pakistan Ltd.	Pakistan State Oil
Pakistan Petroleum Ltd.	Oil and Gas Dev. Co.





At the end of FY09, the Fund was invested 56.6% in equities and 25.1% in cash. Portfolio of the Fund was fairly diversified and major positions of the Fund were in cash and TFCs. The investment composition of the fund at the year end is shown left. The fund has lost Rs 117.68 million on investments with expenses of Rs 14.2 million. Redemptions reduced fund size by a total of Rs 24.35 million for the financial year.

Considering the overall results, the Board of Directors has approved -Nil- bonus units -Nil- and -Nil- cash dividend for the current year.

Code of Corporate Governance

AIF was listed on the Lahore Stock Exchange (Guarantee) Ltd. on April 13, 2006 and AAAF was listed on Islamabad Stock Exchange (Guarantee) Limited on September 18, 2007 and AIM, as an Asset Management Company, is committed to observe the Code of Corporate Governance that is prescribed for listed companies.

The details as required by the Code of Corporate Governance regarding the pattern of unit holding as on June 30, 2009 is as given below:

Askari Income Fund

Description	No. of Unit Holders	No. of Units Held	Percentage
DFIs/Banks	4	10,414,181	34.88%
Public Listed Companies	1	4,862	0.02%
Individuals	249	2,714,993	9.09%
Retirement Funds	25	861,154	2.88%
Associated Companies/Directors	4	10,166,514	34.05%
Insurance	2	281,018	0.94%
Others	23	5,413,257	18.14%
Total	**308**	**29,855,979**	**100%**

Askari Asset Allocation Fund

Description	No. of Units Holders	No. of Units Held	Percentage
DFIs/Banks	4	1,433,913	27.09%
Individuals	20	72,036	1.36%
Retirement Funds	3	366,018	6.91%
Associated Companies/Directors	1	2,500,000	47.23%
Others	4	921,616	17.41
Total	**35**	**5,293,584**	**100%**

The Board of Directors state that:

1. The financial statements present fairly the statement of affairs, the results of operations, cash flows and the changes in unit holders' funds.
2. Proper books of accounts have been maintained by the funds.
3. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgement.
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, 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 statements and any deviation therefrom 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.

Trades in the units of the funds by the Directors, CEO, CFO and Company Secretary their spouses has been disclosed in Note 21 to the financial statements in the case of AIF and in Note 17 to the financial statements in the case of AAAF.

Meetings of the Board of Directors were held once in every quarter. During the year nine board meetings were held.

Attendance at these meetings was as follows:

	Meetings attended
Lt. Gen. (R) Imtiaz Hussain	2
Lt. Gen. (R) Zarrar Azim	4
Mr. Muhammad Naseem	9
Mr. Mohammad Rafiquddin Mehkari	7
Mr. Shahid Hafeez Azmi	6
Mr. Kashif Mateen Ansari	8
Mr. Muhammad Arif Mian	6
Mr. Saeed Aziz Khan	9

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

AIF

	June 2009	June 2008	June 2007	June 2006
	------------------------Rs.--------------------------			
Net Assets	3,049,420,048	8,346,972,639	9,399,362,925	1,163,679,611
Net Asset Value per unit	102.14	103.98	111.74	104.98
Net Income	137,287,852	1,019,929,466	982,145,998	55,216,301
Dividend Distribution	152,891,169	997,853,213	930,230,410	49,783,007
Basic Earning per unit	4.60	12.71	11.68	4.98

AAAF

	June 2009	June 2008	June 2007
	-----------------Rs.--------------		
Net Assets	289,142,643	489,738,434	640,996,990
Net Asset Value per unit	54.62	87.88	102.17
Net Income	(172,701,632)	(68,677,505)	13,622,967
Dividend Distribution	-	-	12,459,566
Basic Earning per unit	(32.62)	(12.32)	2.17

Future Plans

In response to the changing landscape, emerging requirements of our existing and potential investors, and recent developments in the asset management industry in Pakistan, the company plans to diversify the products available to our investors. The strategic view of the company is to be among the top performing and most trusted companies in the country. To that end, an aggressive strategy has been evolved to launch multiple innovative mutual funds that not only add to the choices available to our valued investors but also add to our corporate strength and image. Our team will continue to do its best to offer the best choices to our customers and earn the best possible returns on their money in the new financial year.

The aggressive strategy requires proper human resource for product development, support and to sell such instruments. AIM management strives to employ carefully handpicked people who add value in the short and long term. In order to achieve our long-term objective we will strive to incorporate cutting edge technology and out of the box solutions for customer convenience. This may require synchronization of multiple platforms, conforming to the regulatory framework, and a vision that will help convert ideas into implementation and reality. We may explore possibilities of creating new partnerships where the focus will be on creating synergies between ours and our partners' core strengths that may enable our company to achieve new levels of success with a reliable brand image not only in the country but perhaps also in the region.

The company is determined to emulate international industry practice by enhancing and institutionalizing its staffing structure and distribution outreach.

Future Outlook

The intensification of war on terror into settled areas, coupled with other domestic factors like political turmoil and an unstable law and order situation, acute energy shortages, supply shocks, augmented by external factors like worsening of international financial crisis feeding into shrinkage of external demand and uncertainty about global recession, tested the resilience of economic fundamentals.

The trade deficit is rising and has surpassed $14 billion mark and the country is most likely to miss the export target of $22 billion in fiscal year 2009 owing to slow growth in exports amid global recession. Falling imports, however, might result in a lower trade deficit than last year's $20 billion if the current trend continues. Pakistan still needs to build its foreign exchange reserves internally to stabilize rupee against foreign currencies. The rising foreign debt is also a matter of concern as debt servicing puts additional pressure on the local currency.

Interest rates in Pakistan have been kept high to contain inflation and to attract foreign investment but both objectives haven't been achieved so far and in turn they have raised the cost of production for industries. SBP responded by slashing Discount Rate by 100 basis points in April and there is a strong anticipation about further rate cut in the upcoming monetary policy statement from the Central Bank. Inflation (CPI) is anticipated at around 12.5 percent, with further declines in the months ahead, potentially giving the SBP room to ease monetary policy further. There is some evidence of stabilization of the global liquidity crunch, which, along with optimism about inflows of concessionary multilateral and bilateral assistance to the country, is expected to ease liquidity pressures in Pakistan's economy, thereby leading to a better growth picture for the economy as a whole.

Acknowledgement

We would like to join our colleagues on the board, management team and employees of AIM, in thanking first & foremost the investors of AIF and AAAF for their vote of confidence in the fund. Additionally we would like to thank Askari Bank Limited, the Securities & Exchange Commission of Pakistan & Central Depository Company of Pakistan Limited.

For and on behalf of the Board

Saeed Aziz Khan
Chief Executive Officer

Lt. Gen. (R) Imtiaz Hussain
Chairman

Islamabad: August 17, 2009

Fund Manager's Report

Fund Manager's Report

Overall Economic Scenario

Global Economic Scenario

The collapse of the US sub-prime market and worst ever global financial crisis has had serious repercussions not only for the developed world's economy but for the developing markets as well. According to IMF, developed economies experienced an unprecedented 7 1/2 percent decline in real GDP during the fourth quarter of CY 2008. Emerging economies also suffered badly and contracted 4% in the fourth quarter of CY 2008 on aggregate.

Growth in world trade volumes fell to 3.3 percent in 2008, as compared to 7.2 percent in 2007, and is expected to contract substantially by 11 percent in 2009. Exports from developing economies are projected to contract by 6.4 percent during the same period. Developing economies started experiencing a substantial slowdown in growth in 2008, with real GDP growing at 6.1 percent as compared to robust growth of 8.3 percent in 2007. Growth in these economies is projected to slow down further to 1.6 percent in 2009. In emerging economies, the slowdown manifested itself through various channels such as volatility in the financial markets which led to a flight of capital. Emerging economies have already seen the spreads on sovereign and corporate debt widening, and a retreat in equity prices as a result of the global crunch.

Performance of Pakistan's Economy

Pakistan's economic growth has been estimated at 2.0 percent, which seems reasonable given the current scenario, although it implies definite slippage against 4.1 percent growth of last year and this year's target of 4.5 percent. The FBR tax collection to GDP ratio is likely to deteriorate to around 9 percent of GDP as against the target of bringing it in the vicinity of 10 percent of GDP. Output of the manufacturing sector contracted by 3.3 percent in 2008-09 as compared to an expansion of 4.8 percent last year and a target of 6.1 percent. The massive contraction has been because of acute energy outages, security environment and political disruption in March 2009. The services sector grew by 3.6 percent as against the target of 6.1 percent and last year's actual growth of 6.6 percent. Finance and insurance sectors registered negative growth of 1.2 percent in 2008-09 showing that Pakistan's financial sector is somewhat integrated with the world economy and is feeling the heat of the crisis plaguing international financial markets. The transport sector and communication sub-sector depicted a sharp deceleration in growth to 2.9 percent in 2008-09 as compared to 5.7 percent of last year.

Pakistan's per capita real income has risen by 2.5 percent in 2008-09 as against 3.4 percent last year. Per capita income in dollar terms rose from $1042 last year to $1046 in 2008-09, thereby showing marginal increase of 0.3 percent. Total investment declined from 22.5 percent of GDP in 2006-07 to 19.7 percent of GDP in 2008-09. Fixed investment decreased to 18.1 percent of GDP from 20.4 percent last year, private sector investment was decelerating persistently since 2004-05 and its ratio to GDP declined from 15.7 percent in 2004-05 to 13.2 percent in 2008-09.

Public sector investment to GDP ratio has risen persistently from 4.0 percent in 2002-03 to 5.6 percent in 2006-07. However, it declined to 4.9 percent in 2008-09. National savings rate has declined to 14.4 percent of GDP in 2008-09 as against 13.5 percent of GDP last year. Domestic savings also declined substantially from 16.3 percent of GDP in 2005-06 to 11.2 percent of GDP in 2008-09. The overall foreign investment during the first ten months has declined by 42.7 percent and stood at $2.2 billion as against $3.9 billion in the comparable period of last year. Foreign direct private investment showed some resilience and stood at $3205.4 million during July-April (2008-09) as against $3719.1 million in the corresponding period of last year, thereby showing a decline of 13.8 percent. Private portfolio investment on the other hand showed a net outflow of $451.5 million as against net flow of $98.9 million during the same period of last year.

During 2007-08, the SBP continued its tight monetary policy stance by raising the discount rate three times and increasing the cash reserve and statutory liquidity requirements. During July-May 2008-09 money supply (M2) growth declined to 4.59 percent against 8.96 percent last year.

The inflation rate as measured by the changes in Consumer Price Index (CPI) stood at 22.3 percent during July-April 2008-09, as against 10.3 percent in the comparable period of last year. The food inflation is estimated at 26.6 percent and non-food 19.0 percent against 15.0 percent and 6.8 percent in the corresponding period of last year. The Sensitive Price Indicator has recorded increase of 26.3 percent during July-April 2008-09 against 14.1 percent of last year. It is expected that the average inflation for the year (2008-09) as measured by CPI will be close to 21.0 percent.

Overall exports recorded a negative growth of 3.0 percent during July-April 2008-09 against the positive growth of 10.2 percent in the corresponding period of last year. Imports registered a negative growth of 9.8 percent in July-April 2009 as compared to the same period of last year. Foreign Exchange Reserves amounted to $11.6 by the end of May 2009, reserves held by State Bank of Pakistan stood at $8.28 billion and reserves by banks stood at $3.32 billion. Workers' Remittances totalled $6355.6 million in July-April 2008-09 as against $5319.1 million in the comparable period of last year, depicting an increase of 19.5 percent.

Performance of Pakistan's Stock Markets

The beginning of the fiscal year 2008 appeared promising for Pakistan's capital markets regardless of the sub-prime crisis intensifying its grip on financial systems all over the globe. The stock markets in Pakistan posted good gains and KSE-100 index gained 11.6% by mid of April 2008. Subsequent to this high mark, however, the equity market has experienced a precipitous decline: the KSE-100 index had fallen by over 62% by December 31, 2008 since reaching its peak in April 2008. Prices have nose-dived in response to waning macro-economic fundamentals, a worsening law and order situation and international capital flight. Despite these shocks, equity investors have embarked on a fractional recovery of their fortunes with a 22.5% gain since the commencement of the calendar year 2009, driven chiefly by signs of economic stability.

The first half of 2008-09 was characterized by the downgrades witnessed in the country's credit rating to CCC+ from B and then to CCC from CCC+ by Standard & Poor's (S&P's) and from B2 to B3 by Moody's. Besides the downgrades, S&P's and Moody's also issued a negative outlook for Pakistan bonds and currency. Later, Moody's rated a negative outlook on Pakistani banks.

In the calendar year 2008, the number of dividend paying companies was 224 compared to 267 companies in 2007. In 2008, 322 companies were making profits and 218 companies were shown as loss making. The numbers were 363 and 194 respectively in 2007. All trading groups except Fuel & Energy and Sugar & Allied showed a downward trend during the period under review. The E&P sector enjoyed solid fundamentals backed by prospects of steady demand, handsome production growth and protection from currency depreciation due to dollar denominated revenues. The refinery sector presented a dim outlook based on weakening fundamentals amid government interventions that resulted in a reduction in margins, along with a massive debt overhang due to the circular debt issue.

During FY07 and FY08, the SBP conducted five and seven auctions of PIBS, respectively raising Rs. 87.9 billion and Rs. 73.6 billion against the aggregate targets of Rs. 100 billion each. In FY09 (July 2008-April 2009), a handsome amount of Rs. 44.5 billion (excluding short selling and non-competitive bids) was mopped up against the target of Rs. 60 billion.

Performance of Funds

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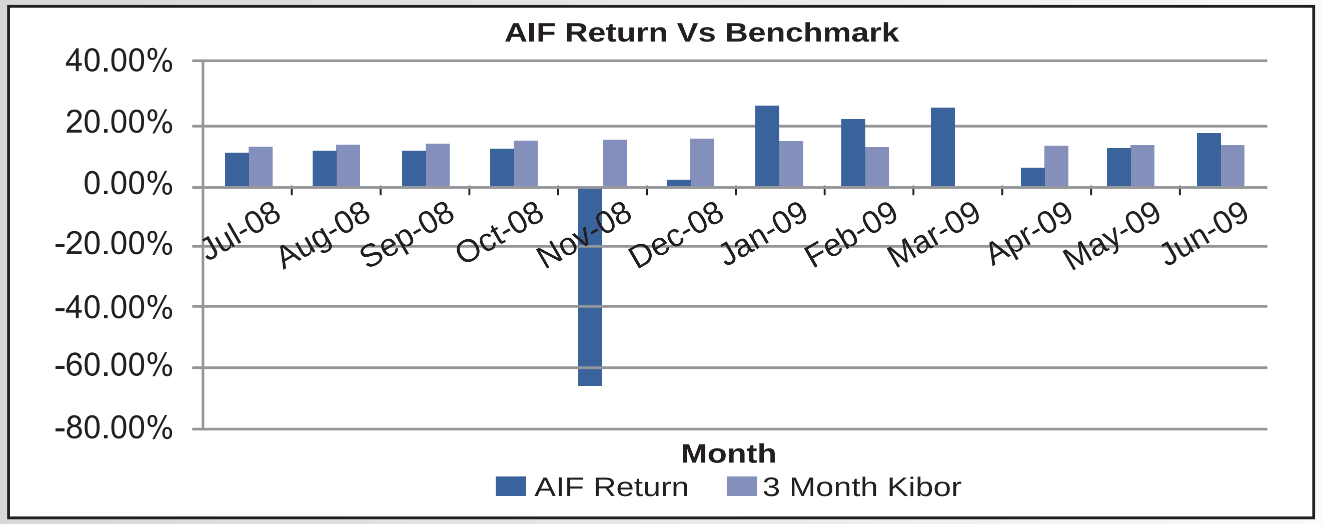
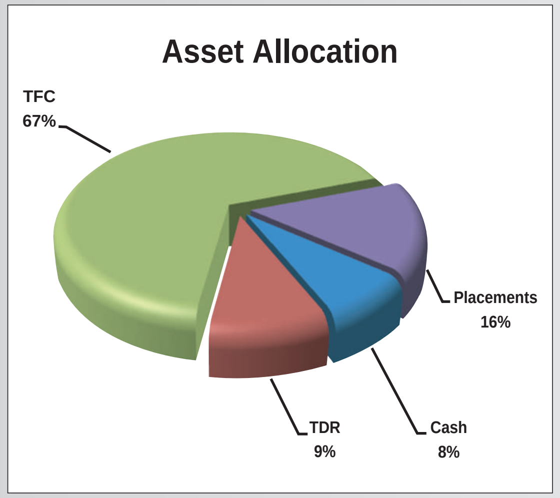


Asset allocation of the fund at the end of FY09 was as shown on the next page. On an overall basis the fund in the current year earned net income of Rs 137.28 million as against the income of Rs 1019.92 million during the last year. The Basic Earnings per Unit amounted to Rs 4.60. Financial income was Rs 651.63 million during the year.



