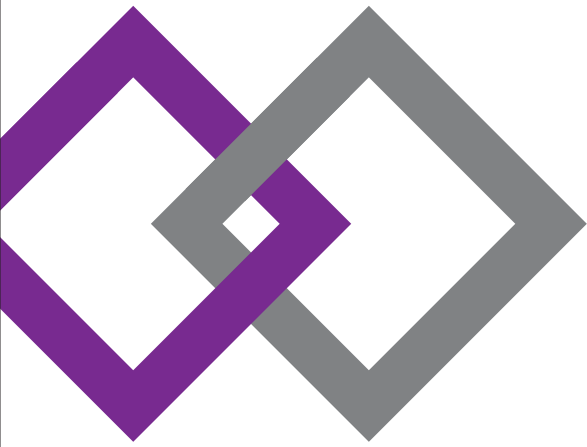




 askari Islamic Asset Allocation Fund



Vision

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

“Service to the Customer”

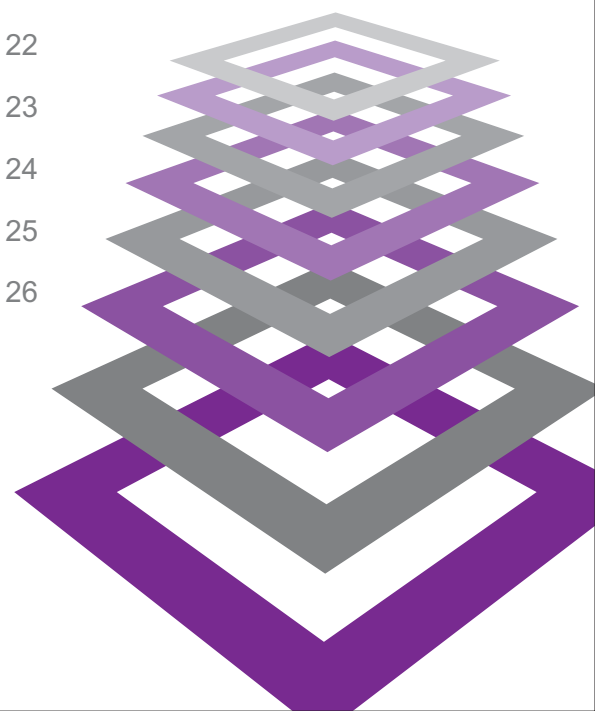
Askari Investment Management Limited

Good people ■ Sound advice ■ Great returns

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askari Islamic Asset Allocation Fund

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Information about the Management Company

Registered Office

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

Head Office

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

Board of Directors

- Lt. Gen. (R.) Tahir Mehmood – Chairman
- Mr. Shahid Hafeez Azmi
- Mr. Muhammad Naseem- FCA
- Mr. Muhammad Rafiquddin Mekhari
- Maj Gen (R) Mukhtar Ahmed
- Mr. Sufian Mazhar
- Mr. Tahir Aziz
- Mr. Adnan Ahmed Siddiqui – CEO

Executive Committee

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

Audit Committee

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

HR Committee

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

Chief Financial Officer:

- Zeeshan

Company Secretary:

- Zeeshan

Fund's Information

Bankers

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

Trustee

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

Auditors

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

Legal Advisors

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

Registrar

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

Directors' Report



DIRECTORS' REPORT TO THE UNIT HOLDERS

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

Economic Overview

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

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

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

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

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

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

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

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

The Equity Market

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

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

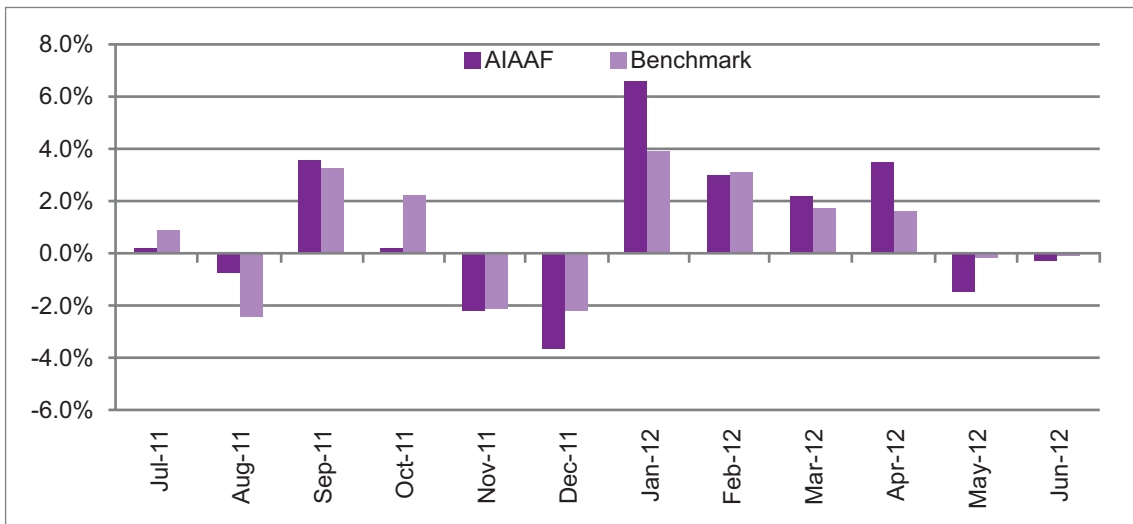
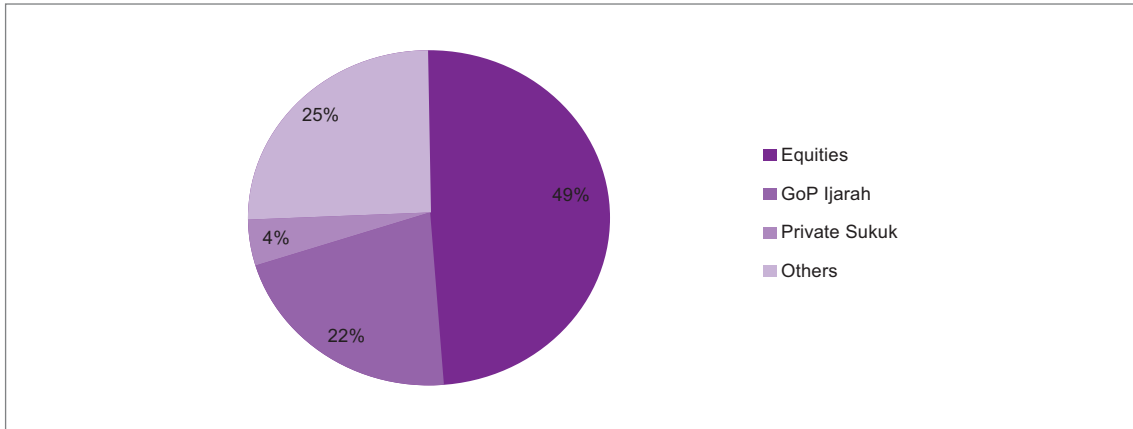
Fixed Income Review

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

Performance of the Fund

AIAAF provided 10.5% return in FY12 as compared to benchmark (50% KMI-30 + 50% Bank's deposits) return of 9.9%. The Fund made provision against Workers Welfare Fund (WWF) which impacted the Fund's return in May 2012. We would like to mention here that we have only created a provision against this levy and any favorable verdict by the court of law would result in its immediate reversal.

