

managed by



THE FUND SEES TO GENERATE REASONABLE RETURNS CONSISTENT WITH LOW RISK FROM A PORTFOLIO CONSTITUTED OF HIGH QUALITY SHORT TERM INSTRUMENTS INCLUDING CASH DEPOSITS AND GOVERNMENT SECURITIES.

THE FUND WILL MAINTAIN A HIGH DEGREE OF LIQUIDITY, WITH WEIGHTED AVERAGE TIME TO MATURITY OF NET ASSETS NOT EXCEEDING 90 DAYS.

KASB CASH FUND

ANNUAL REPORT
June 30, 2012

CONTENTS

Fund Information	2
Mission Report	3
Report of the Directors of the Management Company	4
Details of Pattern of Holding(Units)	7
Performance Table	8
Annual Fund Managers' Report	9
Trustee Report To The Unit Holders	11
Statement of Compliance With The Code Of Corporate Governance	12
Review Report To The Unit Holders of KASB Cash Fund "The Fund" on Statement of Compliance With Best Practices of Code of Corporate Governance	13
Independent Auditors' Report To The Unit Holders	14
Statement of Assets and Liabilities	15
Income Statement	16
Distribution Statement	17
Statement of Movement in Unit Holders' Fund	18
Cash Flow Statement	19
Notes to the Financial Statements	20

KASB CASH FUND

FUND INFORMATION

Management Company

KASB Funds Limited

Registered Office:

9th Floor, Trade Centre, I.I. Chundrigar Road, Karachi-74200, Pakistan

Principal Office

5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi-74200, Pakistan

UAN: (92-21) 111 535 535

Fax: (92-21) 3263 9188

URL: www.kasbfunds.com

Board of Directors of KASB Funds Limited

Mr. Robert John Richard Owen - Chairman

Mr. Amer Maqbool - Chief Executive

Mr. Qaiser P. Mufti

Mr. Muzaffar Ali Shah Bukhari

Chief Financial Officer

Syed Adnan Abdali

Company Secretary

Syed Adnan Abdali

Audit Committee

Mr. Robert John Richard Owen

Mr. Qaiser P. Mufti

Mr. Muzaffar Ali Shah Bukhari

Trustee

MCB Financial Services Limited

3rd Floor, Adamjee House,
I.I. Chundrigar Road, Karachi.

Fund Rating

AA+(f) by JCR-VIS

Bankers to the Fund

Bank Alfalah Limited

Standard Chartered Bank (Pakistan) Limited

Allied Bank Limited

Auditors

KPMG Taseer Hadi & Co. - Chartered

Accountants, First Floor, Shiekh Sultan Trust

Building No. 2, Beaumont Road,

P.O. Box 8517, Karachi.

Legal Advisor

Bawany & Partners

Room No. 404, 4th Floor, Beaumont Plaza,

6-cl-10, Beaumont Road, Civil Lines,

Karachi-75530

Registrar

KASB Funds Limited

5th Floor, Trade Centre, I.I. Chundrigar

Road, Karachi-74200, Pakistan

Distributors

KASB Funds Limited

KASB Bank Limited

KASB Securities Limited

IGI Investment Bank Limited

Standard Chartered Bank (Pakistan) Limited

Management Company Rating

Rated AM3 by JCR-VIS

MISSION STATEMENT

The Fund aims to generate reasonable returns consistent with low risk form a portfolio constituted of high quality short term instruments including cash deposits and government securities.

KASB CASH FUND

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the year ended June 30, 2012

The Board of Directors of KASB Funds Limited (KFL), the Management Company of KASB Cash Fund (KCF, the Fund), is pleased to present the Third Annual Report, together with the audited financial statements of the Fund for the year ended June 30, 2012.

Financial Highlights

	FY 2012	FY 2011	Increase / (Decrease) (%)
Net Income (Rs. in million)	78.487	59.033	32.95
Net Assets as at June 30 (Rs. in million)	1,122.461	591.811	89.65
NAV per Unit as on June 30 (Rs.) **	104.4926*	103.3587	1.09
Return (%)	11.59	11.74	(1.28)

*Ex-NAV after distributions during the year.