Current year's bonus distribution in amount represents Rs 84.73 million. The amount of Rs 84.73 million represents 61.7% of current year's profit. The percentage of distribution shall ensure that tax exemption under clause 99 of Part 1 of the Second Schedule of the Income Tax Ordinance 2001, is availed by the fund and the returns for the year are exempt from Income Tax.

The distribution of income was Rs. 2.37 which was made on October 07, 2008 resulting in the decline in NAV from Rs. 103.71/ unit to an ex-dividend NAV after bonus distribution of Rs. 101.34/ unit.

Askari Asset Allocation Fund

Askari Asset Allocation Fund (AAAF) is an open-end multi-asset fund, which invests in interest bearing securities and equities. The fund seeks to maximize long-term total return (stocks plus income) while incurring lesser risk than a fund comprising entirely of stocks. The asset universe of the fund includes stocks, term finance certificates, Government bonds, treasury bills, certificates of investment, continuous funding system, and spread transactions (Redi-Future), etc. The fund seeks to provide its investors with returns that are 5% higher than the benchmark (KSE-100 index).

The Fund was launched (Pre-IPO) on June 2, 2007 and the IPO took place between Sep 10-13, 2007. We are thankful to our unit holders for posing their confidence in us. AAAF received its core capital from the Askari Bank on May 25, 2007 and started the investments from June 02, 2007. As at June 30, 2009 the fund size was Rs 289.142 million, compared to Rs 489.7 million at the start of the financial year.

The Fund's return for FY09 was -37.85% compared to -12.28% for FY08. Against the benchmark KSE 100 Index, which fell 41.72%, the Fund slightly over performed during the period. Since inception, the Fund's return was -43.42%.

The stock market remained volatile during the period due to domestic political instability and unfavourable global economic conditions, which led to lacklustre performance. Generally, the Fund invested more in equities and less in fixed income instruments when price-earnings ratio of the KSE 100 Index was comparatively low and vice versa.

General Information

Minimum Investment	Rs 5,000
Sales Load	2.5% front-end, 0.0% back-end
Management Fee	3.0%
Risk	Medium
Manag'nt Company Rating	AM3 by JCR-VIS and PACRA

Fund Size and Growth

	30 Jun 09	30Jun 08
Fund Size	Rs 289.14 mn	Rs 498 mn
NAV	54.6213	87.8845

Fund Performance

Rolling Return	1-Month	3-Month	Since Inc.	FY09
AAAF	-3.54%	-3.35%	-43.42%	-37.85%
KSE 100	-1.57%	4.40%	-44.62%	-41.72%

Portfolio Details

P/E (FY09)	6.40
Beta	0.81
R2	78.01%
Max Drawdown (DD)	39.85%
Number of days in DD	652
Standard Deviation*	10.71%

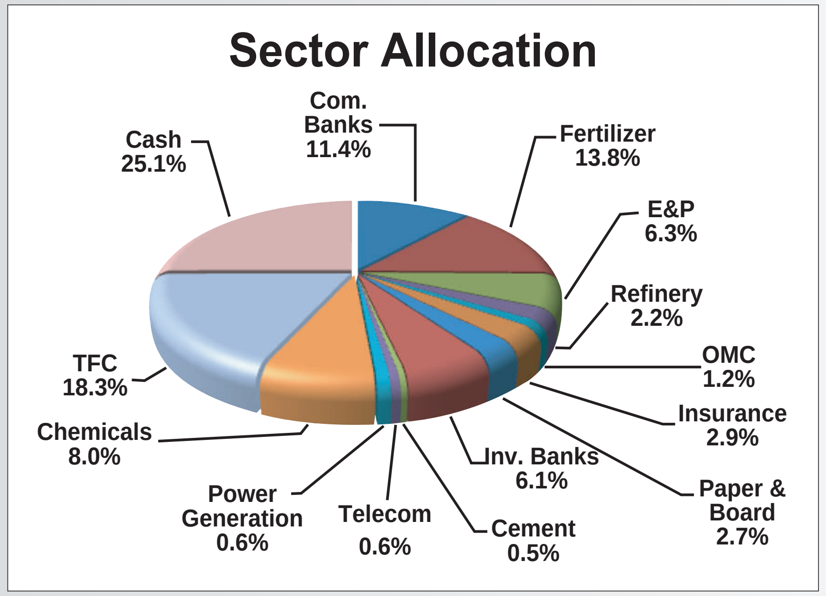
* On monthly basis

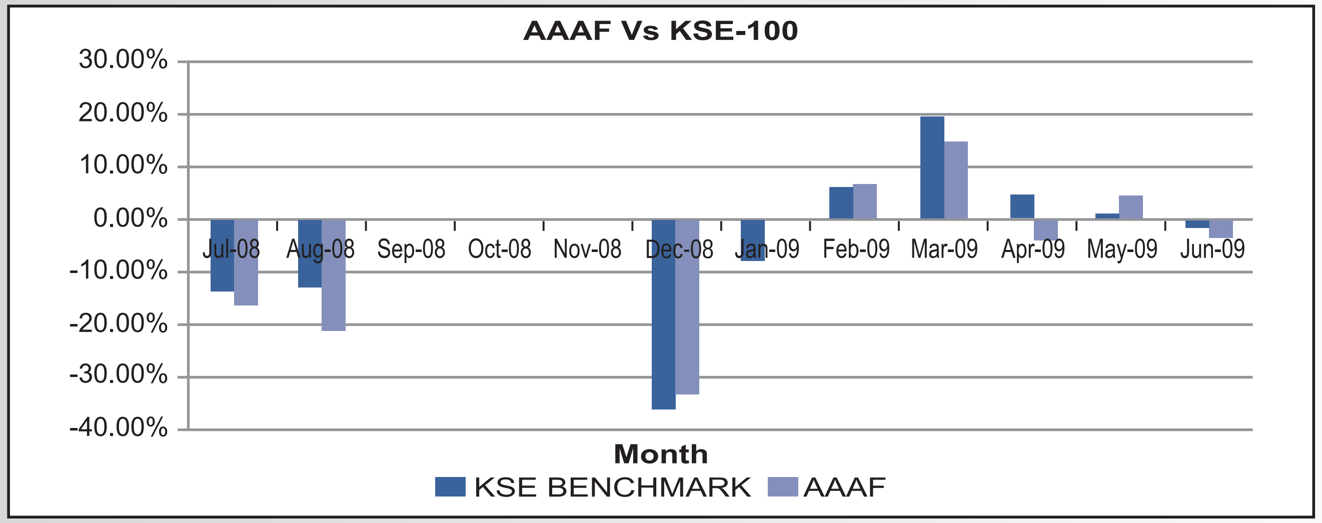
Economic Data

	Jun/08	Sep/08	Dec/08	Mar/09	Jun/09
KSE100 Index	12,289.03	9,182.80	6,037.38	7,014.81	7,206.17
6M KIBOR	14.19%	14.52%	15.70%	12.85%	12.76%
CPI Inflation	17.2%	21.2%	21.6%	19.3%	15.5%

Top Ten Holdings of the AAAF

Pakistan Oil Fields Limited	Habib Bank Limited
Adamjee Insurance Co. Ltd.	Engro Chemical
Engro Polymer	Fauji Fertilizer Co. Ltd.
National Bank of Pakistan Ltd.	Pakistan State Oil
Pakistan Petroleum Ltd.	Oil and Gas Dev. Co.





At the end of FY09, the Fund was invested 74.9% in equities and 25.1% in cash. Portfolio of the Fund was fairly diversified and major positions of the Fund were in the cash and TFCs. The investment composition of the fund at the year end is shown above. The fund has lost Rs 117.68 million on investments with expenses of Rs 14.2 million. Redemptions reduced fund size by a total of Rs 27.89 million for the financial year.

Considering the overall results, the Board of Directors has approved -Nil- bonus units -Nil- and -Nil- cash dividend for the current year.

Future Outlook

The intensification of war on terror into settled areas, coupled with other domestic factors like political turmoil and an unstable law and order situation, acute energy shortages, supply shocks, augmented by external factors like worsening of international financial crisis feeding into shrinkage of external demand and uncertainty about global recession, tested the resilience of economic fundamentals.

The trade deficit is rising and has surpassed $14 billion mark and the country is most likely to miss the export target of $22 billion in fiscal year 2009 owing to slow growth in exports amid global recession. Falling imports, however, might result in a lower trade deficit than last year's $20 billion if the current trend continues. Pakistan still needs to build its foreign exchange reserves internally to stabilize rupee against foreign currencies. The rising foreign debt is also a matter of concern as debt servicing puts additional pressure on the local currency.

Interest rates in Pakistan have been kept high to contain inflation and to attract foreign investment but both objectives haven't been achieved so far and in turn they have raised the cost of production for industries. SBP responded by slashing Discount Rate by 100 basis points in April and there is a strong anticipation about further rate cut in the upcoming monetary policy statement from the Central Bank. Inflation (CPI) is anticipated at around 12.5 percent, with further declines in the months ahead, potentially giving the SBP room to ease monetary policy further. There is some evidence of stabilization of the global liquidity crunch, which, along with optimism about inflows of concessionary multilateral and bilateral assistance to the country, is expected to ease liquidity pressures in Pakistan's economy, thereby leading to a better growth picture for the economy as a whole.

askari income Fund

Financial Statements
for the year ended 30 June 2009

FUND'S INFORMATION

Management Company	Head Office & Registered Address Askari Investment Management Ltd. Room 501& 502, Green Trust Tower, Blue Area, Jinnah Avenue, Islamabad UAN: 111-246-111 - Fax. 051- 2813017 Email: info@askariinvestments.com
Board of Directors of the Management Company	Lt. Gen. (R.) Imtiaz Hussain - Chairman Mr. Shahid Hafeez Azmi Mr. Muhammad Naseem- FCA Mr. Mohammad Rafiq Uddin Mekhari Maj Gen (R) Saeed Ahmed Khan Mr. Tahir Aziz Mr. Saeed Aziz Khan- CEO
Executive Committee	Mr. Shahid Hafeez Azmi Mr. Mohammad Rafiq Uddin Mekhari Mr. Tahir Aziz Mr. Saeed Aziz Khan- CEO
Audit Committee	Mr. Muhammad Naseem- FCA (Chairman) Mr. Shahid Hafeez Azmi Mr. Mohammad Rafiq Uddin Mekhari Mr. Tahir Aziz
Chief Financial Officer	Mr. Rizwan Hasan Khan
Company Secretary	Syed Shoaib Jaffery
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi Tel: (92-021) 111-111-500
Bankers to the Fund	Askari Bank Ltd. Bank Alfalah Ltd. Arif Habib Bank Limited Al Baraka Islamic Bank ABN Amro Pakistan Limited
Auditors	Ernst and Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants 4- Mall View Building, Bank Square The Mall, Lahore. Ph. 042- 7211536-8 Fax. 042-7211530
Legal Advisors	Haidermota & Co. Barristers-at-Law & Corporate Counselors D-79, Block 5, Clifton K.D.A. Scheme No.5 Ph. 021-111520000 - Fax. 021-5862329
Registrar	Technology Trade (Pvt.) Ltd. Dagia House: 241-C, P.E.C.H.S Block-2, Shahrah-e-Quaideen, Karachi.
Distributors	Askari Bank Ltd. & others.

TRUSTEE REPORT TO THE UNIT HOLDERS
ASKARI INCOME FUND

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

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

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2009 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 theconstitutive documents of the Fund; and

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

Kamran Qazi
Chief Financial Officer and Company Secretary
Central Depository Company of Pakistan Limited

Karachi: September 29, 2009

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in regulation No XI of Listing Regulations of Lahore Stock Exchange (Guarantee) limited for the purpose of establishing a framework of good governance, where by a listed company is engaged in compliance with the best practices of corporate governance. Askari Investment Management Limited (the company), the management company of Askari income Fund "AIF or fund" whose units are listed on Lahore Stock Exchange (Guarantee) Limited and is managed in the following manner:

1. The company encourages representation of independent non-executive directors. At present all the board members are non-executive directors except for the Chief Executive Officer.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this management company.

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

4. A casual vacancy occurred in the Board due to resignation of Dr. Bashir A Khan which has not been filled up yet.

5. The management company has prepared a "Statement of Ethics and Business Practices" for the fund which has been signed by all the directors and employees of the company.

6. The management company has adopted a vision/ mission statement and overall corporate strategy and formulated significant policies of the fund that has been approved by the board.

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

8. The meetings of the board were presided over by the Chairman and in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings except for the emergency meeting held on March 05, 2009. The minutes of the meetings were appropriately recoded and circulated.

9. The Board will arrange orientation course for its directors to apprise them of their duties and responsibilities, where necessary. Furthermore, the directors are conversant of the relevant laws applicable to the management company, its policies and procedures and provision of memorandum and article of association and are aware of their duties and responsibilities.

10. The CEO has determined and the Board has approved the appointment, remuneration and terms of conditions of employment of the CFO, the Company Secretary and the internal auditors.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial Statements of the fund were duly endorsed by the CEO and CFO of the management company before approval of the board.

13. Units held by the Directors, CEO, CFO and the executives in AIF are disclosed in the note 21 to the financial statements. Units held by the directors are disclosed in the pattern of shareholding.

14. The management company has complied with all the applicable 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 including the Chairman of the Committee.

16. The meetings of the audit committee were held once in every quarter and prior approval of interim and final results of the fund and as required by the code. The terms of reference of the audit committee have been framed and approved by the Board of the management company and advised to the committee for compliance.

17. The management company has outsourced the internal audit function of the fund to Anjum Asim Shahid Rahman and Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.

18. The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any the partners of the firm, their spouses and minor children do not hold units of the fund or its management company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. 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 IFAC guidelines in this regard.

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

Lt. Gen (R) Imtiaz Hussain **Chairman**	**Saeed Aziz Khan** **CEO**

August 17, 2009

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Management Company of Askari Income Fund (the Fund) to comply with Clause XLVI of Regulation No. 37, Chapter XI of Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the 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 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.

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 status of 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, 2009.