In 1HFY12, Fund's equity allocation was gradually raised to 72% by December from 28.2% at the start of the year. This dragged Fund's performance in dull market of 1H however benefited the most in strong bull-run of 2H. On surge in equities, the Fund realized capital gains and ended the year end exposure in equities at 44%. Average allocation in equities during FY12 stood at 49%, 3.8% average allocation was in private Sukuk while 21% allocation remained in GoP sukuk on average. In equities, oil & gas, Auto assemblers, Cements and Chemicals were major sectors where the Fund was invested throughout the year. At the year end, Fund's equity sector exposures consisted of Oil & Gas (24.95%), Chemicals (6.19%), Electricity (4.31%), Personal Goods (2.71%), Construction & Material (2.41%), Pharma and Bio Tech (2.08%) and General Industries (1.4%).



Future Outlook

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

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

Details required by the Code of Corporate Governance:

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

The details as required by the Code of Corporate Governance regarding the pattern of unit holding of the Fund as on June 30, 2012 is as follows:

Category	Shareholding	Percentage of Shareholding
Associated companies, undertakings and related parties		
ASKARI BANK LIMITED	1,095,837	94.03%
AIM EMPLOYEES PROVIDENT FUND	12,792	1.10%
Mutual Fund	-	0.00%
Directors and their spouse and minor children	-	0.00%
Executives	4,131	0.35%
Public sector companies and corporations	4,615	0.40%
Banks, DFIs, NBFCs, Insurance companies, Takafuls, Modrabas and Pension funds	15,305	1.31%
Shareholders holding five percent or more voting rights	-	0.00%
Other Individual Shareholders	32,764	2.81%
	<u>1,165,443</u>	<u>100.00%</u>

The Board of Directors of the Management Company state that:

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

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

	No of Units
Investment	4,608

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

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

	Jun-12	Jun-11	Jun-10
	----- Rupees -----		
Net Assets as June 30th	129,399,419	124,487,504	112,897,341
Net Asset Value per unit as of June 30th	111.0302	111.8516	103.0238
Net Income for the period	12,118,420	13,109,588	12,897,340
Distribution during the period*	12,454,025	3,232,720	9,583,729

This excludes dividend distribution approved after the period-end.

On July 06, 2012, the Board of Directors of the Management Company approved a final distribution at the rate of Rs 9.8782 per unit (Par value of Rs. 100 per Unit) out of the accounting income for the year ended June 30, 2012. This distribution has been made in compliance with Regulation 63 of the NBFC Regulations, 2008, and to avail the income tax exemption for the Fund as available under Clause 99 of the Second Schedule to the Income Tax Ordinance, 2001.

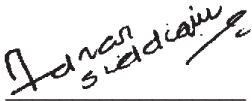
Auditors

The Board of Directors on the recommendation of the Audit Committee has approved the re-appointment of M/s A.F. Ferguson & Co. - Chartered Accountants as the auditors of the Fund for the financial year ending June 30, 2013.

Acknowledgement

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

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



Chief Executive Officer

September 26, 2012
Karachi

Fund Manager's Report



FUND MANAGER'S REPORT

Askari Islamic Asset Allocation Fund (AIAAF) is an open end Islamic asset-allocation fund. The objective of the Fund is to provide investors a unique AIM Based Shariah compliant Investment solution focused on a Total Return based philosophy. The Fund aims to provide "Risk Free + 3% (CAGR)" returns on rolling period of two years, targeting to capitalize on opportunities available in equity and debt markets based on in-house research and proprietary investment techniques.

Economic Overview

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

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

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

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

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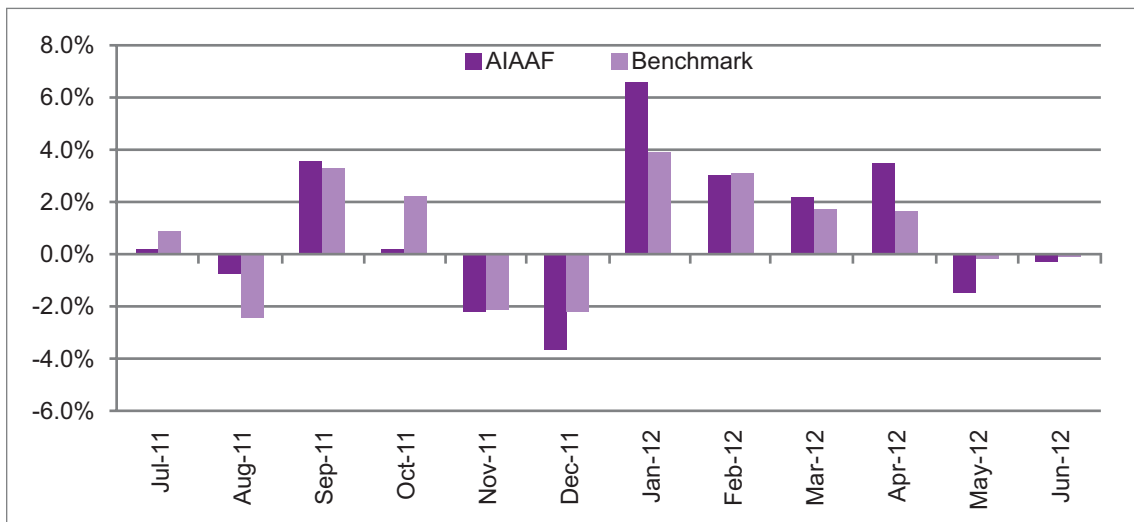
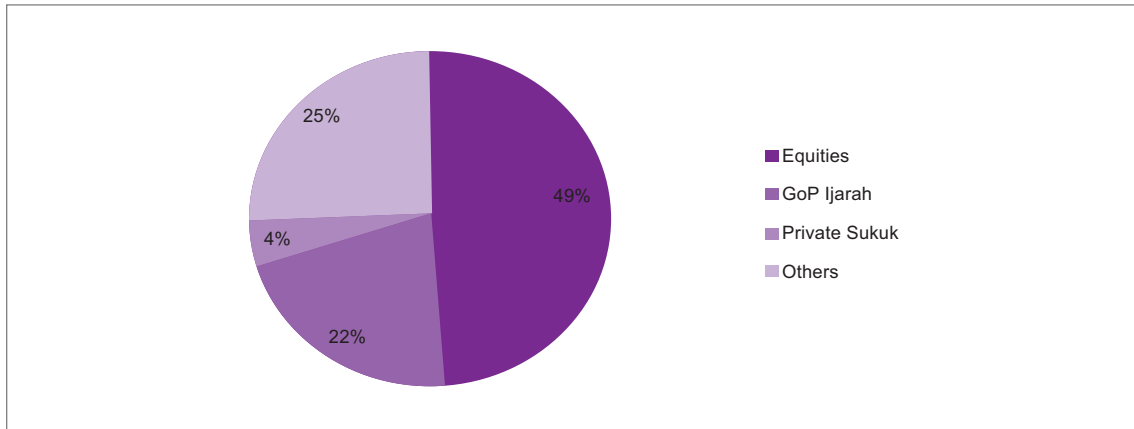
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On the fixed income front, following the cut in the discount rate by 150bps to 10.5% on August 10, 2012, the yields across various maturities have slipped between 150-200 bps. Overall, AAAF is expected to keep relatively higher allocation in equities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



REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

ASKARI ISLAMIC ASSET ALLOCATION FUND

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

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

1. Askari Investment Management Limited, the Management Company of Askari Islamic Asset Allocation Fund, has in all material respects, managed Askari Islamic Asset Allocation Fund during the year ended June 30, 2012 in accordance with the provisions of the following:
 - (i) the limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: October 15, 2012

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

Shari'ah Academy
International Islamic University Islamabad
Pakistan



أكاديمية الشريعة
الجامعة الإسلامية العالمية بإسلام آباد
باكستان

Director General

REPORT OF THE SHARIAH ADVISOR

ASKARI ISLAMIC ASSET ALLOCATION FUND

Alhamdulillah, Askari Islamic Asset Allocation Fund (AIAAF or the "Fund") has successfully completed its third year operations for the period from July 01, 2011 to June 30, 2012 and I thank ALLAH Almighty on this occasion. In the capacity of being the Shariah Advisor of AIAAF, I am issuing this report in accordance with clause 6.2(c)(v) of the Trust Deed of AIAAF. The scope of this report is to express an opinion on the Shariah compliance of Fund's activities.

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

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

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

In light of the above, I hereby certify that operations of AIAAF and its investments & placements for the period ended June 30, 2012 have been in compliance with Shariah principles.

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

Dr. Muhammad Tahir Mansoori
Shariah Advisor-AIAAF

October 5, 2012

Islamabad

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A. F. FERGUSON & CO.

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

We have performed an independent assurance engagement of Askari Islamic Asset Allocation Fund (the Fund) to express an opinion on the annexed Statement of compliance with the Shariah principles (the 'Statement') for the year ended June 30, 2012. Our engagement was carried out as required under clause 6.3 of the Trust Deed of the Fund.

Management Company's responsibility

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

Responsibility of independent assurance providers

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

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

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

Conclusion

In our opinion, the annexed statement, in all material respects, present fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the year ended June 30, 2012.



Chartered Accountants

Dated: October 23, 2012

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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 Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924
 Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (799) 315320, +93 (799) 315320



A. F. FERGUSON & CO.

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

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

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

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.



Chartered Accountants

Dated: October 23, 2012

Karachi

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

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

Askari Islamic Asset Allocation Fund is an open end mutual fund and is listed on Islamabad Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, Askari Investment Management Limited, on behalf of the Fund, has applied the principles contained in the Code in the following manner:

- The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes

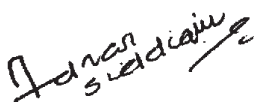
Category	Names
Independent Directors	1. Mr. Muhammad Naseem 2. Mr. Shahid Hafiz Azmi 3. Mr. Sufian Mazhar
Executive Directors	1. Mr. Adnan Ahmed Siddiqui - Chief Executive Officer
Non - Executive Directors	1. Lt. Gen. (Retd.) Tahir Mehmood 2. Maj. Gen. (Retd.) Mukhtar Ahmed 3. Mr. M. R. Mehkari 4. Mr.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

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

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

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

On behalf of the Board


Adnan Ahmed Siddiqui
Chief Executive

Dated: October 23, 2012
Karachi



A. F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Askari Islamic Asset Allocation Fund (hereinafter referred to as 'the Fund')**, which comprise the statement of assets and liabilities as at June 30, 2012, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2012, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Salman Hussain

Chartered Accountants

Engagement Partner: **Salman Hussain**

Dated: October 18, 2012

Karachi

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Financial Statements

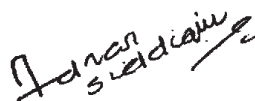



ASKARI ISLAMIC ASSET ALLOCATION FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012

	Note	2012	2011
		----- (Rupees) -----	
ASSETS			
Balances with banks	4	14,122,973	50,844,812
Placement with Islamic banks	5	-	10,000,000
Investments	6	113,024,028	55,421,235
Receivables against sale of Investments		10,120	-
Advances, deposits, prepayment and other receivables	7	4,034,923	8,438,452
Preliminary expenses and floatation cost	8	492,385	712,150
Total assets		<u>131,684,429</u>	<u>125,416,649</u>
LIABILITIES			
Payable to the Management Company	9	382,740	307,963
Payable to the Trustee	10	57,377	57,536
Payable to Securities and Exchange Commission of Pakistan	11	116,353	112,430
Accrued and other liabilities	12	1,728,540	451,216
Total liabilities		<u>2,285,010</u>	<u>929,145</u>
NET ASSETS		<u>129,399,419</u>	<u>124,487,504</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>129,399,419</u>	<u>124,487,504</u>
Contingencies and commitments	13		
----- Number of units -----			
Number of units in issue		<u>1,165,443</u>	<u>1,112,970</u>
----- (Rupees) -----			
NET ASSET VALUE PER UNIT		<u>111.0302</u>	<u>111.8516</u>

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

For Askari Investment Management Limited
(Management Company)


Chief Executive

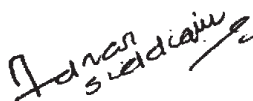

Director

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

	Note	2012	2011
----- (Rupees) -----			
Income			
Profit on balances and placements with banks		2,664,196	5,612,711
Profit on sukuk certificates		3,795,037	2,743,855
Dividend income		5,171,411	807,528
Capital gain on sale of investments		11,520,637	10,664,760
Net unrealised diminution in value of investments classified as 'at fair value through profit or loss'	6.1 & 6.2	(2,937,838)	(1,141,681)
Total Income		20,213,443	18,687,173
Expenses			
Remuneration of the Management Company	9.1	3,675,321	3,550,302
Sindh Sales Tax on remuneration of the Management Company	9.2	588,238	-
Remuneration of the Trustee	10.1	700,000	700,000
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	116,353	112,430
Auditors' remuneration	14	455,540	422,815
Fees and Subscription		110,002	60,000
Amortisation of preliminary expenses and floatation cost		219,765	219,164
Legal and professional charges		49,999	70,964
Securities transaction costs		457,908	547,681
Bank and settlement charges		229,551	136,370
Printing charges		122,447	131,435
Charity expense		235,140	22,703
Total expenses		6,960,264	5,973,864
Net income from operating activities		13,253,179	12,713,309
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net (Provision) / reversal of provision for Workers' Welfare Fund	12.2	(351,891) (782,868)	238,654 67,625
Other income - provision no longer required written back		-	90,000
Net income for the year before taxation		12,118,420	13,109,588
Taxation	15	-	-
Net income for the year after taxation		12,118,420	13,109,588
Earnings per unit	16		