** Par value of each unit is Rs. 100.

Economic Environment

Pakistan's economy proved to trudge along on its now too familiar irregular path during financial year 2012 as well. Its financial woes continued to trouble its economic managers who struggled unsuccessfully to contain its fiscal deficit within the revised target of 5.5% and also to build on a current account surplus of 0.11% achieved in FY11. Instead, it registered a whopping consolidated fiscal deficit of 8.5% (including a one off subsidy amounting to 1.9% of GDP), and a current account deficit of 1.9% of GDP continued subsidies, discretionary developmental expenditures and increasing cost of debt servicing.

The country has yet been unable to craft its way out of the quagmire of electricity and gas shortages which have bogged economic growth for some time now (GDP grew by a trivial 3.7% as against 4.1% last year). Energy shortages are increasing leading to lower production and consequently hampering exports and increasing imports, while rising unemployment and rapid deterioration in the overall quality of life is giving way to wide spread social unrest.

Amid an inconclusive end to the IMF program in Sep-11 and a worsening external account, Pakistan's forex reserves lost the attained stability gained in FY11. The first tranche of repayments of the Stand-By Arrangement loan to the IMF was also made in Feb-2012. As a result, the PKR lost 9.9% in FY12 against the USD and exerted further pressure on the reserves (Rs 14.6bn) already dwindling due to a higher oil import bill due to increasing reliance on thermal electricity and a bulging current account deficit.

However all is not dark on the horizon as positives are also visible in tax collection, and extension of record run of remittances (USD 136bn) which have anomalously helped in narrowing the current account deficit to 1.9%. Further, CPI inflation averaged 11.1% in FY12, remaining well within the government's inflation target of target of 12% for the year. This decline in headline inflation, caused due to improved supply and high base effect coupled with a restraint in government borrowing, led the Central Bank to cut the policy rate by 200bps, which will boost private credit off take.

Capital & Commodities Market

The domestic equity market ended the year with a modest return of 10.4%, after recording a loss of 9% in the first half, thus outperforming most of its regional peers in the period. The drastic change in fortunes was caused by the introduction of the CGT relief package which promised numerous benefits to the investors, including freezing of CGT rates at current levels, calculation and collection of CGT by a central body (NCCPL), doing away with withholding tax on sale and the investor being absolved of the answerability of the source of the invested funds in the market.

Sectorally, cements were the main performers of the market, broadly outperforming the index owing to hefty increase in sector profitability owing to higher cement prices, substantial growth in volumes and reduction in costs due to lower coal prices and innovative cost reduction strategies, in addition to reduction in finance cost in a decreasing interest rate environment.

On the fixed income side, the continuous challenges faced by the economy have rendered repayment ability of the companies weaker. Therefore, the investors remained over cautious and refrained from investing further in corporate debts which resulted in very low activity in the TFC market. Thus lack of liquidity for corporate debt continues to prevail amid pricing volatility. A few instruments were restructured during the quarter as most of the companies that were having financial difficulties in the lean economic patch have managed to negotiate restructuring agreements with its investors. The Market continues to be risk averse as investors find yields of government papers attractive, resulting in very few trades in TFCs/Sukuks. Both primary and secondary market of govt. papers remained active throughout the year as the govt. remained the biggest borrowers in the economy and liquidity from commercial banks was diverted mainly to this channel.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY*For the year ended June 30, 2012***Investment Strategy**

The investment strategy is to provide competitive and consistent returns through investing in low risk investments such as T-bills and placements in high rated commercial banks. The Fund also maintains sufficient liquidity in order to meet the redemptions at earliest for its investors. The overall asset allocation of the Fund stood at 72.09% in T-bills, 13.31% in placements and 14.6% for Cash/Cash equivalent at year end.

Fund Performance

For the year ended June 30, 2012 the Fund earned a monthly return of 10.67% on annualized basis and the Net Asset value per unit of the Fund at the close of the year stood at Rs 104,4635. While the benchmark (20% daily saving account rate + 80% 3-Month deposit rate) posted annualized returns of 7.52% and 7.53% for one year and since inception respectively. The Fund recorded annualized returns of 11.59% and 11.43% for one year and since inception respectively. The Net Asset Value per unit of the fund at the close of the year stood at Rs. 104,4926. The net income for the year ended June 30, 2012 was Rs 78,487 million.