Ford Rhodes Sidat Hyder

Chartered Accountants

Lahore

17 August, 2009

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Askari Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2009, and the related statements of income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2009 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Mohammed Junaid

Lahore

17 August, 2009

ASKARI INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2009

	Notes	2009 Rupees	2008 Rupees
Assets			
Balances with banks	4	**239,166,833**	568,015,916
Placements with banks and other financial institutions	5	**534,000,000**	3,775,394,862
Receivable against Continuous Funding System		**-**	15,797,094
Investments	6	**2,092,078,513**	3,776,757,816
Other assets - acquired in settlement of investments	7	**263,370,344**	-
Deposits and other receivables	8	**82,274,475**	264,026,045
Deferred formation cost	9	**743,830**	1,243,830
Total Assets		**3,211,633,995**	8,401,235,563
Liabilities			
Remuneration payable to asset management company	10	**3,572,020**	10,329,070
Remuneration payable to trustee	11	**321,337**	769,066
Annual fee payable to Securities and Exchange Commission of Pakistan	12	**4,129,031**	11,745,932
Amount payable against redemption of units		**908,352**	21,512,502
Borrowings under repurchase agreement	13	**150,000,000**	-
Creditors, accrued and other liabilities	14	**3,283,207**	9,906,354
Total Liabilities		**162,213,947**	54,262,924
		3,049,420,048	8,346,972,639
Contingencies and commitments	15	**-**	-
Net assets		**3,049,420,048**	8,346,972,639
Unit holders' fund		**3,049,420,048**	8,346,972,639
Number of units in issue	16	**29,855,979**	80,276,401
Net asset value per unit - Rupees		**102.14**	103.98

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

For Askari Investment Management Limited
(Management Company)

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

ASKARI INCOME FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Notes	2009 Rupees	2008 Rupees
Income			
Net (loss) / gain from sale of investments at fair value through income statement		**(124,989,197)**	44,352,329
Unrealized (loss) / gain on remeasurement of investments at fair value through income statement		**(237,522,319)**	39,665,344
		(362,511,516)	84,017,673
Mark-up on term finance certificates		**411,373,335**	313,611,866
Return on bank deposits and placements		**235,773,504**	606,324,281
Income from continuous funding system		**50,219**	223,296,672
Income from government securities		**-**	8,568,953
Income from commercial paper		**2,444,176**	22,789,858
Dividend income		**-**	971,650
Other income	**17**	**1,995,450**	271,684
		651,636,684	1,175,834,964
		289,125,168	1,259,852,637
Element of (loss) / income and capital (loss) / gain included in prices of units issued less those in units redeemed - net		**(18,319,756)**	(27,626,753)
		270,805,412	1,232,225,884
Expenses			
Remuneration of asset management company	**10**	**69,377,780**	176,189,089
Remuneration of trustee	**11**	**5,625,185**	12,745,935
Annual fee to Securities and Exchange Commission of Pakistan	**12**	**4,129,031**	11,745,932
Amortization of formation costs	**9**	**500,000**	501,372
Auditor's remuneration	**18**	**575,000**	407,325
Custody charges		**56,463**	4,192,756
Brokerage commission		**168,236**	2,340,376
Settlement charges		**174,168**	3,187,237
Financial charges		**51,547,367**	-
Bank charges		**20,444**	83,321
Legal and professional charges		**1,006,536**	-
Others		**337,350**	903,077
		133,517,560	212,296,420
Profit before tax		**137,287,852**	1,019,929,464
Taxation	**19**	**-**	-
Net income to be carried forward for distribution		**137,287,852**	1,019,929,464

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

For Askari Investment Management Limited
(Management Company)

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

ASKARI INCOME FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
Undistributed income at the beginning of the year		
- Net realized gains	**279,666,856**	981,028,900
- Net unrealized gains	**39,665,344**	6,550,392
	319,332,200	987,579,292
Net income for the year	**137,287,852**	1,019,929,464
Distribution at the rate of Rs. 2.9885 per unit on July 7, 2008 (2008: Rs. 11.059 per unit on July 09, 2007)		
- Bonus Units	**(155,705,494)**	(930,230,410)
- Cash	**(84,201,573)**	-
	(239,907,067)	(930,230,410)
Distribution at the rate of Rs. 2.3712 per unit on October 07, 2008 (Rs. 6.038 per unit on April 04, 2008)		
- Bonus Units	**(84,681,745)**	(375,502,619)
- Cash	**(68,209,424)**	(382,443,527)
	(152,891,169)	(757,946,146)
Undistributed income carried forward	**63,821,816**	319,332,200
- Net realized gains	**301,344,135**	279,666,856
- Net unrealized (losses) / gains	**(237,522,319)**	39,665,344
Undistributed income carried forward	**63,821,816**	319,332,200

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

For Askari Investment Management Limited
(Management Company)

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

askari income Fund

ASKARI INCOME FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2009

	2009		2008	
	Units	**Rupees**	Units	Rupees
Net assets at the beginning of the year [Rs. 103.98 per unit (2008: Rs.111.74 per unit)]	**80,276,401**	**8,346,972,639**	84,117,814	9,399,362,924
Amount received on issuance of units	**41,750,666**	**4,205,918,533**	251,014,309	26,158,750,983
Amount paid on redemption of units	**(94,548,491)**	**(9,506,667,735)**	(267,592,919)	(27,876,253,958)
	(52,797,825)	**(5,300,749,202)**	(16,578,610)	(1,717,502,975)
Element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed				
- transferred to income statement	**-**	**18,319,756**	-	27,626,753
Distribution to unit holders during the year- cash	**-**	**(152,410,997)**	-	(382,443,527)
Issue of bonus units	**2,377,403**	**-**	12,737,197	-
Net income for the year	**-**	**137,287,852**	-	1,019,929,464
Net assets at the end of the year [Rs. 102.14 per unit (2008: Rs. 103.98 per unit)]	**29,855,979**	**3,049,420,048**	80,276,401	8,346,972,639

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

For Askari Investment Management Limited
(Management Company)

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

ASKARI INCOME FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Notes	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**137,287,852**	1,019,929,464
Adjustments to reconcile net income to net cash flows:			
Element of loss / (income) and capital loss / (gain) included in prices of units issued less those in units redeemed - net		**18,319,756**	27,626,753
Unrealized loss / gain on remeasurement of investments at fair value through income statement		**237,522,319**	(39,665,344)
Amortization of deferred formation costs		**500,000**	501,372
Financial charges		**51,547,367**	-
		307,889,442	(11,537,219)
Decrease / (increase) in assets			
Placements with banks and financial institutions		**206,338,628**	(125,240,799)
Receivable against Continuous Funding System		**15,797,094**	2,071,826,301
Income receivable from Continuous Funding System		**106,502**	56,877,535
Return on placements with banks		**118,664,172**	(63,164,833)
Mark-up on placements with financial institutions		**23,799,270**	(11,111,829)
Mark-up on term finance certificates		**32,103,166**	(96,246,034)
Mark-up on government securities		**-**	4,537,674
Receivable against sale/maturity of marketable securities		**-**	(10,000)
Other assets - acquired in settlement of investments		**(263,370,344)**	-
Deposits and other receivables		**7,078,460**	(8,545,135)
Investments - net		**1,447,156,984**	(2,377,023,820)
		1,587,673,932	(548,100,940)
Increase / (decrease) in liabilities			
Remuneration payable to asset management company		**(6,757,050)**	622,601
Remuneration payable to the trustee		**(447,729)**	38,764
Annual fee payable to Securities and Exchange Commission of Pakistan		**(7,616,901)**	7,881,757
Amount payable on redemption of units		**(20,604,150)**	(20,347,002)
Borrowings under repurchase agreement		**150,000,000**	-
Creditors, accrued and other liabilities		**(6,971,844)**	7,107,267
		107,602,326	(4,696,613)
Net cash generated from operating activities		**2,140,453,552**	455,594,692
Financial charges paid		**(51,198,670)**	-
Net cash generated from operating activities		**2,089,254,882**	455,594,692

	Notes	2009 Rupees	2008 Rupees
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts in respect of issuance of units		**4,205,918,533**	26,158,750,983
Payments against redemption of units		**(9,506,667,735)**	(27,876,253,958)
Dividend paid		**(152,410,997)**	(382,443,527)
Net cash used in financing activities		**(5,453,160,199)**	(2,099,946,502)
Net decrease in cash and cash equivalents during the year		**(3,363,905,317)**	(1,644,351,810)
Cash and cash equivalents at the beginning of the year		**3,893,072,150**	5,537,423,960
Cash and cash equivalents at the end of the year	20	**529,166,833**	3,893,072,150

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

For Askari Investment Management Limited
(Management Company)

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

1. LEGAL STATUS AND NATURE OF BUSINESS

Askari Income Fund (the Fund) was constituted in Pakistan under a Trust Deed (the Trust Deed) executed between Askari Investment Management Limited (a wholly owned subsidiary of Askari Bank Limited), as its management company, and Central Depository Company of Pakistan Limited (CDC), as its trustee. The Trust Deed was executed on December 05, 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) onDecember 16, 2005 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The head office of the management company is situated at 501 and 502, Green Trust Tower, Jinnah Avenue, Blue Area, Islamabad.

The management company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.

The Fund is an open-ended income fund and is listed on the Lahore Stock Exchange (Guarantee) Limited.Units of the Fund have been offered for public subscription on a continuous basis since March 15, 2006 & are transferable and redeemable by surrendering them to the Fund at the option of unitholder.

In accordance with the offering document, the Fund shall invest in a mix of spread transactions, Continuous Funding System transactions (CFS), debt securities, currency forwards, money market instruments and short-maturity reverse repurchase transactions.

Title to the assets of the Fund is held in the name of CDC as the Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

2.2 During the year, the Fund has adopted IFRS-7 “Financial Instruments - Disclosures”, which resultedin certain additional disclosures relating to financial instruments in thesefinancialstatements.Furtherinterpretations of accounting standards, namely, IFRIC-12 “Service Concession Arrangements”,IFRIC13 “Customer Loyalty Programs” and IFRIC-14 “IAS 19 - The Limits on Defined Benefit AssetMinimumFunding Requirements and their Interactions” also became effective during the year. However, theseinterpretations do not affect the Fund's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Measurement

These financial statements have been prepared under the historical cost convention except for investments and derivatives which are accounted for as stated in note 3.2 and 3.3 below.

3.2 Investments

All investments are initially recognized at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of investments at fair value through income statement, in which case the transaction costs are taken directly to the income statement in the period in which they arise.

The Fund determines the appropriate classification of investments at the time of purchase and classifies these investments in the following categories:

Investments at fair value through income statement

This category has two sub-categories: financial instruments held for trading and those designated at fair value through income statement at inception.

- Investments which are acquired principally for the purposes of generating profit from-short term fluctuation in price or are part of a portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.
- Investments designated at fair value through income statement upon initial recognition include those that are not held for trading purposes and which may be sold.

Held to maturity

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

Available for sale

Investments which are not classified in any of the preceding categories are classified as available for sale.

After initial recognition, investments which are classified as investments at fair value through income statement and available-for-sale are re-measured at fair value. Gains or losses on investments at fair value through income statement are recognized in the income statement. Gains or losses on available-for-sale investments are recognised in the unit holders' fund until the investment is sold, derecognised or is determined to be impaired, at which time the cumulative gain or loss previously reported in unit holders' fund is included in the income statement. Investments classified as held to maturity are stated at amortised cost less accumulated impairment losses, if any.

For investments in quoted marketable securities other than term finance certificates (TFCs)/Sukuk certificates, fair value is determined by reference to Stock Exchange quoted market prices at the close of business on balance sheet date. Unquoted securities, other than government and debt securities, are valued at investment price or the break-up value as per last audited accounts, whichever is later, in accordance with the NBFC Regulations.

Fair value of the investments in Federal Government securities comprising Pakistan Investment Bondsis determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.The fair value of debt securities listed but not traded regularly on the stock exchange, includingTFCs/Sukuk certificates, is determined on the basis of average rates notified by the Mutual FundsAssociation of Pakistan (MUFAP) in accordance with the SECP's Circular No. 1 of 2009 dated January06, 2009, read with Regulation 66(b) of the NBFC Regulations. This circular superseded SECP's CircularNo. 26

dated November 05, 2008 which remained effective from November 05, 2008 to January 05, 2009 and required debt securities to be valued at lower of the rates notified by MUFAP or value determined after applying specified discount rates to the face value of such securities based on the entity or issuer rating. Fair value of unlisted debt securities, other than government securities, is also determined by reference to the average rates notified by MUFAP and where such rates are not so notified, with reference to the quotations obtained from brokerage houses.

3.3 Derivatives

These are initially recognized at cost and are subsequently re-measured at their fair value. The fair values of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealized gains) are included in other assets and derivatives with negative market values (unrealized losses) are included in other liabilities in the Statement of Assets and Liabilities. The resultant gains and losses are included in the income statement in the period in which these arise.

3.4 Receivable under Continuous Funding System

Securities purchased under an agreement to resell are included as receivable against Continuous Funding System at the fair value of the consideration given and are accounted for on the settlement date. The difference between purchase and resale price is treated as income from Continuous Funding System and accrued over the life of the agreement.

3.5 Issue and redemption of units

Units issued are recorded at an offer price, as determined by the Fund, for the applications received by it. The offer price represents the net asset value of units as of the close of the previous business day plus provision of duties and charges, transaction costs and front-end load, if any. Sales load is payable to the management company as processing fee, if applicable.

Units redeemed are recorded at the redemption price, applicable on units for which the Fund receives redemption applications. The redemption price represents the net asset value of units as of the previous day less back-end load, duties, taxes, charges on repurchase and provision of transaction costs, if applicable.

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

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

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

The net 'element of income/(loss) and capital gains/(loss) in prices of units sold less those in units redeemed' during an accounting year/period is transferred to income statement in the period in which it arises.

3.7 Net asset value per unit

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

3.8 Taxation

Current

Income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year excluding realized and unrealized capital gains for the year is distributed amongst the unit holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no provision has been made in these financial statements for tax liability for the current year.

Deferred

The Fund accounts for deferred taxation on all material temporary differences using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the Fund believes that the timing differences will not reverse in the foreseeable future due to the fact that it intends to continue availing the tax exemption through distribution to the extent of 90 percent of its accounting income excluding realized and unrealized capital gains for the year.

3.9 Revenue recognition

Gain/loss arising on disposal of investments is included in income currently and is accounted for on the date at which the transaction takes place.

Dividend income is recorded at the time of the closure of share transfer book of the investee declaring the dividend. Dividend received on marketable securities acquired after the announcement of dividend till the book closure date is accounted for as reduction in the cost of investment.

Income on bank deposits, reverse repurchase agreement, certificates of investment, placements, government securities, commercial paper and term finance certificates is recognized on an accrual basis.

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

3.10 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise bank balances and short-term placements with banks and financial institutions having maturities of up to three months.

3.11 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Fund loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

3.12 Offsetting of financial assets and liabilities

A financial asset and financial liability is set off and the net amount is reported in the statement of assets and liabilities, if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.13 Trade date accounting

All regular way purchases/sales of investments are recognized on the trade date, i.e., the date on which the Fund commits to purchase/sell the investment. Regular way purchases/sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

3.14 Deferred formation cost

Deferred formation cost represents expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortized over a period of five years.

3.15 Distribution to unit holders

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

3.16 Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized immediately in the financial statements.

3.17 Provision

A provision is recognized when the Fund has a 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 can be made of the amount of the obligation.

3.18 Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates andunderlying assumptions are reviewed on an ongoing basis.

Pattern of flow of economic benefits and impairment

Estimates with respect to pattern of flow of economic benefits are based on the analysis of the management of the Fund. Further, management also reviews the value of the assets for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of asset, with a corresponding effect on the impairment.

Other judgements made by the management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies/notes in the financial statements.

3.19 Investment in lease finance

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

3.20 Assets held for sale

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

3.21 Accounting standards not yet effective

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

Standard or Interpretation		Effective Date (Accounting Period Beginning on or After)
IAS-1	Presentation of Financial Statements (Revised)	01 January 2009
IAS-23	Borrowing Costs (Revised)	01 January 2009
IAS-27	Consolidated and Separate Financial Statements (Revised)	01 July 2009
IAS-32	Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments	01 January 2009
IAS-39	Financial Instruments: Recognition and Measurement - Amendments regarding Eligible Hedge items	01 July 2009
IFRS - 2	Share Based Payments - Amendments regarding Vesting Conditions and Cancellations	01 January 2009
IFRS - 3	Business Combinations (Revised)	01 July 2009
IFRS - 8	Operating Segments	01 January 2009
IFRIC - 16	Hedges of Net Investment in Foreign Operation	01 October 2008
IFRIC - 17	Distributions of Non - Cash Assets to Owners	01 July 2009
IFRIC - 18	Transfer of Assets from Customers	01 July 2009

The Fund considers that the above standards, amendments and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments and improvements to the various accounting standards have also been issued by IASB as a result of its annual improvement project. Such amendments are generally effective for accounting periods beginning on or after January 1, 2009. The management considers that such amendments and improvements will not have any significant effect on the Fund's financial statements for the ensuing periods.

	Notes	2009 Rupees	2008 Rupees
4. BALANCES WITH BANKS			
Cash at bank in local currency - PLS savings accounts	4.1	**239,166,833**	568,015,916

4.1 Profit rates on these accounts range between 5% and 12.5 % (2008: 3.5% and 12.5%) per annum and include balance of Rs. 234.91 million (2008: Rs. 20.54 million) with Askari Bank Limited (a related party) on which profit rates range between 8.5% and 12.5% (2008: 8.5%) per annum.

	Notes	2009 Rupees	2008 Rupees
5. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS			
Placement with banks	5.1	**290,000,000**	2,775,000,000
Placement with other financial institutions	5.2	**244,000,000**	1,000,394,862
		534,000,000	3,775,394,862

5.1 The rates of return on these placements are between 11.40% and 12.75% (2008: 10.35% and 15%) per annum and are due to mature between July 2009 and September 2009 (2008: July 2008 and March 2009).