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

For Askari Investment Management Limited
(Management Company)



Chief Executive



Director

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

Net income for the year after taxation

Other comprehensive income

Total comprehensive income for the year

2012	2011
----- (Rupees) -----	
12,118,420	13,109,588
-	-
<u>12,118,420</u>	<u>13,109,588</u>

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

For Askari Investment Management Limited
(Management Company)

Adnan Siddiqui

Chief Executive

Sabir

Director

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

Undisributed income brought forward:

Realised Income
Unrealised loss

Net income for the year after taxation

Final distribution of Rs 11.1899 per unit on July 6, 2011 for the year ended June 30, 2011 (2010:Rs 2.950 per unit, July 6, 2010)

- Cash dividend
- Bonus units

Undisributed income carried forward

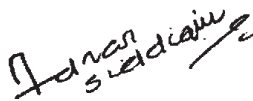
Undistributed income carried comprising:

Realised Income
Unrealised loss

	2012	2011
	----- (Rupees) -----	
Realised Income	14,332,160	3,478,623
Unrealised loss	(1,141,681)	(165,012)
	13,190,479	3,313,611
Net income for the year after taxation	12,118,420	13,109,588
Final distribution of Rs 11.1899 per unit on July 6, 2011 for the year ended June 30, 2011 (2010:Rs 2.950 per unit, July 6, 2010)		
- Cash dividend	(12,262,310)	(3,232,720)
- Bonus units	(191,715)	-
	(12,454,025)	(3,232,720)
Undisributed income carried forward	<u>12,854,874</u>	<u>13,190,479</u>
Undistributed income carried comprising:		
Realised Income	15,792,712	14,332,160
Unrealised loss	(2,937,838)	(1,141,681)
	<u>12,854,874</u>	<u>13,190,479</u>

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

For Askari Investment Management Limited
(Management Company)



Chief Executive



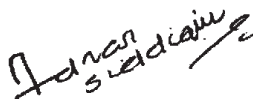
Director


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

	2012	2011
	----- (Rupees) -----	
Net assets at beginning of the year	124,487,504	112,897,341
Issue of 372,700 units (2011: 59,121 units)	39,757,276	6,631,972
Redemption of 322,132 units (2011: 41,988 units)	(35,053,362)	(4,680,023)
	4,703,914	1,951,949
Issue of 1,905 bonus units (2011: Nil units)	191,715	-
	4,895,629	1,951,949
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net	351,891	(238,654)
Net realised gain on sale of investments	11,520,637	10,664,760
Net unrealised diminution in value of investments classified as 'at fair value through profit or loss'	(2,937,838)	(1,141,681)
Other net income for the year	3,535,621	3,586,509
Other comprehensive income	-	-
Net income for the year	12,118,420	13,109,588
Final distribution of Rs 11.1899 per unit on July 06, 2011 for the year ended June 30, 2011 (2010:Rs 2.950 per unit, July 06, 2010)		
Cash Dividend	(12,262,310)	(3,232,720)
Bonus Units	(191,715)	-
Net assets as at the end of the year	129,399,419	124,487,504

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

For Askari Investment Management Limited
(Management Company)


Chief Executive

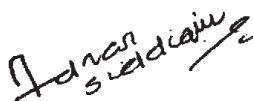

Director


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

Note	2012	2011
	------(Rupees)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	12,118,420	13,109,588
Adjustments for:		
Dividend income	(5,171,411)	(807,528)
Net unrealised diminution in value of investments classified as 'at fair value through profit or loss'	2,937,838	1,141,681
Amortisation of preliminary expenses and floatation cost	219,765	219,164
(Provision) / reversal of provision for Workers' Welfare Fund	782,868	(67,625)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net	351,891	(238,654)
	(879,049)	247,038
(Increase) / decrease in assets		
Investments - net	(60,540,631)	(45,437,142)
Receivable against sale of securities	(10,120)	815,953
Advances, deposits, prepayment and other receivables	4,381,991	(7,592,205)
	(56,168,760)	(52,213,394)
Increase / (decrease) in liabilities		
Payable to the Management Company	74,777	28,789
Payable to the Trustee	(159)	-
Payable to Securities and Exchange Commission of Pakistan	3,923	32,415
Accrued and other liabilities	494,456	(1,367,118)
	572,997	(1,305,914)
Dividend received	5,192,949	748,303
Net cash out flow from operating activities	(39,163,443)	(39,414,379)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	39,757,276	6,631,972
Payments against redemption of units	(35,053,362)	(4,680,023)
Dividend paid	(12,262,310)	(3,232,720)
Net cash outflow from financing activities	(7,558,396)	(1,280,771)
Net cash outflow during the year	(46,721,839)	(40,695,150)
Cash and cash equivalents at the beginning of the year	60,844,812	101,539,962
Cash and cash equivalents at the end of the year	14,122,973	60,844,812

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

For Askari Investment Management Limited
(Management Company)


Chief Executive


Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Askari Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed executed between Askari Investments Management Limited (a wholly owned subsidiary of Askari Bank Limited), as the Management Company and MCB Financial Services Limited as the Trustee on August 26, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Notified Entity on June 25, 2009 in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The registered office of the Management Company is situated at Office No. 2/W, Kashmir Plaza, Jinnah Avenue, Blue Area, Islamabad with its Head Office situated at 20-C, Khayaban-e-Nishat, Phase VI, DHA, Karachi.
- 1.2** The Fund offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund except for the core units which are subject to certain restrictions as per NBFC Regulations and the constitutive documents of the Fund. The units are listed on the Islamabad Stock Exchange (Guarantee) Limited.
- 1.3** As per the offering document, the Fund shall invest in shariah compliant equities and debt securities and other shariah compliant instruments including shariah compliant securities available outside Pakistan as approved by the Shariah Advisor and SECP from time to time.
- 1.4** Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM3+' to the Management Company in June 2012. As per the rating scale of PACRA, this rating denotes that the asset manager meets high industry standards and benchmarks. Further, Pakistan Credit Rating Agency Limited (PACRA) has assigned a performance rating of "3 - Star" (short - term) to the Fund. The Management company has initiated the process of obtaining the performance rating of the Fund.
- 1.5** Title to the assets of the Fund are held in the name of MCB Financial Services Limited as a trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

- a) IFRS 7, 'Financial Instruments: Disclosures' This amendment is effective from January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Fund's financial statements, other than certain additional disclosures.
- b) IFRS 7, 'Financial instruments: Disclosures' This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures

relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Fund's financial statements during the current year.

- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Fund's financial statements as currently no items are being reported in other comprehensive income.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The revised standard does not have any impact on the Fund's financial statements.