Income Distribution

The Board of Directors of KASB Funds Limited approved the dividend distribution of Rs. 2.60 per unit to the unit holders of the Fund for the year ended June 30, 2012. This distribution is in addition to the interim dividend of Rs. 4.00 and Rs. 3.00 per unit distributed in the month of January 2012 and April 2012 respectively. Therefore, the total distribution for the year ended June 30, 2012 totals to Rs. 9.60 per unit.

As the Fund has distributed among the unit holders not less than ninety per cent of its accounting income for the year ended June 30, 2012, as reduced by capital gains whether realized or unrealized, therefore, its income will not be subject to income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

Sale and redemption of units

The fund size of KCF was Rs. 591,811 million on June 30, 2011. During the year, units worth Rs. 1,298,458 million were issued and units with a value of Rs. 841,384 million were redeemed. As on June 30, 2012, the total number of outstanding units was 10,742,014 with a value of Rs. 1,122,461 million.

Code of Corporate Governance

The Fund is committed to high standards of corporate governance and the Board of Directors of the Management Company is accountable to the unit holders for good corporate governance. Management is continuing to comply independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Karachi Stock Exchange.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

The Board of Directors states that:

- a) The Financial Statement prepared by the Management Company, present fairly the state of affairs of the fund and result of its operations, cash flows and movement in unit holders fund;
- b) Proper books of accounts of the Fund have been maintained during the year;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements of the fund and accounting estimates are based on reasonable and prudent judgments;
- d) Approved accounting standards comprising of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinances, 1984, the requirement 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 2008) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed in the preparation of the financial statements of the Fund. Wherever, the requirements of the Trust Deed, the NBFC Rules, 2003 the NBFC Regulations, 2008, and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Regulations 2008 and the said directives shall prevail;
- e) The system of internal control is sound in design and has been effectively implemented and monitored;
- f) There are no significant doubts about the Fund's ability to continue as going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations, except for the following:
 - Dissemination of "Code of Conduct"; and
 - Formation of Human Resource and Remuneration (HR&R) Committee (however the same has been formed subsequent to the yearend)
- h) Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements;
- i) Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements;
- j) The statement as to the value of investment of provident fund is not applicable in the case of fund as those expenses are borne by the Management Company; hence no disclosure has been made in the Directors' Report of the Management Company;
- k) The detailed pattern of unit holding, as required by the Code of Corporate Governance is enclosed;

KASB CASH FUND

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the year ended June 30, 2012

- i) The Management Company has planned to conduct orientation course for its directors, where necessary, in the near future to appraise them with their duties and responsibilities:

As detailed in note no.1 of these financial statements of KASB Funds Limited has acquired Crosby Asset Management (Pakistan) Limited with effect from July 20, 2011.

Meetings of the Directors

Statement showing attendance of the directors in the meetings of the Board of Directors for the year ended June 30, 2012 is disclosed in note 22.3 of the financial statements.

The trades in the units of the Fund carried out by the Directors, CEO, Company Secretary & CFO and their spouses, close relatives and minor children of the Management Company are as under:

Serial No	Trades By	Designation	Investment (No. Of Units)	Redemption (No. of Units)
01	Mr. Muzaffar Ali Shah Bukhari	Director	Nil	4,720*
02	Syed Adnan Abdali	CFO	1,943	193

*relates to the close relative

Pattern of Holding

The pattern of holdings (units) presents a diversified investor base. As on June 30, 2012 associated companies held 20.33% out of total units; individuals held 38.70% units; Retirement Funds held 3.85% and 37.12% units held by other entities. Detailed pattern is also annexed.

Future Outlook

Improvement in relations and resultant realization of pending funds is expected to augur well for the economy. However, higher discretionary spending and subsidies keeping in view election year considerations will serve to keep the nozzles tight on fiscal pressures.

The SBP, in a surprise act, curtailed the policy rate by 150bps in the latest monetary policy review during August 2012 to support the private sector credit. The average headline inflation for FY13 currently stands at 9.3% which again raises the hopes of a further cut in the policy rate going forward.

Auditors

The Audit Committee of the Board of Directors recommended the re-appointment of M/s KPMG Taseer Hadi & Co. - Chartered Accountants as auditors of KASB Cash Fund for the financial year ending June 30, 2013. The Board has approved the appointment.