5.2 This represents arrangements under term finance agreements (TFAs) with following two financial institutions.

Trust Investment Bank Limited
A TFA has been entered into by the Fund in settlement of the recovery of principal amount of certificate of investment originally amounting to Rs. 200 million. This TFA is of a twenty-four (24) monthly payment plan at a markup rate of 1 month KIBOR plus 250 basis points, under which three monthly installments of Rs. 6 million has been received. Remaining amount of Rs. 194 million, included in the above amount, would be received in 21 monthly payments.

Saudi Pak Leasing Company Limited
A TFA has been entered into by the Fund in settlement of the recovery of principal amount of certificate of investment originally amounting to Rs. 50 million. This TFA is of a twelve (12) monthly payment plan for an amount of Rs. 30 million starting from July 25, 2009 and a lump sum payment of remaining amount of Rs. 20 million after the completion of twelve (12) monthly payments, at a markup rate of 1 month KIBOR plus 125 basis points.

	Notes	2009 Rupees	2008 Rupees
6. INVESTMENTS			
At fair value through income statement - held for trading			
Quoted debt securities	6.2	**973,542,411**	1,611,356,188
Un-quoted debt securities	6.3	**1,118,536,102**	2,077,845,804
		2,092,078,513	3,689,201,992
Held to maturity			
Commercial paper	6.4	**-**	87,555,824
		2,092,078,513	3,776,757,816

6.1 The cost of investments amounts to Rs. 2,313,854,661 (2008: Rs. 3,733,025,995).

	As at July 01, 2008	Purchased during the year	Disposed during the year	As at June 30, 2009	Carrying value	% of total investments
	--------Number--------				Rupees	%
6.2 Quoted debt securities						
Term Finance Certificates/ Sukuk Certificates						
Certificates have a face value of Rs. 5,000/- each						
Leasing Companies						
Saudi Pak Leasing Limited	8,000	-	8,000	-	**-**	-
ORIX Leasing Pakistan Limited	8,000	-	8,000	-	**-**	-
Al-Zamin Leasing Modarba - Sukuk	7,000	-	-	7,000	**33,173,735**	1.59
Investment Companies and Banks						
NIB Bank Limited	43,400	-	43,400	-	**-**	-
United Bank Limited - II*	45,000	-	5,000	40,000	**183,899,812**	8.79
Escorts Investment Bank - I	16	-	-	16	**79,514**	0.00
Trust Investment Bank Limited	10,000	-	-	10,000	**47,714,055**	2.28
Fertilizers						
Pak Arab Fertilizers Limited	30,000	-	30,000	-	**-**	-
Technology and Communication						
Pakistan Mobile Communications Limited	100,000	-	-	100,000	**487,613,000**	23.31
Telecard Limited	10,000	-	-	10,000	**22,467,621**	1.07
Worldcall Telecom Limited	20,000	-	-	20,000	**95,156,364**	4.55
Worldcall Telecom Limited	5,000	-	-	5,000	**20,471,510**	0.98
Miscellaneous						
Pace Pakistan Limited*	20,000	-	-	20,000	**82,966,800**	3.97
					973,542,411	46.53

*held under pledge against borrowing as explained in note 13.

	Note	As at July 01, 2008	Purchased during the year	Disposed during the year	As at June 30, 2009	Carrying value	% of total investments
		----------Number----------				Rupees	%
6.3 Un-quoted debt securities							
Term Finance Certificates/ Sukuk Certificates							
Certificates have a face value of Rs. 5,000/- each							
*Certificates have a face value of Rs. 100,000/- each							
Investment companies and banks							
Jahangir Siddiqui & Co Limited		18,000	-	18,000	-	**-**	-
KASB Securities Limited		10,000	-	10,000	-	**-**	-
First Dawood Investment Bank Limited		6,000	-	-	6,000	**22,500,000**	1.08
Electronics							
Pak Elektron Limited - Sukuk I		14,000	-	-	14,000	**64,691,900**	3.09
Pak Elektron Limited - Sukuk I		10,000	5,000	10,000	5,000	**22,766,496**	1.09
New Allied Electronics Industries (Private) Limited*	6.3.1	5,000	-	2,500	2,500	**8,020,825**	0.38
Leasing Companies							
*ORIX Leasing Pakistan Limited		1,000	60	1,000	60	**5,872,560**	0.28
Security Leasing Corporation Limited - Sukuk		8,000	-	-	8,000	**31,471,720**	1.50
Textile composite							
Azgard Nine Limited		32,000	-	32,000	-	**-**	-
Sugar Industries							
Al-Abbas Sugar Mills Limited		7,000	-	7,000	-	**-**	-
Cement							
Dewan Cement Limited*	6.3.1	25,000	-	-	25,000	**68,750,000**	3.29
Maple Leaf Cement Factory Limited - Sukuk		35,000	-	-	35,000	**157,517,500**	7.53
Technology and Communication							
Pakistan Mobile Communication Limited		62,000	-	3,000	59,000	**257,181,295**	12.29
Fertilizer							
Pak American Fertilizers Limited		27,000	-	10,000	17,000	**82,771,502**	3.96
Engro Chemical Pakistan Limited		73,000	-	49,000	24,000	**107,996,080**	5.16
Engro Chemical Pakistan Limited		20,000	-	-	20,000	**89,689,200**	4.29
Engro Chemical Pakistan Limited		9,000	-	9,000	-	**-**	-
Hotel Industry							
Avari Hotel Limited		15,200	-	-	15,200	**70,778,344**	3.38
Miscellaneous							
Kashf Foundation		10,000	-	-	10,000	**33,928,680**	1.62
House Building Finance Company Limited		20,000	-	-	20,000	**94,600,000**	4.52
*net of provision.						**1,118,536,102**	**53.47**

6.3.1 Provision against doubtful securities has been made in accordance with the SECP Circular No. 1 of 2009 dated January 06, 2009.

	New Allied Electronics Industries (Private) Limited		Dewan Cement Limited	
	2009	2008	**2009**	2008
	Rupees	Rupees	**Rupees**	Rupees
Opening balance	**-**	-	**-**	-
Provision made during the year	**3,437,498**	-	**56,250,000**	-
Less: Provision reversed during the year	**-**	-	**-**	-
Closing balance	**3,437,498**	-	**56,250,000**	-

	Markup rate	As at July 01, 2008	Purchased during the year	Disposed during the year	As at June 30, 2009	Maturity	Carrying value	% of total investments
		----------Number----------					Rupees	
6.4 Commercial paper- Unsecured								
Azgard Nine Limited (Face Value of Rs. 1,000,000/- each)	11.46%	50	-	50	-	November 2008	-	-
Pak Electron Limited (Face Value of Rs. 5,000,000/- each)	10.56%	6	-	6	-	July 2008	-	-
IGI Insurance Limited (Face Value of Rs.5,000,000/- each)	10.66%	2	-	2	-	October 2008	-	-
							-	-

6.5 Significant terms and conditions of debt securities held as at June 30, 2009 are as follows:

NAME	Quoted/ Unquoted	Mark Up Rate (Per Annum)	Maturity	Floor	Cap	Secured / Unsecured	Security	Rating
Investment Companies and Banks								
Escorts Investment Bank - I	Quoted	6 Months KIBOR + 250 bps	March, 2012	8%	17%	Secured	First parri passu charge on present and future assets of the company with a 25% margin being maintained all times.	A+
United Bank Limited - II	Quoted	6 Months KIBOR + 85 bps	February, 2018	-	-	Unsecured	-	AA
First Dawood Investment Bank Limited	Unquoted	6 Months KIBOR + 160 bps	September, 2012	-	-	Secured	First floating pari passu charge on leased assets and associated rental receivables of FDIBL with 25% margin.	BBB-
Trust Investment Bank Limited	Quoted	6 Months KIBOR + 185 bps	July, 2013	-	-	Unsecured	-	A
Fertilizers								
Engro Chemical Pakistan Limited	Unquoted	6 Months KIBOR + 125 bps	March, 2018	-	-	Secured	The instrument will be secured through a ranking charge created to ensure the investors have a claim on assets of Engro after the claim of the senior Debt providers is settled. Although investors will not have the right to accelerate the payment independently by calling an event of default, in case of enforcement of security by senior debt providers the investors will be required to be repaid after all obligation to senior debt providers have been met, which will be treated as a call by Engro.	AA
Pak American Fertilizer Limited	Unquoted	6 Months KIBOR + 175 bps	November, 2014	-	-	Secured	Second ranking charge over all present and future assets of Azgard Nine Limited including land, building, plant & machinery, investments (excluding PAFL share) to fully secure the facility amount with 25 % margin.	AA-
Engro Chemical Pakistan Limited	Unquoted	6 Months KIBOR + 170 bps	March, 2018	-	-	Secured	Second ranking charge on all present and future fixed assets of the company to be upgraded within 90 days from the date of issue to first ranking pari passu charge over the said assets.	AA
Leasing Companies								
ORIX Leasing Pakistan Limited	Unquoted	6 Months KIBOR + 120 bps	January, 2013	-	-	Secured	First charge over the specific leased assets and associated receivables.	AA
Security Leasing Corporation Limited	Unquoted	6 Months KIBOR + 195 bps	September, 2012	-	-	Secured	First charge over the specific leased assets and associated receivables with 25% security margin.	BBB-
Al-Zamin Leasing Modarba - Sukuk	Quoted	6 Months KIBOR + 190 bps	May, 2012	-	-	Secured	First pari passu charge on leased assets and associated receivables of the Modaraba with a margin of 25% being maintained at all time.	A-
Technology and Communication								
Pakistan Mobile Communications Limited	Quoted	6 Months KIBOR + 165 bps	October, 2013	-	-	Unsecured	-	AA-
Pakistan Mobile Communications Limited	Unquoted	6 Months KIBOR + 130 bps	September, 2010	-	-	Unsecured	-	AA-
Telecard Limited	Quoted	6 Months KIBOR + 375 bps	May, 2011	-	-	Secured	This TFCs is secured by a first exclusive charge over specific fixed assets and assigment of frequency rights recently produced from Pakistan Telecomm unication Authority (PTA).	BBB
Worldcall Telecom Limited	Quoted	6 Months KIBOR + 275 bps	November, 2011	- -			Secured First pari passu charge over all present and future fixed assets and all licenses and right of ways with 25% margin up to a maximum of PKR 4,000 million (assuming a PKR 3,000 million issue Size).	A
Worldcall Telecom Limited	Quoted	6 Months KIBOR + 160 bps	October, 2013	-	-	Secured	First pari passu charge over identifed present and future fixed assets of the payphone and prepaid calling card projects of the company with 25% margin upto a maximum of PKR 438 million.	A

NAME	Quoted/ Unquoted	Mark Up Rate (Per Annum)	Maturity	Floor	Cap	Secured / Unsecured	Security	Rating
Cement								
Dewan Cement Limited	Unquoted	6 Months KIBOR + 200 bps	January, 2014	-	-	Secured	Ranking charge in favour of the investors over fixed assets including land and building of the company with 25% margin.	NPA
Maple Leaf Cement Factory - Sukuk	Unquoted	6 Months KIBOR + 170 bps	December, 2013	-	-	Secured	First pari passu charge over present and future fixed assets of the company with 25% margin.	A-
Electronics								
Pak Elektron Limited - Sukuk I	Unquoted	3 Months KIBOR + 100 bps	March, 2015	8%	25%	Secure	First pari passu charge over present and future fixed assets with 25% margin.	A+
Pak Elektron Limited - Sukuk I	Unquoted	3 Months KIBOR + 175 bps	September, 2012	10%	25%	Secured	First pari passu charge over present and future fixed assets with 25% margin.	A+
New Allied Electronics Industries (Pvt.) Limited	Unquoted	3 Months KIBOR + 275 bps	May, 2011	-	-	Secured	First pari passu charge over present and future fixed assets with 25% margin.	NPA
Hotel Industry								
Avari Hotel Limited	Unquoted	6 Months KIBOR + 325 bps	November, 2014	-	-	Secured	"Personal Guarantee from the sponsor shareholders. First ranking hypothecation over all moveable properties of the project asset including receivables with a 25% margin over the issue amount. First ranking mortgage over the immovable properties of the project asset with a 25% margin over the issue amount. Assignment over all present and future credit cards receivables generated through sales at Avari Hotels Karachi, Lahore and Islamabad. Establishment and creation of a lien over collection account."	A-
Miscellaneous								
Pace Pakistan Limited	Quoted	6 Months KIBOR + 150 bps	August, 2012	-	-	Secured	First pari passu charge on present and future assets (moveable and immovable) by way of equitable mortgage of immoveable properties and hypothecation of moveable assets with 25% margin.	AA-
Kashf Foundation	Unquoted	3 Months KIBOR + 245 bps	July, 2010	-	-	Secured	"Pari passu hypothecation charge over all rights, benefits and interest over its present and future receivables arising from their microfinance protfolio, carving out some assets in favour of existing stakeholders along with 25% margin. 25% of the principal outstanding will be secured through first demand irrevocable unconditional first loss guarantee from Citibank N.A."	A
House Building Finance Company Limited	Unquoted	6 Months KIBOR + 100 bps	May, 2014	-	-	Secured	First charge over specific assets with 25% security margin.	A+

7. OTHER ASSETS - ACQUIRED IN SETTLEMENT OF INVESTMENTS

This represents assets acquired in settlement of certificate of investment and letter of placement of First Dawood Investment Bank Limited (FDIBL) under a settlement agreement dated June 15, 2009. The Securities and Exchange Commission of Pakistan (SECP) has granted approval of this transaction vide its letter no. SEC/NBFC-II/DD/AIML/774/2009 dated August 12, 2009. These assets consist of following:

	Notes	2009 Rupees	2008 Rupees
Net investment in lease finance	7.1	134,713,880	-
Properties - held for sale	7.2	128,656,464	-
		263,370,344	-

7.1 The leased asset is a FL Smidth Frate Cooler Plant of Copenhagen Denmark origin used in the cement industry and the lease rentals are payable as follows:

	2009			2008		
	Less than one year	**More than one year and less than five years**	**Total**	Less than one year	More than one year and less than five years	Total
Minimum lease payments receivables	**41,102,928**	**145,651,140**	**186,754,068**	-	-	-
Residual value of leased assets	**-**	**-**	**-**	-	-	-
	41,102,928	**145,651,140**	**186,754,068**	-	-	-
Unearned finance income	**(23,297,345)**	**(28,742,843)**	**(52,040,188)**	-	-	-
Net investment in lease finance	**17,805,583**	**116,908,297**	**134,713,880**	-	-	-

7.2 This represents settlement value of seven different properties situated at various locations in the city of Karachi. Title of four out of seven properties has been transferred to the Fund as at year end and others are in process. The Fund has carried out valuation of these properties from an independent valuer borne on the panel of Pakistan Banks Association and assessed the aggregate value as of June 30, 2009 is Rs. 161,622,852. Further, the SECP has directed the Fund to appoint valuator of the properties and to dispose off the properties within a period of one year from the receipt of above-referred letter.

	Notes	2009 Rupees	2008 Rupees
8. DEPOSITS AND OTHER RECEIVABLES - Considered Good			
Receivable against Continuous Funding System		-	106,502
Return on placements with banks		1,891,325	120,555,497
Mark-up on placements with financial institutions		2,450,551	26,249,821
Mark-up on Term Finance Certificates		72,470,082	104,573,248
Receivable against principal redemption of fixed income investments		1,785,700	-
Withholding tax receivable on dividend and interest income		76,817	76,687
Receivable against issuance of units		-	8,687,606
Participation fee receivable on private placement of TFCs		-	166,684
Other receivables		-	10,000
Security deposits	8.1	3,600,000	3,600,000
		82,274,475	264,026,045

8.1 This includes security deposits with:

	2009 Rupees	2008 Rupees
Central Depository Company of Pakistan Limited	100,000	100,000
National Clearing Company of Pakistan Limited	3,500,000	3,500,000
	3,600,000	3,600,000

9. **DEFERRED FORMATION COST**

	2009 Rupees	2008 Rupees
Preliminary and floatation costs	2,500,000	2,500,000
Less:Amortization of preliminary and floatation costs		
Balance at the beginning of the year	(1,256,170)	(754,798)
Amortization for the year	(500,000)	(501,372)
Balance at the end of the year	(1,756,170)	(1,256,170)
	743,830	1,243,830

10. REMUNERATION PAYABLE TO ASSET MANAGEMENT COMPANY

According to the provisions of the Trust Deed of the Fund, the management company has charged its remuneration at the rate of 1.5% (2008: 1.5%) per annum based on the daily net assets of the Fund.