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

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

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment will not have any effect on the Fund's financial statement as presently no items are being reported in other comprehensive income.
- b) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements relate to:

- Classification and valuation of investments (notes 3.2 and 5)
- Recognition of provisions (note 3.5 and 12.2)

2.5 Accounting convention

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 Financial assets

3.2.1 Classification

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

Investments are categorised as follows:

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

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

b) Loans and receivables

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

c) Available-for-sale

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

3.2.2 Regular way contracts

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

3.2.3 Initial recognition and measurement

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

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

b) Available-for-sale & Loans and receivables

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

3.2.4 Subsequent measurement

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

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

i) Basis of valuation of equity securities

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

ii) Basis of valuation of government securities

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

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

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

b) Loans and receivables

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

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

3.2.5 Impairment

The Fund assesses at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Financial assets classified as 'available for sale'

a) Equity securities

In the case of AFS equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

b) Debt securities and other exposures

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization.

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

If evidence of impairment exists, the cumulative loss previously recognised in other comprehensive income is removed from other comprehensive income and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Financial assets classified as 'loans and receivable'

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. Provision is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by the SECP.

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.3 Financial liabilities

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

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

3.4 Formation costs

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

3.5 Provisions

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

3.6 Taxation

Current

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

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

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial

statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.7 Issue and redemption of units

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

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

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

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

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

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

3.9 Net asset value per unit (NAV)

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

3.10 Revenue recognition

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

3.11 Proposed distributions

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

		Note	2012	2011
			-----Rupees-----	
4	BANK BALANCES			
	Saving accounts	4.1	<u>14,122,973</u>	<u>50,844,812</u>
4.1	These carry profit at the rates ranging from 5% to 12.25% (2011: 5% to 11.70%) per annum.			
5	PLACEMENTS WITH ISLAMIC BANKS			
	Placements with Islamic banks		<u>-</u>	<u>10,000,000</u>
6	INVESTMENTS			
	At fair value through profit and loss - Held for trading			
	Listed equity securities	6.1	<u>58,006,028</u>	<u>35,389,975</u>
	Sukuk certificates	6.2	<u>55,018,000</u>	<u>20,031,260</u>
			<u>113,024,028</u>	<u>55,421,235</u>

6.1 Listed equity securities

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

Name of the investee company	Number of shares					Rupees			Market value as a percentage of net assets	Market value as a percentage of investments	Paid-up value of shares held as a % of total paid up capital of the investee company
	As at July 1, 2011	Purchases during the year	Bonus/ right issues during the year	Sales during the year	As at June 30, 2012	Carrying Value	Market Value	Appreciation/ (Diminution)			
Banks											
Meezan Bank Limited	115,690	130,181	-	245,871	-	-	-	-	-	-	
Bank Islami Pakistan Limited	357,192	-	-	357,192	-	-	-	-	-	-	
	472,882	130,181	-	603,063	-	-	-	-	-	-	
Automobile and Parts											
Pak Suzuki Motor Company Limited	-	122,550	-	122,550	-	-	-	-	-	-	
Indus Motor Company Limited	-	11,499	-	11,499	-	-	-	-	-	-	
	-	134,049	-	134,049	-	-	-	-	-	-	
Construction and Materials											
D.G. Khan Cement Limited	286,500	311,675	-	550,006	48,169	1,923,339	1,896,895	(26,444)	1.47%	1.68%	
Lucky Cement Limited	63,183	147,975	-	200,070	11,088	1,290,398	1,279,444	(10,954)	0.99%	1.13%	
	349,683	459,650	-	750,076	59,257	3,213,737	3,176,339	(37,398)	2.45%	2.81%	
Chemicals											
ICI Pakistan Limited	2,467	17,220	-	19,687	-	-	-	-	-	-	
Fauji Fertilizers Bin Qasim Limited	-	22,637	-	22,637	-	-	-	-	-	-	
Fauji Fertilizers Company Limited	-	117,957	5,385	62,263	61,079	7,443,664	6,782,823	(660,841)	5.24%	6.00%	
Lotte Pakistan PTA Limited	-	647,080	-	452,604	194,476	2,208,197	1,367,166	(841,031)	1.06%	1.21%	
	2,467	804,894	5,385	557,191	255,555	9,651,861	8,149,989	(1,501,872)	6.30%	7.21%	
Electricity											
The Hub Power Company Limited	46,400	301,300	-	329,675	18,025	661,036	755,067	94,031	0.58%	0.67%	
Pakgen Power Limited	-	541,049	-	156,617	384,432	6,148,759	4,916,885	(1,231,874)	3.80%	4.35%	
	46,400	842,349	-	486,292	402,457	6,809,795	5,671,952	(1,137,843)	4.38%	5.02%	
Fixed Line Telecommunication											
Pakistan Telecommunication Company Limited 'A'	-	623,780	-	623,780	-	-	-	-	-	-	
	-	623,780	-	623,780	-	-	-	-	-	-	
Personal Goods											
Nishat Mills Limited	-	129,033	-	53,993	75,040	4,071,362	3,570,403	(500,959)	2.76%	3.16%	
	-	129,033	-	53,993	75,040	4,071,362	3,570,403	(500,959)	2.76%	3.16%	
General Industrials											
Packages Limited	6,500	15,213	-	3,233	18,480	1,944,754	1,842,456	(102,298)	1.42%	1.63%	
	6,500	15,213	-	3,233	18,480	1,944,754	1,842,456	(102,298)	1.42%	1.63%	
Oil and Gas											
Pak Oil Fields Limited	15,727	44,978	-	27,440	33,265	11,857,633	12,206,259	348,626	9.43%	10.80%	
Pakistan State Oil Company Limited	28,826	87,151	-	74,257	41,720	10,151,489	9,839,245	(312,244)	7.60%	8.71%	
Pakistan Petroleum Limited	24,095	90,000	2,409	59,086	57,418	10,841,763	10,811,235	(30,528)	8.35%	9.57%	
Oil and Gas Development Co.,	-	19,434	-	19,434	-	-	-	-	-	-	
Attock Petroleum Limited	-	70	-	70	-	-	-	-	-	-	
	68,648	241,633	2,409	180,287	132,403	32,850,884	32,856,739	5,854	25.39%	29.07%	
Pharmaceutical											
Abbot Laboratories (Pakistan) Limited	-	25,000	-	2,000	23,000	2,365,407	2,738,150	372,743	2.12%	2.42%	
	-	25,000	-	2,000	23,000	2,365,407	2,738,150	372,743	2.12%	2.42%	
Total - June 30, 2012						60,907,801	58,006,028	(2,901,773)	44.83%	51.32%	
Total - June 30, 2011						36,562,916	35,389,975	(1,172,941)	28.43%	63.86%	

6.1.1 10,000 shares of Pakistan State Oil Company Limited and 8,000 shares of Pakistan Oilfields Limited, having market value of Rs 2,358,400 and Rs 2,935,520 respectively as at June 30, 2012, have been pledged as collateral in favour of National Clearing Company of Pakistan Limited as margin.