11. REMUNERATION PAYABLE TO TRUSTEE

The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, based on the daily average net assets value of the Fund.

The trustee has charged its remuneration at Rs. 2.0 million plus 0.10% per annum (2008: 2.0 million plus 0.10% per annum) on amount exceeding Rs.1 billion of the daily average net assets during the year.

12. ANNUAL FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP an amount equal to one tenth of 1% (2008: one tenth of 1%) of the average daily net assets. The requirement has been changed w.e.f. November 21, 2008 as per NBFC Regulations, to one tenth of 0.75% of the average daily net assets.

13. BORROWINGS UNDER REPURCHASE AGREEMENT

This represents borrowing under repurchase agreement availed from Askari Bank Limited (a related party) under repurchase agreement at an interest rate of 16.97% for the period of fifteen (15 days) from 26 June 2009 to 10 July 2009, against which TFCs of Pace Pakistan Limited (20,000 units amounting to Rs. 82,966,800) and United Bank Limited (20,100 units amounting to Rs. 92,409,655) have been pledged (total amount Rs. 175,376,455).

	Notes	2009 Rupees	2008 Rupees
14. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Payable to brokers against transactions in marketable securities		**371,232**	5,952,313
Sales load payable to management company		**18,712**	-
Reimbursements to management company	14.1	**205,000**	316,395
Legal and professional charges payable		**300,311**	-
Financial charges payable under repurchase agreement		**348,697**	-
Auditor's remuneration		**550,000**	400,000
Dividend payable		**-**	1,790,233
Tax deducted at source		**1,481,396**	1,283,398
Other payables		**7,859**	164,015
		3,283,207	9,906,354

14.1 Reimbursements to management company

	2009 Rupees	2008 Rupees
Tax return filing charges	**105,000**	105,000
Stability rating fee	**-**	108,895
CDC documentation charges	**-**	2,500
Fund rating fee	**100,000**	100,000
	205,000	316,395

15. **CONTINGENCIES AND COMMITMENTS**

Contingencies and commitments as at year end were nil (2008: nil).

16. **NUMBER OF UNITS IN ISSUE**

The par value of each unit is Rs. 100. The management of the Fund has set a minimum investment size of Rs. 5,000. All units carry equal rights and are entitled to dividend and payment of net assets value on liquidation.

	Notes	2009 Rupees	2008 Rupees
17. OTHER INCOME			
Markup received against leased assets acquired in settlement of investments	7	**1,995,450**	-
Participation fee income on privately placed TFCs		**-**	271,684
		1,995,450	271,684
18. AUDITOR'S REMUNERATION			
Audit fee		**350,000**	250,000
Half yearly review		**150,000**	100,000
Other services		**50,000**	50,000
Out of pocket expenses		**25,000**	7,325
		575,000	407,325

19. TAXATION

No provision for current and deferred taxation has been made in the financial statements in view of the exemption under clause 99 of Part I of the second schedule to the Income Tax Ordinance, 2001.

20. CASH AND CASH EQUIVALENTS

Balances with banks		239,166,833	568,015,916
Placements with banks and financial institutions with maturities of upto three months	20.1	290,000,000	3,325,056,234
		529,166,833	3,893,072,150

20.1 This represents:

Placements with banks and financial institutions	5	534,000,000	3,775,394,862
Less: Placements with banks and financial institutions with maturities of more than three months		244,000,000	450,338,628
Placements with banks and financial institutions with maturities of upto three months		290,000,000	3,325,056,234

21. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include/included Askari Investment Management Limited being the management company; Askari Bank Limited being the holding company of the management company; Askari Cement Limited, Askari General Insurance Company Limited, Askari Cement Education Trust, Army Welfare Trust and Askari Securities Limited being group companies; and Askari Bank Employee Provident Fund, President Askari Bank Limited Fund, Askari Investment Management Limited Employee Provident Fund, Askari Investment Management Limited Employee Gratuity Fund and Askari Cement Workers' Profit Participation Fund being post-employment benefit plans of the said companies.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with the market rates.

	Notes	Units	2009 Rupees	2008 Rupees
Transactions with the management company				
Remuneration for the year			**69,377,780**	176,189,089
Payable as at year end			**3,777,020**	10,645,465
Units at the beginning of the year		963,452	**100,177,754**	31,697,038
Units purchased		639,183	**65,000,000**	75,151,351
Bonus Units		58,666	**5,935,272**	7,797,081
Units redeemed		1,661,302	**166,696,632**	11,151,351
Outstanding Units		-	**-**	100,177,754
Transactions with Trustee				
Remuneration for the year			**5,625,185**	12,745,935
Payable as at year end			**321,337**	769,066
Units at the beginning of the year		499,716	**51,959,427**	21,451,374
Units purchased				125,685,839
Bonus Units		24,084	**2,435,510**	6,347,274
Units redeemed		523,800	**53,335,161**	100,685,839
Outstanding units		-	**-**	51,959,468
Transactions with Askari Bank Limited				
Bank balance as at year end			**234,910,026**	**20,546,874**
Mark-up on a deposit account during the year			**17,262,375**	**7,454,311**
Borrowings under repurchase agreement	13		**150,000,000**	-
TFC Pledged			**200,419,800**	-
Financial Charges during the period under repurchase agreement		-	**51,547,367**	-
Financial Charges payable as at year end under repurchase agreement			**348,697**	
Units at beginning of year		4,423,447	**459,940,768**	479,403,709
Units purchased		5,375,293	**550,000,000**	200,000,000
Bonus Units		-	**-**	47,445,526
Units redeemed		-	**-**	235,161,248
Outstanding units		9,798,740	**1,000,820,447**	459,940,768
Gross dividend paid in cash			**-**	28,751,164
PIBs Purchased			**-**	100,988,400
Transactions with Askari Cement Limited				
Units at beginning of year		781,284	**81,236,331**	379,588,762
Units purchased		-	**-**	120,000,000
Bonus Units		41,942	**4,242,301**	55,784,609
Units redeemed		810,151	**83,000,000**	450,000,000
Outstanding units		13,075	**1,335,462**	81,236,331
Transactions with Askari General Insurance Company Limited				
Units purchased		50,606	**5,261,895**	5,000,000
Bonus Units		2,717	**274,785**	288,437
Outstanding units		53,323	**5,446,244**	5,261,895
Transactions with Executives / Directors of the management company				
Units at beginning of the year		446,443	**46,421,231**	32,321,269
Units purchased		131,906	**13,523,620**	74,463,690
Bonus Units		11,084	**1,119,937**	4,650,593
Units redeemed		586,154	**59,685,206**	63,346,171
Outstanding units		3,279	**334,895**	46,421,231

Transactions with Askari Bank Employee Provident Fund			
Units at beginning of the year	286,022	**29,739,924**	28,520,536
Units purchased	-	**-**	-
Bonus Units	15,355	**1,553,070**	4,452,829.40
Units redeemed			1,402,456.00
Outstanding units	301,376	**30,781,855**	29,739,924
Transactions with President Askari Bank Limited Fund			
Units at beginning of the year	78,234	**8,134,613**	7,435,201
Units purchased	-	**-**	-
Bonus Units	4,200	**1,181,750**	1,181,750
Outstanding units	82,434	**8,419,607**	8,134,613
Transactions with Askari Investment Management Limited Employee			
Provident Fund			
Units at the beginning of the year	-	**-**	-
Units purchased	4,614	**479,738**	462,006
Bonus Units	248	**25,053**	17,711
Units redeemed	-	**-**	-
Outstanding units	4,862	**496,545**	479,738
Transactions with Askari Investment Management Limited Employee			
Gratuity Fund			
Units purchased	3,709	**385,660**	373,032
Bonus Units	199	**20,140**	11,243
Outstanding units	3,908	**399,172**	385,660
Transactions with Askari Asset Allocation Fund			
TFC Purchased	60	**5,704,110**	-
TFC Sold	16,300	**110,342,937**	-
Transactions with Askari Securities Limited			
Finance Income on Continuous Funding System		-	20,500
Brokerage Paid		-	1,930,228

22. BASIS OF MEASUREMENT OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows financial instruments recorded at fair value, analysed between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs.

	2009			
	Value at quoted market price	Valuation techniques-market observable inputs	Valuation techniques-non-market observable inputs	Total
	Rupees	Rupees	Rupees	Rupees
On Balance sheet financial instruments				
Financial assets				
Placements with banks and financial institutions	-	534,000,000	-	**534,000,000**
Investments	1,330,009,408	685,298,280	76,770,825	**2,092,078,513**
Other assets - acquired in settlement of investments	-	134,713,880	-	**134,713,880**
	1,330,009,408	**1,354,012,160**	**76,770,825**	**2,760,792,393**
Financial liabilities	-	-	-	-

	2008			
	Value at quoted market price	Valuation techniques-market observable inputs	Valuation techniques-non-market observable inputs	Total
	Rupees	Rupees	Rupees	Rupees
On Balance sheet financial instruments				
Financial assets				
Placements with banks and financial institutions	-	3,775,394,862	-	**3,775,394,862**
Investments	3,776,757,816	-	-	**3,776,757,816**
	3,776,757,816	**3,775,394,862**	-	**7,552,152,678**
Financial liabilities	-	-	-	-

23. RISK MANAGEMENT

The Fund primarily invests in a diversified portfolio of rated corporate debts, certificates of investment, and other money market instruments. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include but are not limited to:

23.1 Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market variables such as interest rates. The Fund manages market risk by monitoring exposure on securities by following the internal risk management policies and investment guidelines approved by the board of directors of the management company and regulations laid down by the Securities and Exchange Commission of Pakistan.

23.2 Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. As at the balance sheet date, the Fund has exposure to interest rate risk on bank balances and investments in Term finance Certificates. Their respective effective interest rate is disclosed in the relevant note to the financial statements. Management of the Fund estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Fund's income by Rs. 46,833,263/- and a 1% decrease would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

23.3 Credit Risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The risk is generally limited to principal amounts and accrued interest thereon, if any. The Fund's policy is to enter into financial contracts with reputable counter parties.

23.3.1 **Credit Risk Management**

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the board of directors of the management company. In addition, the risk is managed through assignment of credit limits, obtaining adequate collateralsand by following strict credit evaluation criteria. The fund does not expect to incur material losses on financial assets.

23.3.2 **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 Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The table below analyses the Fund's maximum exposure to credit risk:

	2009	2008
	Rupees	Rupees
Balances with banks	**239,166,833**	568,015,916
Placements with banks and other financial institutions	**534,000,000**	3,775,394,862
Receivable against Continuous Funding System	**-**	15,797,094
Investments	**2,092,078,513**	3,773,310,190
Other assets - acquired in settlement of investments	**134,713,880**	-
Deposits and other receivables	**82,197,658**	263,949,358
	3,082,156,884	8,396,467,420

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

	% of total investments	
	2009	2008
Investment Companies and Banks	**12.15**	17.66
Fertilizers	**13.41**	21.41
Insurance	**-**	0.26
Leasing Companies	**3.37**	6.82
Sugar Industries	**-**	0.93
Technology and Communication	**42.20**	25.78
Cement	**10.82**	8.06
Electronics	**4.56**	4.71
Textile composite	**-**	5.52
Hotel Industry	**3.38**	2.08
Miscellaneous	**10.11**	6.77
	100.00	100.00

23.3.3 **Credit quality of financial assets**

The table below analyses the Fund's portfolio of investments by rating agency category.

Credit rating	**% of total investments**	
	2009	2008
AA +	**-**	6.14
AA	**18.52**	23.75
AA -	**43.52**	35.21
A +	**8.71**	0.93
A	**9.43**	7.84
A -	**12.50**	0.67
BBB	**1.07**	0.73
BBB -	**2.58**	-
Non-performing assets	**3.67**	-
Unrated	**-**	24.73
	100.00	100.00

23.4 **Liquidity Risk**

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The management company of the Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

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

	2009			
	Upto three months	**More than three months and upto one year**	**More than one year**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**
On Balance sheet financial instruments				
Financial assets				
Balances with banks	239,166,833	-	-	**239,166,833**
Placements with banks and financial institutions	306,500,000	108,500,000	119,000,000	**534,000,000**
Receivable against Continuous Funding System	-	-	-	**-**
Investments	-	-	2,092,078,513	**2,092,078,513**
Other assets - acquired in settlement of investments	-	17,805,583	116,908,297	**134,713,880**
Deposits and other receivables	51,968,059	26,629,599	3,600,000	**82,197,658**
	597,634,892	**152,935,182**	**2,331,586,810**	**3,082,156,884**
Financial liabilities				
Remuneration payable to management company	3,572,020	-	-	**3,572,020**
Remuneration payable to trustee	321,337	-	-	**321,337**
Annual fee payable to Securities and Exchange Commission				**-**
of Pakistan	4,129,031	-	-	**4,129,031**
Amount payable on redemption of units	908,352	-	-	**908,352**
Borrowings under repurchase agreement	150,000,000	-	-	150,000,000
Creditors, accrued and other liabilities	1,801,811	-	-	1,801,811
	160,732,551	**-**	**-**	**160,732,551**
On balance sheet gap	**436,902,341**	**152,935,182**	**2,331,586,810**	**2,921,424,333**
Off balance sheet financial instruments				-

	2008			
	Upto three months	**More than three months and upto one year**	**More than one year**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**
On Balance sheet financial instruments				
Financial assets				
Balances with banks	568,015,916	-	-	**568,015,916**
Placements with banks and financial institutions	2,025,000,000	1,600,000,000	150,394,862	**3,775,394,862**
Receivable against Continuous Funding System	15,797,094	-	-	**15,797,094**
Investments	28,515,031	55,593,167	3,689,201,992	**3,773,310,190**
Other assets - acquired in settlement of investments	-	-	-	**-**
Deposits and other receivables	169,290,478	91,058,880	3,600,000	**263,949,358**
	2,806,618,519	**1,746,652,047**	**3,843,196,854**	**8,396,467,420**

Financial liabilities				
Remuneration payable to management company	10,329,070	-	-	**10,329,070**
Remuneration payable to trustee	769,066			**769,066**
Annual fee payable to Securities and Exchange Commission of Pakistan	11,745,932	-	-	**11,745,932**
Amount payable on redemption of units	21,512,502	-	-	**21,512,502**
Borrowings under repurchase agreement	-	-	-	**-**
Creditors, accrued and other liabilities	9,906,354	-	-	**9,906,354**
	54,262,924	-	-	**54,262,924**
On balance sheet gap	**2,752,355,595**	**1,746,652,047**	**3,843,196,854**	**8,342,204,496**
Off balance sheet financial instruments				**-**

Effective interest rates have been disclosed in the respective notes to the financial statements.

23.5 **Capital Management**

The Fund's objective when managing unit holder's funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holder's and to ensure reasonable safety of capital.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market conditions. The capital structure depends on the issuance and redemption of units.

24. **FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

Underlying the definition of fair values 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 on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

25. **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors of management company on August 17, 2009.

26. **SUPPLEMENTARY NON-FINANCIAL INFORMATION**

The information regarding unit holding pattern, top ten brokers, members of the Investment Committee, Fund Manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company has been disclosed in Annexure - I to the financial statements.

27. **GENERAL**

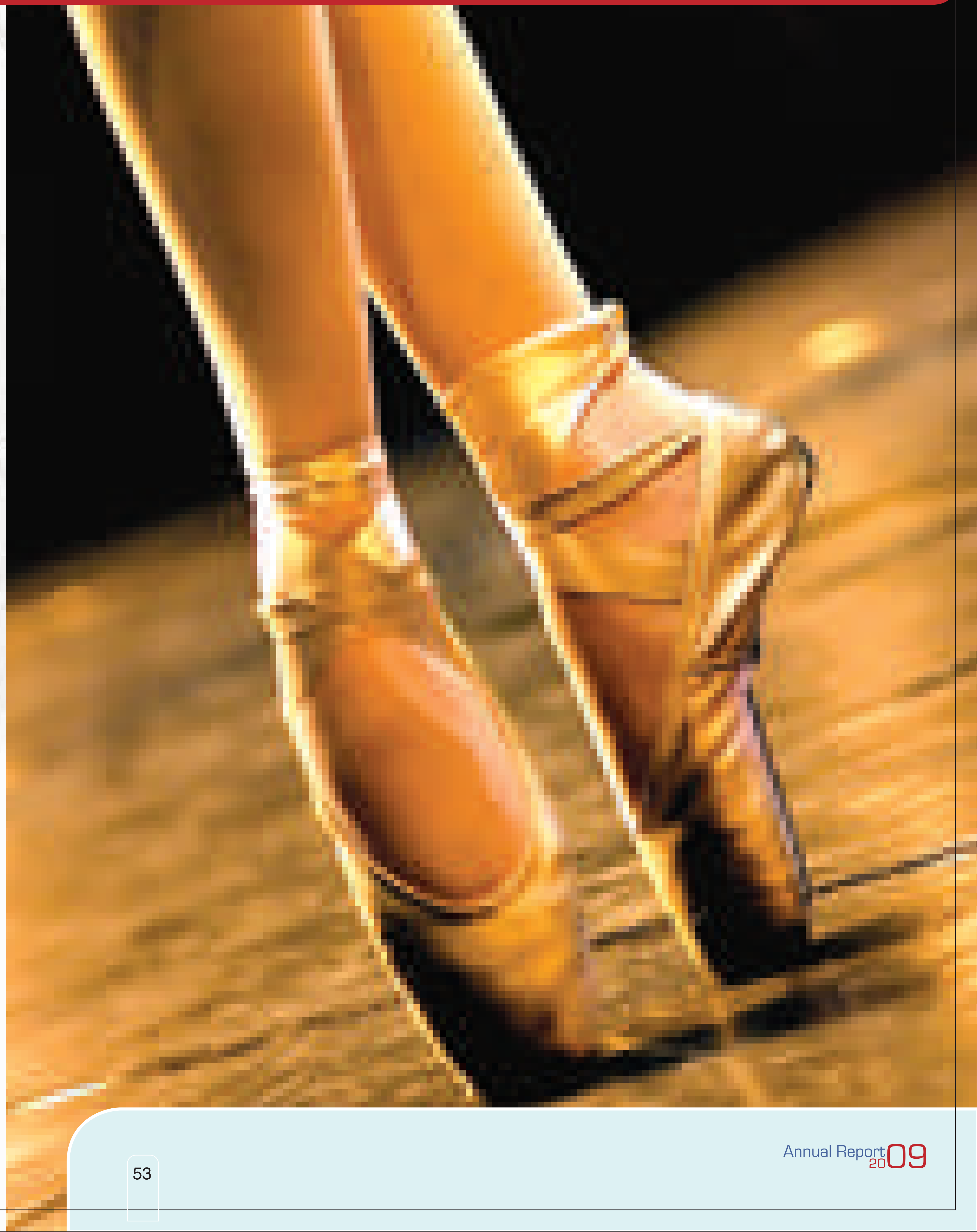
Figures have been rounded off to the nearest Rupee.

For Askari Investment Management Limited
(Management Company)

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

askari asset allocation Fund

Financial Statements
for the year ended 30 June 2009



FUND'S INFORMATION

Management Company	Head Office & Registered Address Askari Investment Management Ltd. Room 501& 502, Green Trust Tower, Blue Area, Jinnah Avenue, Islamabad UAN: 111-246-111 - Fax. 051- 2813017 Email: info@askariinvestments.com
Board of Directors of the Management Company	Lt. Gen. (R.) Imtiaz Hussain - Chairman Mr. Shahid Hafeez Azmi Mr. Muhammad Naseem- FCA Mr. Mohammad Rafiq Uddin Mekhari Maj Gen (R) Saeed Ahmed Khan Mr. Tahir Aziz Mr. Saeed Aziz Khan- CEO
Executive Committee	Mr. Shahid Hafeez Azmi Mr. Mohammad Rafiq Uddin Mekhari Mr. Tahir Aziz Mr. Saeed Aziz Khan- CEO
Audit Committee	Mr. Muhammad Naseem- FCA (Chairman) Mr. Shahid Hafeez Azmi Mr. Mohammad Rafiq Uddin Mekhari Mr. Tahir Aziz
Chief Financial Officer	Mr. Rizwan Hasan Khan
Company Secretary	Syed Shoaib Jaffery
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi Tel: (92-021) 111-111-500
Bankers to the Fund	Askari Bank Ltd. JS Bank Limited
Auditors	Ernst and Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants 4- Mall View Building, Bank Square The Mall, Lahore. Ph. 042- 7211536-8 Fax. 042-7211530
Legal Advisors	Mohsin Tayabaly & Company Advocates & Legal Consultants 2nd Floor, Dine Centre PC-4, Block 9, Kehkashan, Clifton Karachi.
Registrar	Technology Trade (Pvt.) Ltd. Dagia House: 241-C, P.E.C.H.S Block-2, Shahrah-e-Quaideen, Karachi.
Distributors	Askari Bank Ltd. & others

TRUSTEE REPORT TO THE UNIT HOLDERS
ASKARI ASSET ALLOCATION FUND

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

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

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2009 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) Rule, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Kamran Qazi

Chief Financial Officer and Company Secretary

Central Depository Company of Pakistan Limited

Karachi: September 29, 2009

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in regulation No XI of Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, for the purpose of establishing a framework of good governance, where by a listed company is engaged in compliance with the best practices of corporate governance. Askari Investment Management Limited (the company), the management company of Askari Asset Allocation Fund "AAAF or fund" whose units are listed on Islamabad Stock Exchange (Guarantee) Limited is managed in the following manner:

1. The company encourages representation of independent non-executive directors. At present all the board members are non-executive directors except for the Chief Executive Officer.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this management company.

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

4. A casual vacancy occurred in the Board due to resignation of Dr. Bashir A Khan which has not been filled up yet.

5. The management company has prepared a "Statement of Ethics and Business Practices" for the fund which has been signed by all the directors and employees of the company.

6. The management company has adopted a vision/ mission statement and overall corporate strategy and formulated significant policies of the fund that has been approved by the board.

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

8. The meetings of the board were presided over by the Chairman and in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings except for the emergency meeting held on March 05, 2009. The minutes of the meetings were appropriately recoded and circulated.

9. The Board will arrange orientation course for its directors to apprise them of their duties and responsibilities, where necessary. Furthermore, the directors are conversant of the relevant laws applicable to the management company, its policies and procedures and provision of memorandum and article of association and are aware of their duties and responsibilities.

10. The CEO has determined and the Board has approved the appointment, remuneration and terms of conditions of employment of the CFO, the Company Secretary and the internal auditors.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial Statements of the fund were duly endorsed by the CEO and CFO of the management company before approval of the board.

13. Units held by the Directors, CEO, CFO and the executives in AAAF are disclosed in the note 17 to the financial statements. Units held by the directors are disclosed in the pattern of shareholding.

14. The management company has complied with all the applicable 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 including the Chairman of the Committee.

16. The meetings of the audit committee were held once in every quarter and prior approval of interim and final results of the fund and as required by the code. The terms of reference of the audit committee have been framed and approved by the Board of the management company and advised to the committee for compliance.

17. The management company has outsourced the internal audit function of the fund to Anjum Asim Shahid Rahman and Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.

18. The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any the partners of the firm, their spouses and minor children do not hold units of the fund or its management company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. 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 IFAC guidelines in this regard.

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

Lt. Gen (R) Imtiaz Hussain **Chairman**	**Saeed Aziz Khan** **CEO**

August 17, 2009

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Management Company of Askari Asset Allocation Fund (the Fund) to comply with Regulation No. 37, Chapter XI of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the 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 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.

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 status of 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, 2009.

Ford Rhodes Sidat Hyder

Chartered Accountants

Lahore

17 August,2009

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of Askari Asset Allocation Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2009, and the related statements of income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2009 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Mohammed Junaid

Lahore

17 August,2009

ASKARI ASSET ALLOCATION FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2009

	Notes	2009 Rupees	2008 Rupees
Assets			
Balances with banks	4	**27,738,657**	33,247,090
Receivable against sale of marketable securities		**38,248,603**	-
Investments	5	**216,636,017**	469,315,845
Dividends and other receivables	6	**3,226,002**	2,280,972
Deferred formation cost	7	**1,518,911**	2,033,239
Security deposit	8	**3,600,000**	3,600,000
Total Assets		**290,968,190**	510,477,146
Liabilities			
Remuneration payable to the asset management company	9	**730,324**	1,158,165
Remuneration payable to the trustee	10	**57,531**	77,207
Annual fee payable to Securities and Exchange Commission of Pakistan	11	**311,183**	665,776
Amount payable against redemption of units		**-**	9,709,125
Payable against purchase of marketable securities	-		8,696,174
Accrued and other liabilities	12	**726,508**	432,265
Total Liabilities		**1,825,546**	20,738,712
		289,142,644	489,738,434
Contingencies and commitments	13	**-**	-
Net assets		**289,142,644**	489,738,434
Unit holders' fund		**289,142,644**	489,738,434
Number of units in issue	15	**5,293,584**	5,572,525
Net asset value per unit		**54.62**	87.88

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

For Askari Investment Management Limited
(Management Company)

Chief Executive Officer

Director

ASKARI ASSET ALLOCATION FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Notes	2009 Rupees	2008 Rupees
Income			
Net loss from sale of marketable securities		**(117,680,538)**	(43,741,927
Unrealized loss on remeasurement of investments at fair value through income statement		**(75,956,951)**	(14,691,334)
		(193,637,489)	(58,433,261)
Income from continuous funding system		**-**	534,851
Mark-up on term finance certificates		**10,154,126**	1,556,682
Return on bank balances		**2,840,421**	15,248,513
Income from government securities		**-**	1,912,771
Dividend income		**10,594,425**	8,418,800
		23,588,972	27,671,617
Element of income/(loss) and capital gains/(loss) in prices of units issued less those in units redeemed - net		**11,576,502**	(10,009,067)
		(158,472,015)	(40,770,711)
Expenses			
Remuneration of the asset management company	9	**9,598,123**	19,973,428
Remuneration of the trustee	10	**721,932**	1,331,558
Annual fee to Securities and Exchange Commission of Pakistan	11	**311,183**	665,776
Amortization of deferred formation costs	7	**514,328**	442,925
Auditor's remuneration	14	**250,000**	253,710
Brokerage commission		**1,905,509**	4,850,259
Settlement charges		**137,554**	172,461
Legal and professional fee		**418,480**	-
Listing fee		**25,000**	-
Bank charges		**5,365**	13,443
Custodian charges		**131,693**	-
Other		**210,450**	203,233
		14,229,617	27,906,793
Loss before tax		**(172,701,632)**	(68,677,504)
Taxation	16	**-**	-
Net loss to be carried forward for distribution		**(172,701,632)**	(68,677,504)

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

For Askari Investment Management Limited
(Management Company)

Chief Executive Officer

Chairman

Director

ASKARI ASSET ALLOCATION FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
Undistributed (loss)/income at the beginning of the year:		
Realized (loss)/gain	**(52,822,767)**	15,245,104
Unrealized loss	**(14,691,334)**	(1,622,137)
	(67,514,101)	13,622,967
Net loss for the year	**(172,701,632)**	(68,677,504)
Distribution at the rate of Rs. Nil per unit (2008: Rs. 1.99 per unit)	**-**	(12,459,565)
Accumulated (loss) carried forward	**(240,215,733)**	(67,514,102)
Realized loss	**(164,258,782)**	(52,822,767)
Unrealized loss	**(75,956,951)**	(14,691,334)
	(240,215,733)	(67,514,101)

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

For Askari Investment Management Limited
(Management Company)

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

ASKARI ASSET ALLOCATION FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2009

	2009 Units	2009 Rupees	2008 Units	2008 Rupees
Net asset value at the beginning of the year [Rs. 87.88 per unit (2007: Rs. 102.17 per unit)]	**5,572,525**	**489,738,434**	6,273,740	640,996,992
Amount received on issuance of units	**123,269**	**8,034,779**	4,037,270	396,165,749
Amount paid on redemption of units	**(402,210)**	**(24,352,435)**	(4,862,857)	(488,755,870)
	(278,941)	**(16,317,656)**	(825,587)	(92,590,121)
Element of (income) / loss and capital (gains) / losses in prices of units issued less those in units redeemed - transferred to income statement	**-**	**(11,576,502)**	-	10,009,067
Issue of bonus units	**-**	**-**	124,372	-
Net loss for the year	**-**	**(172,701,632)**	-	(68,677,504)
Net asset value at the end of year [Rs. 54.62 per unit (2008: Rs. 87.88 per unit)]	**5,293,584**	**289,142,644**	5,572,525	489,738,434

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

For Askari Investment Management Limited
(Management Company)

Chief Executive Officer **Director**

ASKARI ASSET ALLOCATION FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Notes	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		**(172,701,632)**	(68,677,504)
Adjustments to reconcile net loss to net cash flows:			
Element of (income)/loss and capital (gains)/losses in prices of units issued less those in units redeemed - net		**(11,576,502)**	10,009,067
Unrealized loss on remeasurement of investments at fair value through income statement		**75,956,951**	14,691,334
Amortization of deferred formation costs		**514,328**	442,925
		64,894,777	25,143,326
(Increase)/decrease in assets			
Receivable against sale of marketable securities		**(38,248,603)**	8,296,921
Investments		**176,722,877**	(90,531,634)
Dividends and other receivables		**(945,030)**	(285,218)
Deferred formation cost		**-**	(1,000,000)
		137,529,244	(83,519,931)
Increase/(decrease) in liabilities			
Remuneration payable to the asset management company		**(427,841)**	93,282
Remuneration payable to the trustee		**(19,676)**	6,215
Annual fee payable to Securities and Exchange Commission of Pakistan		**(354,593)**	630,280
Amount payable against redemption of units		**(9,709,125)**	9,709,125
Payable against purchase of marketable securities		**(8,696,174)**	(66,048,770)
Accrued and other liabilities		**294,243**	(4,847,735)
		(18,913,166)	(60,457,603)
Net cash generated from/(used in) operating activities		**10,809,223**	(187,511,712)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts in respect of issuance of units		**8,034,779**	396,165,749
Payments against redemption of units		**(24,352,435)**	(488,755,870)
Net cash used in financing activities		**(16,317,656)**	(92,590,121)
Net decrease in cash and cash equivalents during the year		**(5,508,433)**	(280,101,833)
Cash and cash equivalents at the beginning of the year	4	**33,247,090**	313,348,923
Cash and cash equivalents at the end of the year		**27,738,657**	33,247,090

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

For Askari Investment Management Limited
(Management Company)

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

ASKARI ASSET ALLOCATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1. *LEGAL STATUS AND NATURE OF BUSINESS*

Askari Asset Allocation Fund (the Fund) was constituted in Pakistan under a Trust Deed (the Trust Deed) executed between the Askari Investment Management Limited (a wholly owned subsidiary company of Askari Bank Limited), as its management company, and Central Depository Company of Pakistan Limited (CDC), as its trustee. The Trust Deed was executed on January 17, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on March 19, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The head office of the management company is situated at 501 and 502, Green Trust Tower, Jinnah Avenue, Blue Area, Islamabad.

The management company of the Fund is registered with the SECP as a Non-Banking Finance Company under the NBFC Rules.

The Fund is an open-ended Asset Allocation Fund and is listed on the Islamabad Stock Exchange (Guarantee) Limited. The Fund received core investment (seed capital) amounting to Rs. 250 million from Askari Bank Limited on May 25, 2007 against the issuance of 2,500,000 units and commenced its operation on June 2, 2007. Units of the Fund have been offered for public subscription on a continuous basis since May 25, 2007 and are transferable and redeemable by surrendering them to the Fund at the option of unitholders.

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

Title to the assets of the Fund is held in the name of CDC as the Trustee of the Fund.

2. *STATEMENT OF COMPLIANCE*

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

2.2 During the year, the Fund has adopted IFRS 7 “Financial Instruments – Disclosures”, which resulted in certain additional disclosures relating to financial instruments in these financial statements. Further, interpretations of accounting standards, namely, IFRIC 12 “Service Concession Arrangements”, IFRIC 13 “Customer Loyalty Programmes” and IFRIC 14 “IAS 19 – The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interactions” also became effective during the year. However, these interpretations do not affect the Fund’s financial statements.

3. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

3.1 Basis of Measurement

These financial statements have been prepared under the historical cost convention except for investments and derivatives which are accounted for as stated in notes 3.2 and 3.3 below.

3.2 Investments

All investments are initially recognized at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of investments at fair value through income statement, in which case the transaction costs are taken directly to the income statement in the period in which they arise.

The Fund determines the appropriate classification of investments at the time of purchase and classifies these investments in the following categories:

Investments at fair value through income statement

This category has two sub-categories: financial instruments held for trading and those designated at fair value through income statement at inception.

- Investments which are acquired principally for the purposes of generating profit from short-term fluctuation in price or are part of a portfolio in which there is recent actual pattern of short-term profit taking are classified as held for trading.

- Investments designated at fair value through income statement upon initial recognition includethose that are not held for trading purposes and which may be sold.

Held to maturity

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

Available for sale

Investments which are not classified in any of the preceding categories are classified as available for sale.

After initial recognition, investments which are classified as investments at fair value through income statement and available-for-sale are remeasured at fair value. Gains or losses on investments at fair value through income statement are recognized in the income statement. Gains or losses on available-for-sale investments are recognized in the unit holders' fund until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in unit holders' fund is included in the income statement. Investments classified as held to maturity are stated at amortized cost less accumulated impairment losses, if any.

For investments in quoted marketable securities other than Term Finance Certificates (TFCs)/Sukuk certificates, fair value is determined by reference to Stock Exchange-quoted market prices at the close of business on balance sheet date. Unquoted securities, other than government and debt securities, are valued at investment price or the break-up value as per last audited accounts, whichever is later, in accordance with the NBFC Regulations.

Fair value of the investments in Federal Government securities comprising Pakistan Investment Bonds is determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page. The fair value of debt securities listed but not traded regularly on the stock exchange, including TFCs/Sukuk certificates, is determined on the basis of average rates notified by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP's Circular No. 1 of 2009 dated January 06, 2009, read with Regulation 66(b) of the NBFC Regulations. This circular superseded SECP's Circular No. 26 dated November 05, 2008 which remain effective from November 05, 2008 to January 05 2009 and required debt securities to be valued at lower of the rates notified by MUFAP or value determined after applying specified discount rates to the face value of such securities based on the entity or issuer rating. Fair value of unlisted debt securities is also determined by reference to the rates notified by MUFAP.

3.3 Derivatives

These are initially recognized at cost and are subsequently remeasured at their fair value. The fair values of future contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the future contracts. Derivatives with positive market values (unrealized gains) are included in other assets and derivatives with negative market values (unrealized losses) are included in other liabilities in the Statement of Assets and Liabilities. The resultant gains and losses are included in the income statement in the period in which these arise.

3.4 Issue and redemption of units

Units issued are recorded at the offer price, as determined by the Fund, for the applications received by it. The offer price represents the net asset value of units as of the close of the business day on which funds are recognized in the bank account of the Fund plus provision of duties and charges, front-end load, if any, and provision of transaction costs, if applicable. Sales load is payable to the management company as processing fee.

Units redeemed are recorded at the redemption price, applicable on units for which the Fund receives redemption applications. The redemption price represents the net asset value of units as of the close of the business day on which application for redemption is received less back-end load, duties, taxes, charges on repurchase and provision of transaction costs, if applicable.

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

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

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

The net 'element of income/(loss) and capital gains/(loss) in prices of units sold less those in units redeemed' during an accounting year/ period is transferred to income statement in the period in which it arises.

3.6 **Net asset value per unit**

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

3.7 **Taxation**

Current
Income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year excluding realized and unrealized capital gains for the year is distributed amongst the unit holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

Deferred
The Fund accounts for deferred taxation on all material temporary differences using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the Fund believes that the timing differences will not reverse in the foreseeable future due to the fact that it intends to continue availing the tax exemption through distribution to the extent of 90 percent of its accounting income excluding realized and unrealized capital gains for the year.

3.8 **Revenue recognition**

G1ain/loss arising on disposal of investments is included in income currently and is accounted for on the date at which the transaction takes place.

Dividend income is recorded at the time of the closure of share transfer book of the Company declaring the dividend. Dividend received on marketable securities acquired after the announcement of dividend till the book closure date is accounted for as reduction in the cost of investment.

Income on bank deposits, reverse repurchase agreement, certificates of investment, placements, government securities, commercial paper and term finance certificates is recognized on an accrual basis.

3.9 **Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise of bank balances and short term placements with banks and financial institutions having maturities upto three months.

3.10 **Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Fund loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

3.11 **Offsetting of financial assets and liabilities**

A financial asset and financial liability is set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.12 **Trade date accounting**

All regular way purchases/sales of investments are recognized on the trade date, i.e., the date on which the Fund commits to purchase/sell the investment. Regular way purchases/sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

3.13 **Deferred formation cost**

Deferred formation cost represents expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortized over a period of five years.

3.14 **Distribution to unit holders**

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

3.15 **Impairment**

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized immediately in the financial statements.

3.16 **Provision**

A provision is recognized when the Fund has a 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 can be made of the amount of the obligation.

3.17 **Accounting estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities.The estimates and underlying assumptions are reviewed on an ongoing basis.Judgements made by the management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies/notes in the financial statements.

3.18 **Accounting Standards and Interpretations not Yet Effective**

The following revised standards, amendments and interpretations with respect to approved accounting

Standard or Interpretation		Effective Date (Accounting Period Beginning on or After)
IAS - 1	Presentation of Financial Statements (Revised)	01 January 2009
IAS - 23	Borrowing Costs (Revised)	01 January 2009
IAS - 27	Consolidated and Separate Financial Statements (Revised)	01 January 2009
IAS - 32	Financial Instruments: Presentation – Amendments regarding Puttable Financial Instruments	01 January 2009
IAS - 39	Financial Instruments: Recognition and Measurement – Amendments regarding Eligible Hedge Items	01 July 2009
IFRS - 2	Share Based Payments (Amendments)	01 January 2009
IFRS - 3	Business Combinations	01 January 2009
IFRS - 8	Operating Segments	01 January 2009
IFRIC - 15	Agreements for the Construction of Real Estate	01 October 2008
IFRIC - 16	Hedges of Net Investment in a Foreign Operation	01 October 2008
IFRIC - 17	Distribution of Non-Cash Assets to Owners	01 July 2009
IFRIC - 18	Transfers of Assets from Customers	01 July 2009

The Fund considers that the above standards, amendments and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments and improvements to the various accounting standards have also been issued by IASB as a result of its annual improvement project. Such amendments are generally effective for accounting periods beginning on or after 1 January 2009. The management considers that such amendments and improvements will not have any significant effect on the Fund's financial statements for the ensuing periods.

		Notes	2009 Rupees	2008 Rupees
4.	**BALANCES WITH BANKS**			
	Cash at bank in local currency - PLS savings accounts	4.1	**27,738,657**	33,247,090

4.1 Profit rates on these accounts range between 5.00 % and 11.00% (2008: 5.50% and 10.25%) per annum and include balance of Rs. 2.366 million (2008: Rs. 2.373 million) with Askari Bank Limited (a related party) on which profit earned ranges between 5.00% to 10.50% (2008: 8.50%) per annum.

		Notes	2009 Rupees	2008 Rupees
5.	**INVESTMENTS**			
	At fair value through income statement			
	- Held for trading			
	Quoted equity securities	5.2	**163,583,855**	469,315,845
	Un-quoted debt securities	5.3	**53,052,162**	-
			216,636,017	469,315,845

5.1 The cost of investments amounts to Rs. 238,430,996 (2008: Rs. 484,007,179).

	As at July 01, 2008	Purchased during the year	Disposed during the year	As at June 30, 2009	Carrying value	% of total investments
	-------Number-------				Rupees	%
5.2 Quoted equity securities						
Ordinary shares/units have a face value of Rs. 10/- each unless otherwise stated						
Investment banks/companies						
Arif Habib Securities Limited*	250,000	164,500	77,000	337,500	**9,328,500**	4.31
KASB Securities Limited	-	350,000	250,000	100,000	**1,151,000**	0.53
Invest and Finance Securities Limited	-	200,000	-	200,000	**1,200,000**	0.55
First National Equities Limited	100,000	-	100,000	-	-	-
JS Investments Limited	225,000	25,000	30,000	220,000	**3,726,800**	1.72
Jahangir Siddiqui & Co. Ltd	-	360,000	260,000	100,000	**2,319,000**	1.07
	575,000	1,099,500	717,000	957,500	**17,725,300**	8.18
Commercial banks						
National Bank of Pakistan*	50,000	1,699,300	1,749,300	-	**-**	-
United Bank Limited*	-	1,391,000	1,291,000	100,000	**3,829,000**	1.77
BankIslami Pakistan Limited	100,000	-	100,000	-	**-**	-
Bank Al-Falah Limited*	-	1,782,500	1,532,500	250,000	**2,637,500**	1.22
The Bank of Punjab	-	1,350,000	1,350,000	-	**-**	-
MCB Bank Limited	100,000	793,000	793,000	100,000	**15,503,000**	7.16
NIB Bank Limited	-	2,250,000	1,750,000	500,000	**2,375,000**	1.10
Faysal Bank Limited	-	250,000	250,000	-	**-**	-
Habib Bank Limited	-	418,500	318,500	100,000	**8,606,000**	3.97
Meezan Bank Limited	60,000	-	60,000	-	**-**	-
	310,000	9,934,300	9,194,300	1,050,000	**32,950,500**	15.21
Insurance						
Adamjee Insurance Company Limited*	50,000	1,177,300	1,127,300	100,000	**8,399,000**	3.88
Pakistan Reinsurance Company Limited	-	150,000	150,000	-	**-**	-
	50,000	1,327,300	1,277,300	100,000	**8,399,000**	3.88

Cement						
D.G. Khan Cement Company Limited	-	325,000	325,000	-	**-**	-
Attock Cement Pakistan Limited	-	100,000	100,000	-	**-**	-
Fauji Cement Company Limited	-	500,000	300,000	200,000	**1,318,000**	0.61
Lucky Cement Limited	350,000	325,000	675,000	-	**-**	-
Pioneer Cement Limited	71,500	-	71,500	-	**-**	-
	421,500	1,250,000	1,471,500	200,000	**1,318,000**	0.61
Power generation and distribution						
Hub Power Company Limited	-	2,094,000	1,994,000	100,000	**2,709,000**	1.25
Kot Addu Power Company Limited	-	575,000	575,000	-	**-**	-
	-	2,669,000	2,569,000	100,000	**2,709,000**	1.25
Oil and gas marketing						
Pakistan State Oil Company Limited	110,000	860,900	955,200	15,700	**3,354,305**	1.55
Shell Pakistan Limited	-	75,000	75,000	-	**-**	-
Attock Petroleum Limited	13,000	1,600	14,600	-	**-**	-
Sui Northern Gas Pipelines Limited	500,000	250,000	750,000	-	**-**	-
	623,000	1,187,500	1,794,800	15,700	**3,354,305**	1.55
Oil and gas exploration						
Oil & Gas Development Company Limited	300,000	1,631,700	1,931,700	-	**-**	-
Pakistan Oilfields Limited*	120,000	1,359,100	1,379,100	100,000	**14,590,000**	6.73
Pakistan Petroleum Limited*	165,000	1,014,300	1,179,300	-	**-**	-
Mari Gas Company Limited	-	55,000	30,000	25,000	**3,720,750**	1.72
	585,000	4,060,100	4,520,100	125,000	**18,310,750**	8.45
Automobile assemblers						
Pak Suzuki Motor Company Limited	50,000	10,000	60,000	-	**-**	-
Technology and communication						
Pakistan Telecommunication Company Limited	-	1,100,000	1,100,000	-	**-**	-
NetSol Technologies Limited	-	200,000	100,000	100,000	**1,786,000**	0.82
World Call Telecom Limited	-	1,935,500	1,935,500	-	**-**	-
TRG Pakistan Limited	-	2,000,000	2,000,000	-	**-**	-
	-	5,235,500	5,135,500	100,000	**1,786,000**	0.82
Fertilizers						
Engro Chemical Pakistan Limited*	160,000	1,120,000	1,180,000	100,000	**12,843,000**	5.93
Fauji Fertilizer Company Limited*	-	1,547,400	1,337,400	210,000	**18,259,500**	8.43
Fauji Fertilizer Bin Qasim Limited	500,000	868,000	868,000	500,000	**8,845,000**	4.08
	660,000	3,535,400	3,385,400	810,000	**39,947,500**	18.44
Chemicals						
ICI Pakistan Limited	25,000	25,000	50,000	-	**-**	-
Nimir Industrials Chemicals Limited	-	500,000	500,000	-	**-**	-
Engro Polymer and Chemicals Limited	-	2,708,000	1,508,000	1,200,000	**22,992,000**	10.61
Pak PTA Limited	-	1,000,000	1,000,000	-	**-**	-
	25,000	4,233,000	3,058,000	1,200,000	**22,992,000**	10.61
Paper and boards						
Packages Limited	50,000	-	-	50,000	**7,852,000**	3.62
Century Paper & Board Mills Limited	96,400	-	96,400	-	**-**	-
	146,400	-	96,400	50,000	**7,852,000**	3.62
Refinery						
Attock Refinery Limited	-	200,000	150,000	50,000	**6,239,500**	2.88
Food and personal care products						
Nestle Pakistan Limited	3,100	-	3,100	-	**-**	-
Close-end mutual funds						
AKD Capital Limited	-	17,300	17,300	-	**-**	-

Textile composite						
Nishat Mills Limited	-	119,600	119,600	-	**-**	-
Suraj Cotton Mills Limited	10,000	-	10,000	-	**-**	-
Azgard Nine Limited	25,000	150,000	175,000	-	**-**	-
	35,000	269,600	304,600	-	**-**	-
Transport						
Pakistan International Airlines Limited	1,000,000	-	1,000,000	-	**-**	-
Miscellaneous						
Pace Pakistan Limited	300,000	981,000	1,281,000	-	**-**	-
	4,784,000	36,009,500	36,035,300	4,758,200	**163,583,855**	75.51

* Acquisition include bonus / right shares in respect of following shares

Script Name	Number of shares	
Arif Habib Securities Limited	67,500	Bonus
Adamjee Insurance Co. Limited	8,000	Bonus
Bank Alfalah Limited	62,500	Bonus
Fauji Fertilizer Company Limited	47,500	Bonus
National Bank of Pakistan	40,000	Bonus
Pakistan Petroleum Limited	5,000	Bonus
Pakistan Oilfields Limited	13,000	Bonus
United Bank Limited	16,000	Bonus
Engro Chemical Pakistan Limited	20,000	Right

5.2.1 The Fund has no investment in Continuous Funding System (CFS), however the Fund has opted to provide equity securities to the National Clearing Company of Pakistan Limited (NCCPL), as collateral against the Financial Institutions Margining System for CFS Trades. The market value of the pledged equity securities is Rs. 22,383,500 (2008: 53,779,906).

	As at July 01, 2008	Purchased during the year	Disposed during the year	As at June 30, 2009	Cost	Carrying value	% of total investments
	--------------------------------Number---------------------------					Rupees	%
5.3 Un-quoted debt securities							
Term Finance Certificates Certificates have a face value of Rs. 5,000 each unless stated otherwise.							
Leasing companies							
Orix Leasing Pakistan Limited (Rs. 100,000 each	-	300	60	240	24,036,000	**23,490,240**	10.84
Textile composite							
Azgard Nine Limited	-	6,000	-	6,000	30,125,914	**29,561,922**	13.65
Sugar industries							
Al-Abbas Sugar Mills Limited	-	5,000	5,000	-	-	**-**	-
Fertilizers							
Pak American Fertilizers Limited	-	5,000	5,000	-	-	**-**	-
					54,161,914	**53,052,162**	24.49

5.4 Significant terms and conditions of debt securities held as at June 30, 2009 are as follows:

Name	Note	Tenor	Mark Up Rate (Per Annum)	Quoted/ Unquoted	Maturity	Secured / Unsecured	Rating
Leasing companies							
Orix Leasing Pakistan Limited	5.4.1	5 years	6 Months KIBOR + 120 bps	Unquoted	January, 2013	Secured	AA
Textile composite							
Azgard Nine Limited	5.4.2	7 years	6 Months KIBOR + 225 bps	Unquoted	December, 2014	Secured	AA-

5.4.1 The instrument is secured through a first charge on the company's specific leased assets and associated receivables

5.4.2 The instrument is secured through a ranking charge. The ranking charge shall ensure the investors have a claim on assets of Azgard Nine Limited (ANL) after the claim of the Senior Debt provider(s) is settled.