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

Name of the investee company	Effective Rate	-----Number of certificates-----				-----Rupees-----			Market value as a percentage of net assets	Market value as a percentage of investments
		As at July 1, 2011	Purchases during the year	Sales/ Matured during the year	As at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012	Appreciation / (Diminution)		
Government of Pakistan Ijara Sukuk V	11.94%	4,000	-	3,000	1,000	5,007,815	5,003,000	(4,815)	3.87%	4.43%
Government of Pakistan Ijara Sukuk IX	11.94%	-	10,000	5,000	5,000	25,046,250	25,015,000	(31,250)	19.33%	22.13%
Government of Pakistan Ijara Sukuk X	11.81%	-	5,000	-	5,000	25,000,000	25,000,000	-	19.32%	22.12%
The Hub Power Company Short Term Sukuk	-	-	2,000	2,000	-	-	-	-	-	-
Total - June 30, 2012						55,054,065	55,018,000	(36,065)	42.52%	48.68%
Total - June 30, 2011						20,000,000	20,031,260	31,260	16.09%	36.14%

6.2.1 Significant terms and conditions of sukuk certificates held as at June 30, 2012 are as follows:

Name of the investee company	Issue	Maturity	Security
Government of Pakistan Ijara Sukuk V	November 2010	November 2013	GoP guaranteed
Government of Pakistan Ijara Sukuk IX	December 2011	December 2014	GoP guaranteed
Government of Pakistan Ijara Sukuk X	March 2012	March 2015	GoP guaranteed

7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2012 -----Rupees-----	2011
Advance against subscription of shares	7.1	-	4,987,500
Security deposits	7.2	2,600,000	2,600,000
Prepayments		49,999	50,000
Dividend receivable		98,937	120,475
Profit receivable on balances and placements with banks		193,580	333,933
Profit receivable on Sukuk certificates		1,092,407	346,544
		4,034,923	8,438,452

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

7.2 This represent deposits with Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited of Rs 100,000 (2011: Rs 100,000) and Rs 2,500,000 (2011: Rs 2,500,000) respectively.

8 PRELIMINARY AND FLOATATION COSTS

	Note	2012 -----Rupees-----	2011
Opening balance		712,150	931,314
Less: amortisation during the year		(219,765)	(219,164)
Closing balance	3.4	492,385	712,150

9	PAYABLE TO THE MANAGEMENT COMPANY	Note	2012	2011
			-----Rupees-----	
	Management Company's remuneration	9.1	318,053	307,963
	Sindh Sales Tax on remuneration of the Management Company	9.2	51,074	-
	Sales load payable		13,613	-
			<u>382,740</u>	<u>307,963</u>

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

9.2 During the current period, the Sindh Revenue Board levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

10	PAYABLE TO THE TRUSTEE	Note	2012	2011
			-----Rupees-----	
	Trustee fee	10.1	<u>57,377</u>	<u>57,536</u>

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2012 is as follows:

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

The remuneration is paid to the Trustee monthly in arrears.

11	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2012	2011
			-----Rupees-----	
	Annual fee	11.1	<u>116,353</u>	<u>112,430</u>

- 11.1** Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, a collective investment scheme categorised as asset allocation scheme is required to pay an annual fee to the SECP, an amount equal to 0.095% (2011: 0.095%) of the average net assets of the Scheme. The Fund has been categorised as an asset allocation scheme by the Management Company.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2012	2011
-----Rupees-----			
Auditor's remuneration		470,000	320,000
Legal and professional charges payable		84,999	35,000
Payable against printing expenses		74,150	56,014
Charity payable	12.1	236,280	22,491
Provision for contribution to Worker's Welfare Fund	12.2	782,868	-
Other payable		80,244	17,711
		<u>1,728,540</u>	<u>451,216</u>

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

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

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

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

Subsequent to June 30, 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down.

During the year ended June 30, 2012, a show cause notice has been issued to one of the Fund managed by the Management Company by Deputy Commissioner Inland Revenue stating that the Fund is liable to pay WWF under section 4 of the Workers' Welfare Fund Ordinance, 1971. Although the Management Company is hopeful that the case will be decided in its favour, it has taken a decision to provide for WWF and accordingly has recognised the aggregate amount of unrecorded provision for WWF amounting to Rs 0.783 million as at June 30, 2012 (including Rs 0.263 million in respect of the current year). The provision has been made without prejudice to pending application in the High Court of Sindh.

13 CONTINGENCIES AND COMMITMENTS

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

14 AUDITORS' REMUNERATION

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

	2012	2011
	-----Rupees-----	
Annual audit fee	225,000	200,000
Half yearly review fee	75,000	50,000
Fee for review of statement of compliance with the Code of Corporate Governance	50,000	50,000
Other certification	75,000	70,000
Out of pocket expenses	30,540	52,815
	<u>455,540</u>	<u>422,815</u>

15 TAXATION

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

16 EARNINGS PER UNIT (EPU)

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

17 CASH AND CASH EQUIVALENTS

Saving accounts
Placements with Islamic banks

Note

	2012	2011
	-----Rupees-----	
Saving accounts	14,122,973	50,844,812
Placements with Islamic banks	-	10,000,000
	<u>14,122,973</u>	<u>60,844,812</u>

18 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

Bank balances
Placements with Islamic banks
Investments
Receivable against sale of investments
Deposits and other receivables

As at June 30, 2012		
Loans and receivables	Financial assets at fair value through profit or loss	Total
Rupees		
14,122,973	-	14,122,973
-	-	-
-	113,024,028	113,024,028
10,120	-	10,120
3,984,924	-	3,984,924
<u>18,118,017</u>	<u>113,024,028</u>	<u>131,142,045</u>

Financial liabilities

Payable to the Management Company
Payable to the Trustee
Accrued and other liabilities

As at June 30, 2012		
Financial liabilities at fair value through profit or loss	At amortised cost	Total
Rupees		
-	382,740	382,740
-	57,377	57,377
-	945,672	945,672
<u>-</u>	<u>1,385,789</u>	<u>1,385,789</u>

Financial assets

Bank balances
Placements with Islamic banks
Investments
Receivable against sale of investments
Deposits and other receivables

As at June 30, 2011		
Loans and receivables	Financial assets at fair value through profit or loss	Total
Rupees		
50,844,812	-	50,844,812
10,000,000	-	10,000,000
-	55,421,235	55,421,235
-	-	-
3,400,952	-	3,400,952
<u>64,245,764</u>	<u>55,421,235</u>	<u>119,666,999</u>

Financial liabilities

Payable to the Management Company
Payable to the Trustee
Accrued and other liabilities

As at June 30, 2011		
Financial liabilities at fair value through profit or loss	At amortised cost	Total
Rupees		
-	307,963	307,963
-	57,536	57,536
-	451,216	451,216
<u>-</u>	<u>816,715</u>	<u>816,715</u>

19 TRANSACTIONS WITH CONNECTED PERSONS

- 19.1** Connected persons / related parties include Askari Investment Management Limited being the Management Company, MCB Financial Services Limited being the Trustee, Askari Bank Limited being the holding company of the Management Company, Askari General Insurance Company Limited being an associate company of the Management Company, Askari Investment Management Employees Provident Fund, Askari Securities Limited and Askari High Yield Scheme (Formerly Askari Income Fund), Askari Sovereign Cash Fund, Askari Islamic Income Fund, Askari Asset Allocation Fund, Askari Sovereign Yield Enhancer and Askari Equity Fund being funds under common management and the directors and officer of the Management Company.
- 19.2** Transactions with connected persons / related parties are in the normal course of business, at contracted rates and terms determined in accordance with market norms.
- 19.3** Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 19.4** Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