	Notes	2009 Rupees	2008 Rupees
6. DIVIDENDS AND OTHER RECEIVABLES			
Considered Good			
Mark-up on term finance certificates		**2,217,415**	-
Dividends receivable		**755,000**	2,032,500
Withholding tax receivable		**253,587**	248,472
		3,226,002	2,280,972

7. DEFERRED FORMATION COST

This represents expenses incurred on the formation of the Fund. The offering document of the Fund approved by the Securities and Exchange Commission of Pakistan, permits the deferral of the cost over a period not exceeding five years. Accordingly the said expenses are being amortized over a period of five years effective from the date of the receipt of the initial investment in the Fund.

	Notes	2009 Rupees	2008 Rupees
Preliminary and floatation costs		**2,500,000**	2,500,000
Less: Amortization of preliminary and floatation costs- accumulated			
Balance at the beginning of the year		**(466,761)**	(23,836)
Amortization for the year		**(514,328)**	(442,925)
Balance at the end of the year		**(981,089)**	(466,761)
		1,518,911	2,033,239

8. SECURITY DEPOSIT

This includes security deposits with:

	2009	2008
Central Depository Company of Pakistan Limited	**100,000**	100,000
National Clearing Company of Pakistan Limited	**3,500,000**	3,500,000
	3,600,000	3,600,000

9. REMUNERATION PAYABLE TO THE ASSET MANAGEMENT COMPANY

According to the provisions of the Trust Deed of the Fund, the management company has charged its remuneration at the rate of 3% (2008: 3%) per annum based on the daily net assets of the Fund.

10. REMUNERATION PAYABLE TO THE TRUSTEE

The trustee is entitled to a monthly remuneration as follows;

Net Assets (Rupees in million)	Tariff
From 1 to 1000	Rs. 0.7 million or 0.2% per annum of net asset value whichever is higher
1000 and above	Rs. 2 million plus 0.10% per annum of net asset value exceeding Rs. 1,000 million .

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

This represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP an amount equal to one tenth of 1% of the average daily net assets. The requirement has been changed w.e.f November 21, 2008, as per NBFC Regulations 2008.

	Notes	2009 Rupees	2008 Rupees
12. ACCRUED AND OTHER LIABILITIES			
Reimbursements to the asset management company	12.1	50,000	73,987
Auditor's remuneration		250,710	250,710
Legal and professional charges		300,311	-
Withholding tax payable		17,919	-
Other liabilities		107,568	107,568
		726,508	432,265
12.1 Reimbursements to the asset management company			
Tax exemption certificate processing fee		50,000	50,000
Front end sales load payable		-	23,987
		50,000	73,987

13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments at the year end (2008: Nil).

	Notes	2009 Rupees	2008 Rupees
14. AUDITOR'S REMUNERATION			
Audit fee		150,000	150,000
Half yearly review		75,000	75,000
Out of pocket expenses		25,000	28,710
		250,000	253,710

	Class	Notes	2009 Number	2008 Number
15. NUMBER OF UNITS IN ISSUE				
Description				
Units that shall be charged with no sales load (Restrictive)	A	15.1	2,500,000	2,500,000
Units that shall be charged with no sales load (Non-Restrictive)	A	15.1	2,793,239	-
Units that will be charged with front end load	B	15.2	345	75,984
Units that will be charged with back end load	C	15.3	-	2,996,541
			5,293,584	5,572,525

15.1 Class A comprises of pre IPO units where offer price is initial price. There are two types of units in this class; first is restricted (comprising core units invested by Askari Commercial Bank and not redeemable for first two years) and second is not restricted (redeemable).

15.2 In class B offer price of units is NAV plus front-end load only.

15.3 In class C offer price of units is NAV plus back-end load only.

15.4he par value of each unit is Rs. 100. The management of the Fund has set a minimum investment size of Rs. 5,000. All units carry equal rights and are entitled to dividends and payment of net assets value on liquidation.

16. TAXATION

No provision for income and deferred taxation has been made in the financial statements in view of the exemption under clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001.

17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include Askari Investment Management Limited being the asset management company; Askari Bank Limited being the holding company of the management company; Askari Cement Limited, Askari General Insurance Company Limited, Askari Cement Education Trust, Army Welfare Trust and Askari Securities Limited being group companies; and Askari Bank Employee Provident Fund, President Askari Bank Limited Fund, Askari Investment Management Limited Employee Provident Fund, Askari Investment Management Limited Employee Gratuity Fund and Askari Cement Workers' Profit Participation Fund being post-employment benefit plans of the said companies.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with the market rates.

	Notes	2009 Rupees	2008 Rupees
Transactions with the asset management company			
Remuneration charged for the year		**9,598,123**	19,973,428
Remuneration paid during the year		**10,025,964**	19,880,145
Transactions with the Trustee			
Remuneration for the year		**721,932**	1,331,558
Remuneration paid during the year		**741,608**	1,325,343
Transactions with Askari Bank Limited			
Mark-up on a deposit account during the year		**554,912**	302,008
Units purchased		**-**	-
Bonus units		**-**	4,964,965
Units redeemed		**-**	4,954,771
Shares of the Bank purchased by Fund during the year		**-**	25,645,000
Shares of the Bank sold by Fund during the year		**-**	34,972,240
Profit on spread transactions in the Bank's shares		**-**	330,618
Transactions with Executives / Directors of the asset management company			
Units purchased			24,163,326
Bonus units			84,947
Units redeemed		**-**	27,675,690
Transactions with Askari Cement Education Trust			
Units redeemed		**-**	1,021,520
Transactions with Askari Income Fund			
TFC Purchased		**110,342,937**	-
TFC Sold		**5,704,110**	-

18. BASIS OF MEASUREMENT OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows financial instruments recorded at fair value, analysed between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs.

	2009			
	Value at quoted market price	Valuation techniques-market observable inputs	Valuation techniques-non-market observable inputs	Total
	Rupees	Rupees	Rupees	Rupees
On Balance sheet financial instruments				
Financial assets				
Investments	216,636,017	-	-	216,636,017
	216,636,017	**-**	**-**	**216,636,017**
Financial liabilities	-	-	-	-

	2008			
	Value at quoted market price	Valuation techniques-market observable inputs	Valuation techniques-non-market observable inputs	Total
	Rupees	Rupees	Rupees	Rupees
On Balance sheet financial instruments				
Financial assets				
Investments	469,315,845	-	-	469,315,845
	469,315,845	**-**	**-**	**469,315,845**
Financial liabilities	-	-	-	-

19. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a diversified portfolio of equity securities, fixed rate corporate debt instruments, government securities and other money market instruments. Such investments are subject to varying degrees of risks. These risks emanate from various factors that include but are not limited to:

19.1 Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market variables such as interest rates and equity prices.

The Fund manages market risk by monitoring exposure on securities by following the internal risk management policies and investment guidelines approved by the Board of Directors of the management company and regulations laid down by the Securities and Exchange Commission of Pakistan.

19.1.1 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. As at the balance sheet date, the Fund has exposure to interest rate risk on bank balances and investments in Term finance Certificates. Their respective effective interest rate is disclosed in the relevant note to the financial statements. Management of the Fund estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Fund's income by Rs. 868,654/- and a 1% decrease would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

19.1.2 Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activity, supply and demand for shares and liquidity in the market. The equity price risk exposure arises from the Fund's investments in equity securities. The Fund manages this risk by investing in a variety of sectors and by limiting exposure to a single industry sector to 25 % of net asset value in accordance with its internal risk management policies and regulations laid down by the SECP. Management of the Fund estimates that 10% increase in the overall equity prices in the market with all other factors remaining constant, would increase the Fund's income by Rs. 16,358,386/- and a 10% decrease would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.All investments have been made in Pakistan-based companies. The Fund's concentration of equity price risk by sectoral distribution is shown in Note 5.2.

19.2 Credit risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The risk is generally limited to principal amounts and accrued interest thereon, if any. The Fund's policy is to enter into financial contracts with reputable counter parties.

19.2.1 Credit risk management

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors of the management company. In addition, the risk is managed through assignment of credit limits, obtaining adequate collaterals and by following strict credit evaluation criteria. The Fund does not expect to incur material credit losses on its financial assets.

19.2.2 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 Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The table below analyses the Fund's maximum exposure to credit risk:

	2009	2008
	Rupees	Rupees
Balances with banks	**27,738,657**	33,247,090
Receivable against sale of marketable securities	**38,248,603**	-
Investments	**53,052,162**	-
Dividends and other receivables	**2,972,415**	2,032,500
Security deposit	**3,600,000**	3,600,000
	125,611,837	38,879,590

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

	Percentage of debt instruments	
	2009	2008
Textile Composite	**56%**	-
Leasing Companies	**44%**	-
	100%	-

19.2.3 Credit quality

The Fund invests only in financial assets with good investment grade credit rating and/or market reputation. The unrated equities below represent investment in equity securities of reputable companies. The table below analyses the Fund's Portfolio of equity securities by category.

Rating	**Percentage**	
	2009	2008
AAA	**-**	19.30%
AA+	**22.20%**	6.95%
AA	**23.21%**	28.37%
AA-	**1.45%**	1.03%
A+	**8.68%**	2.53%
A	**-**	-
A-	**-**	0.75%
BBB	**-**	-
AM2+	**-**	4.56%
Unrated	**44.45%**	33.51%
Withdrawn	**-**	3.00%
Total	**100.00%**	100.00%

19.3 Liquidity risk

Liquidity risk is the risk that the fund may encounter difficulty in raising funds to meet its obligations and commitments. The management company of the Fund manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets. The maturity profiles of the Fund's financial instruments are shown below:

19.3.1 Maturity profile

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

	2009			
	Upto three months	More than three months and upto one year	More than one year	Total
	Rupees			
On balance sheet financial instruments				
Financial assets				
Balances with banks	27,738,657	-	-	27,738,657
Receivable against sale of marketable securities	38,248,603	-	-	38,248,603
Investments	-	216,636,017	-	216,636,017
Dividends and other receivables	2,972,633	-	-	2,972,633
Security Deposits	-	-	3,600,000	3,600,000
	68,959,893	216,636,017	3,600,000	289,195,910
Financial liabilities				
Remuneration payable to the asset management company	730,324	-	-	730,324
Remuneration payable to the trustee	57,531	-	-	57,531
Annual fee payable to Securities and Exchange Commission of Pakistan	311,183	-	-	311,183
Accrued and other liabilities	708,584	-	-	708,584
	1,807,622	-	-	1,807,622
On balance sheet gap	67,152,271	216,636,017	3,600,000	287,388,288

	2008			
	Upto three months	More than three months and upto one year	More than one year	Total
	Rupees			
On balance sheet financial instruments				
Financial assets				
Balances with banks	33,247,090	-	-	33,247,090
Receivable against sale of marketable securities	-	-	-	-
Investments	-	469,315,845	-	469,315,845
Dividends and other receivables	2,280,972	-	-	2,280,972
Security Deposits	-	-	3,600,000	3,600,000
	35,528,062	469,315,845	3,600,000	508,443,907
Financial liabilities				
Remuneration payable to the asset management company	1,158,165	-	-	1,158,165
Remuneration payable to the trustee	77,207	-	-	77,207
Annual fee payable to Securities and Exchange Commission of Pakistan	665,776	-	-	665,776
Amount payable against redemption of units	9,709,125	-	-	9,709,125
Payable against purchase of marketable securities	8,696,174	-	-	8,696,174
Accrued and other liabilities	432,265	-	-	432,265
	20,738,712	-	-	20,738,712
On balance sheet gap	14,789,350	469,315,845	3,600,000	487,705,195

19.3.2 Effective interest rates have been disclosed in the respective notes to the financial statements.

19.4 Capital management

The Fund's objective when managing unit holder's funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of capital.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets conditions. The capital structure depends on the issuance and redemption of units.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Underlying the definition of fair values 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 on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

21. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the management company on August 17,2009.

22. COMPARATIVE FIGURES

Prior year's figures have been reclassified as follows, for better presentation:

Item	From	To	Amount (Rupees)
Interest income on term finance certificates	Mark-up on term finance certificates	Net loss from sale of marketable securities	20,000

23. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top ten brokers, members of the Investment Committee, Fund Manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company has been disclosed in Annexure I to the financial statements.

24. GENERAL

Figures have been rounded off to the nearest rupee.

For Askari Investment Management Limited
(Management Company)

Chief Executive Officer	Chairman	Director

SUPPLEMENTARY NON FINANCIAL INFORMATION
AS REQUIRED UNDER SECTION 6(D), (F), (G), (H), (I), (J) AND (K)
OF THE FIFTH SCHEDULE TO THE NBFC&NE REGULATIONS 2008

(i) UNIT HOLDING PATTERN OF THE FUND

Category	Number of unit holders	Amount Rupees (Investment at par value of Rs. 100)	% of total
DFIs/Banks	4	1,433,913	27.09%
Individuals	20	72,036	1.36%
Retirement Funds	3	366,018	6.91%
Associated Companies/ Directors	1	2,500,000	47.23%
Others	4	921,616	17.41%
	32	5,293,584	100.00%

(ii) LIST OF TOP BROKERS BY PERCENT OF THE COMMISSION PAID

Name of broker	Percentage of commission paid
Al Falah Securities (Pvt.) Limited	1.22%
Atlas Capital Market Limited	0.51%
AKD Securities Limited	4.77%
Foundation Securities (Pvt.) Limited	18.82%
Dawood Equities Ltd.	0.20%
Jahangir Siddique Capital Market Limited	1.23%
Arif Habib Securities Limited	0.57%
Al Habib Capital Markets (Pvt.) Limited	0.25%
First National Equities Ltd.	0.48%
Invest & Finance Securities (Pvt) Limited	19.67%
Noman Abid & Company Limited	0.00%
Invest Capital Investment Bank Ltd.	16.91%
Khoja's Capital Management Ltd.	1.76%
Pearl Securities (Pvt) Ltd.	12.39%
Shehzad Chamdia Securities (Pvt) Ltd.	8.21%
Taurus Securities Limited	12.97%
Live Securities (Pvt) Ltd.	0.03%
	100%

(iii) MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Designation	Qualification	Overall experience
Saeed Aziz Khan	CEO / Fund Manager*	BBA	27 Years
Rizwan Hasan Khan	CFO	MBA Executive	13 Years
Adnan Muzaffar	Fund Manager (Askari Income Fund)	MBA	12 years
Usman Ashraf	Fund Manager (Askari Asset Allocation Fund)	MBA	16 years

* The Fund Manager is not managing any other fund.

(iv) ATTENDANCE AT BOARD MEETINGS

The details of dates of Board meetings of the Management Company of the Fund, and the attendance of the Board members are given below:

Name of Director	Designation	Meeting held on								
		07.07.2008	20.08.2008	07.10.2008	29.10.2008	19.12.2008	16.02.2009	05.03.2009	21.04.2009	18.05.2009
Mr. Lt Gen.(R) Zarrar Azim (till 31-12-08)	Chairman	P	P	L	P	P	L	L	N/A	N/A
Mr. Lt Gen.(R) Imtiaz Hussain (w.e.f. 27-03-09)	Chairman	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P
Mr. Muhammad Naseem	Director	P	P	P	P	P	P	P	P	P
Mr.Kashif Mateen Ansari (till 12-06-09)	Director	P	P	P	P	L	P	P	P	P
Mr. Muhammad Arif Mian (till 22-04-09)	Director	L	P	P	P	P	P	P	N/A	N/A
Mr.Shahid Hafeez Azmi	Director	P	L	L	P	P	P	L	P	P
Mr. Mohammad Rafiquddin Mehkari (w.e.f. 29-08-08)	Director	N/A	N/A	P	P	P	P	P	P	P
Mr.Saeed Aziz Khan	CEO	P	P	P	P	P	P	P	P	P

P Present
L Leave of absence

(v) RATING OF THE FUND AND THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the asset manager rating of "AM3" to the Company. The rating reflects the Company's strong capacity to manage the risks inherent in asset management and the asset manager meets high investment management industry standards and benchmarks.

PACRA initiated the process of assigning a rating to the Fund in May 2008 after completion of one year of operations by the Fund. The process is currently in progress.