19.5 Details of transactions with connected persons are as follows:

Askari Investment Management Limited

Remuneration of the Management Company	3,675,321	3,550,302
Sindh Sales Tax on remuneration of the Management Company	588,238	
Sales load expense of the Management Company	28,812	-
Payment to the Management Company against formation cost and others	-	1,234,494
Expenses incurred on behalf of the Fund	-	38,514
Issue of 173,730 units (2011: Nil units)	19,461,706	-
Redemption of 173,730 units (2011: Nil units)	19,952,685	-

MCB Financial Services Limited

Remuneration of the Trustee

700,000 700,000

Askari Bank Limited

Profit on bank balances and placements
Cash dividend

43,413 31,498
12,262,310 3,232,720

AIM Employees Provident Fund

Issue of 12,792 units (2011: Nil units)

1,309,643 -

Askari Securities Limited

Brokerage expense for the year'
Federal Excise Duty on Brokerage expense

25,195 -
4,046 -

Key Management Personnel

Issue of 5,111 units (2011: Nil units)
Redemption of 980 units (2011: Nil units)

535,106 -
103,668

	June 30, 2012	June 30, 2011
	-----Rupees-----	
Askari Investment Management Limited		
Remuneration of the Management Company	3,675,321	3,550,302
Sindh Sales Tax on remuneration of the Management Company	588,238	
Sales load expense of the Management Company	28,812	-
Payment to the Management Company against formation cost and others	-	1,234,494
Expenses incurred on behalf of the Fund	-	38,514
Issue of 173,730 units (2011: Nil units)	19,461,706	-
Redemption of 173,730 units (2011: Nil units)	19,952,685	-
MCB Financial Services Limited		
Remuneration of the Trustee	700,000	700,000
Askari Bank Limited		
Profit on bank balances and placements	43,413	31,498
Cash dividend	12,262,310	3,232,720
AIM Employees Provident Fund		
Issue of 12,792 units (2011: Nil units)	1,309,643	-
Askari Securities Limited		
Brokerage expense for the year'	25,195	-
Federal Excise Duty on Brokerage expense	4,046	-
Key Management Personnel		
Issue of 5,111 units (2011: Nil units)	535,106	-
Redemption of 980 units (2011: Nil units)	103,668	

19.6 Amounts outstanding as at year end**Askari Investment Management Company Limited**

Remuneration payable	318,053	307,963
Sindh sales tax payable to Management Company	51,074	-
Sales load payable	13,613	-

MCB Financial Services Limited

Trustee fee payable	57,377	57,536
---------------------	--------	--------

Askari Bank Limited

Balances with bank	965,907	-
Profit receivable on balances with bank	3,020	-
Outstanding units: 1,095,837 units (June 30, 2011:1,095,837 units)	121,671,033	122,571,150

AIM Employees Provident Fund

Outstanding units: 12,792 units (June 30, 2011: NIL units)	1,420,320	-
--	-----------	---

Askari Securities Limited

Brokerage payable	8,036	-
Federal Excise Duty payable	322	-

Key Management Personnel

Outstanding units: 4,131 units (June 30, 2011: NIL units)	458,641	-
---	---------	---

	June 30, 2012	June 30, 2011
	-----Rupees-----	
Askari Investment Management Company Limited		
Remuneration payable	318,053	307,963
Sindh sales tax payable to Management Company	51,074	-
Sales load payable	13,613	-
MCB Financial Services Limited		
Trustee fee payable	57,377	57,536
Askari Bank Limited		
Balances with bank	965,907	-
Profit receivable on balances with bank	3,020	-
Outstanding units: 1,095,837 units (June 30, 2011:1,095,837 units)	121,671,033	122,571,150
AIM Employees Provident Fund		
Outstanding units: 12,792 units (June 30, 2011: NIL units)	1,420,320	-
Askari Securities Limited		
Brokerage payable	8,036	-
Federal Excise Duty payable	322	-
Key Management Personnel		
Outstanding units: 4,131 units (June 30, 2011: NIL units)	458,641	-

20 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

-----2012-----				
S.No	Name	Designation	Qualification	Experience in years
1	Adnan Siddiqui	Chairman	MBA	21
2	Basharat Ullah	Chief Investment Officer	MBA	19
3	Zeeshan	Chief Financial Officer	ACA	10
4	Kamran Rehmani	Fund Manager	MBA	4
5	Tariq Hashmi	Head of Business Development	B.A. (USA)	25
6	M. Farrukh	Senior Compliance Officer	CMA (Finalist)	12

20.1 Mr. Kamran Rehmani is the Manager of the Fund. He is also the Manager of Askari Asset Allocation Fund.

21 TRANSACTIONS WITH TOP TEN BROKERS/DEALERS

1	Invest & Finance Securities (Private) Limited
2	KASB Securities Limited
3	Foundation Securities (Private) Limited
4	Arif Habib Securities Limited
5	Taurus Securities Limited
6	Habib Metropolitan Financial Services Limited
7	Askari Securities Limited
8	BMA Capital Management Limited
9	Topline Securities (Private) Limited
10	Pearl Securities Limited

June 30, 2012

8.93%
8.91%
8.89%
7.81%
6.89%
6.73%
6.36%
6.31%
6.03%
5.86%

1	KASB Securities Limited
2	Pearl Securities Limited
3	Foundation Securities (Private) Limited
4	Habib Metropolitan Financial Services Limited
5	AKD Securities Limited
6	Global Securities Pakistan Limited
7	Taurus Securities Limited
8	Invisor Securities (Private) Limited
9	Askari Securities Limited
10	Elixir Securities

June 30, 2011

37.73%
23.43%
13.33%
11.04%
10.38%
1.29%
1.22%
1.15%
0.30%
0.13%

22 PATTERN OF UNIT HOLDING

Category	As at June 30, 2012			
	Number of unit holders	No of units held	Investment amount	Percentage investment
			(Rupees)	
Individuals	33	32,763	3,637,715	2.81%
Retirement Funds	2	15,305	1,699,319	1.31%
Associated companies / connected person				
Askari Bank Limited	1	1,095,837	121,671,033	94.03%
AIM Employees Provident Fund	1	12,792	1,420,320	1.10%
Key Management Personnel	3	4,131	458,641	0.35%
Others Corporate	1	4,615	512,391	0.40%
	41	1,165,443	129,399,419	100.00%

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

23 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave Granted	
Mr. Lt Gen.(R) Imtiaz Hussain	3	3	-	-
Mr. Shahid Hafeez Azmi	5	3	2	39th & 43rd meeting
Mr. Muhammad Naseem	5	5	-	-
Mr. Mohammad Rafiquddin Mehkari	5	5	-	-
Mr. Maj Gen.(R) Saeed Ahmed Khan	3	3	-	-
Mr. Tahir Aziz	5	4	1	39th meeting
Mr. Sufian Mazhar	5	3	2	39th & 41st meeting
Mr. Adnan Siddiqui	5	5	-	-
Mr. Lt Gen.(R) Tahir Mahmood	2	2	-	-
Mr. Maj Gen.(R) Mukhtar Ahmed	1	1	-	-

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

24 FINANCIAL RISK MANAGEMENT

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

24.1 Market risk

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

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

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

24.1.1 Currency risk

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

24.1.2 Interest rate risk

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

a) Sensitivity analysis for fixed rate instruments

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

b) Sensitivity analysis for variable rate instruments

As at June 30, 2012, the Fund holds GoP Ijara sukuks which are classified as 'financial assets at fair value

through profit or loss', exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in the coupon rates on June 30, 2012, with all other variables held constant, the net income for the year and net assets as at June 30, 2012 would have been higher / lower by Rs. 37,045 (2011: Rs. 204,930).

The composition of the Fund's investment portfolio and the coupon rates are expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

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

----- As at June 30, 2012 -----					
Exposed to yield / interest risk					
Effective yield / interest rate	Upto three months	More than three months and up-to one year	More than one year	Not exposed to yield/ interest risk	Total
----- Rupees-----					
On-balance sheet financial instruments					
Financial Assets					
Bank balances	5.00% to 12.25%	14,122,973	-	-	14,122,973
Placements with Islamic banks		-	-	-	-
Investments	11.81% to 11.94%	-	55,018,000	-	58,006,028
Receivable against sale of investments		-	-	10,120	10,120
Deposits and other receivables		-	-	3,984,924	3,984,924
		14,122,973	55,018,000	62,001,072	131,142,045
Financial Liabilities					
Payable to the Management Company		-	-	382,740	382,740
Payable to the Trustee		-	-	57,377	57,377
Accrued and other liabilities		-	-	945,672	945,672
		-	-	1,385,789	1,385,789
On-balance sheet gap		14,122,973	55,018,000	60,615,283	129,756,256
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap					
		-	-	-	-
Total interest rate sensitivity gap		14,122,973	55,018,000	60,615,283	129,756,256
Cumulative interest rate sensitivity gap		14,122,973	69,140,973	69,140,973	129,756,256

----- As at June 30, 2011 -----					
Exposed to yield / interest risk					
Effective yield / interest rate	Upto three months	More than three months and up-to one year	More than one year	Not exposed to yield/ interest risk	Total
----- Rupees-----					
On-balance sheet financial instruments					
Financial Assets					
Bank balances	5.00% to 11.70%	50,844,812	-	-	50,844,812
Placements with Islamic banks	12.75%	10,000,000	-	-	10,000,000
Investments	13.10% to 13.67%	-	20,031,260	-	35,389,975
Deposits and other receivables		-	-	3,400,952	3,400,952
		60,844,812	20,031,260	38,790,927	119,666,999
Financial Liabilities					
Payable to the Management Company		-	-	307,963	307,963
Payable to the Trustee		-	-	57,536	57,536
Accrued and other liabilities		-	-	451,216	451,216
		-	-	816,715	816,715
On-balance sheet gap		60,844,812	20,031,260	37,974,212	118,850,284
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap					
		-	-	-	-
Total interest rate sensitivity gap		60,844,812	20,031,260	37,974,212	118,850,284
Cumulative interest rate sensitivity gap		60,844,812	80,876,072	80,876,072	118,850,284

24.1.3 Price risk

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

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

In case of 5% increase / decrease in KSE 100 index on June 30, 2012, with all other variables held constant, net income of the Fund for the year and net assets would increase / decrease by Rs. 743,927 (2011: Rs. 530,528).

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

24.2 Credit risk

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

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

The analysis below summarises the credit rating quality of the Fund's bank balances as at June 30, 2012 and June 30, 2011:

Bank balances by rating category

	June 30, 2012	June 30, 2011
	-----Rupees-----	
A1+, A-1+	2,714,667	37,800,029
A1, A-1	11,328,805	2,980,783
A2, A-2	79,501	10,010,000

Management, after giving due consideration to their strong financial standing, does not expect non-performance by these counter parties on their obligations to the Fund. The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

Concentration of credit risk

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

Collateral

The Fund does not hold any collateral against its investment in GoP Ijarah sukuk and balances with banks and these are unsecured.

24.3 Liquidity risk

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

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

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

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

	As at June 30, 2012			Total
	Up-to three months	More than three months and up-to one year	Over one year	
----- Rupees -----				
Financial assets				
Bank balances	14,122,973	-	-	14,122,973
Investments	58,006,028	-	55,018,000	113,024,028
Receivable against sale of investments	10,120	-	-	10,120
Deposits and other receivables	3,984,924	-	-	3,984,924
	<u>76,124,045</u>	<u>-</u>	<u>55,018,000</u>	<u>131,142,045</u>
Financial liabilities				
Payable to the Management Company	382,740	-	-	382,740
Payable to the Trustee	57,377	-	-	57,377
Accrued and other liabilities	945,672	-	-	945,672
	<u>1,385,789</u>	<u>-</u>	<u>-</u>	<u>1,385,789</u>
	<u>74,738,256</u>	<u>-</u>	<u>55,018,000</u>	<u>129,756,256</u>

	As at June 30, 2011			Total
	Up-to three months	More than three months and up-to one year	Over one year	
----- Rupees -----				
Financial assets				
Bank balances	50,844,812	-	-	50,844,812
Placements with Islamic banks	10,000,000	-	-	10,000,000
Investments	35,389,975	-	20,031,260	55,421,235
Deposits and other receivables	3,400,952	-	-	3,400,952
	<u>99,635,739</u>	<u>-</u>	<u>20,031,260</u>	<u>119,666,999</u>
Financial liabilities				
Payable to the Management Company	307,963	-	-	307,963
Payable to the Trustee	57,536	-	-	57,536
Accrued and other liabilities	451,216	-	-	451,216
	<u>816,715</u>	<u>-</u>	<u>-</u>	<u>816,715</u>
	<u>98,819,024</u>	<u>-</u>	<u>20,031,260</u>	<u>118,850,284</u>

25 UNITS HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
Financial assets classified as fair value through profit or loss at initial recognition				
- Investment in equity securities	58,006,028	-	-	58,006,028
- Investment in sukuk certificates	-	55,018,000	-	55,018,000

27 CORRESPONDING FIGURES

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

28 NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on July 6, 2012 have approved a distribution of Rs 9.8782/- per unit (2011: Rs 11.1899/- per unit) for the year ended June 30, 2012. The financial statements of the Fund for the year ended June 30, 2012 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2013.

29 DATE OF AUTHORISATION FOR ISSUE

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

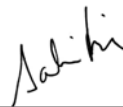
30 GENERAL

Figures have been rounded off to the nearest rupee.

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



Chief Executive



Director



111-AIM-111

Invest with Aim!

HEAD OFFICE:

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