Acknowledgement

The Board of Directors of the Management Company thanks the Fund's valued investors, the Securities and Exchange Commission of Pakistan, The State Bank of Pakistan, Central Depository Company of Pakistan Limited (the Trustee) and the management of Karachi Stock Exchange for their continued cooperation, guidance and support. The Directors also appreciate the efforts put in by the management team.

For and on behalf of the Board

Amer Maqbool
Chief Executive

October 04, 2012
Karachi

KASB CASH FUND

DETAILS OF PATTERN OF HOLDING(UNITS)

As at June 30, 2012

	Units Held	
	Numbers	Percentage
Associated Companies	2,184,082	20.33
Individuals	4,156,980	38.70
Banks / Financial Institutions	1,166,927	10.86
Insurance Companies	324,677	3.02
Retirement Funds	413,378	3.85
Other Corporate Entities	2,495,970	23.24
	<u>10,742,014</u>	<u>100.00</u>

KASB CASH FUND

PERFORMANCE TABLE

	2012	2011	2010
Total net asset value as at June 30 (Rs. '000)	1,122,461	591,811	551,391
Net asset value per unit as at June 30 (Rs.)	104.4926	103.3587	102.3398
Selling price for units as at June 30 (Rs.)	105.5481	104.4027	103.3735
Repurchase price for units as at June 30 (Rs.)	104.4926	103.3587	102.3398
Final dividend distribution per unit (Rs.)	2.60	3.25	2.25
Date of final distribution	July 5, 2012	July 4, 2011	July 3, 2010
1 st Interim dividend distribution per unit (Rs.)	4.00	2.50	1.50
Date of 1 st Interim distribution	January 30, 2012	October 1, 2010	October 23, 2009
2 nd Interim dividend distribution per unit (Rs.)	3.00	2.00	2.75
Date of 2 nd Interim distribution	April 13, 2012	December 10, 2010	February 11, 2010
3 rd Interim dividend distribution per unit (Rs.)	-	2.00	2.00
Date of 3 rd Interim distribution	-	February 17, 2011	April 22, 2010
4 th Interim dividend distribution per unit (Rs.)	-	1.50	-
Date of 4 th Interim distribution	-	March 31, 2011	-
Highest selling price per unit (Rs.)	105.6573	104.4027	104.2516
Lowest selling price per unit (Rs.)	104.4002	101.2540	100.0000
Highest repurchase price per unit (Rs.)	104.6007	103.3587	103.2091
Lowest repurchase price per unit (Rs.)	103.3562	100.2415	100.0161
Annualized Return (%)	11.59	11.74	10.08
Weighted average portfolio duration	18 days	75 days	65 days

Return since inception is 11.43%

Launch date of the Fund is August 12, 2009

Disclaimer:

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

ANNUAL FUND MANAGERS' REPORT

1. Type & Category of Fund

Open-end Money Market

2. Inception Date

August 12, 2009

3. Investment objective

The Fund seeks to generate reasonable returns consistent with low risk from a portfolio constituted of high quality short term instruments including cash deposits and government securities.

4. Accomplishment of objective

The Fund is achieving its objective of generating regular income by investing in low duration cash deposits and government securities within the guidelines provided under NBFC rules.

5. Benchmark

20% Avg. Daily Saving A/C Rates + 80% Avg. Of 3 Months Deposit Rate of AA & Above Rated Scheduled Bank.

6. Performance Return

	KCF Return	Benchmark return
Since inception	11.43%	7.53%
1 Year	11.59%	7.52%
Last 6 months	10.54%	7.27%
Last 3 months	10.48%	7.15%
For the month	10.67%	7.20%

7. Strategies and policies employed during the period

As the government is in dire need to borrow money from the domestic market in order to finance the fiscal deficit, the yield of the government papers remained high during the year. The Fund was primarily invested in the T-bills and the allocation was consistently kept inline with the macroeconomic developments and expectations in change in policy rate.

8. Weighted Asset allocation

Asset Allocation	June 30, 2012	June 30, 2011
T-bills	72.09%	73.15%
Placements	13.31%	23.55%
Cash & cash equivalents	14.6%	3.3%

9. Significant changes in asset allocation during the period

The major proportion of the Fund consisted of the T-bills throughout the year and the portfolio kept consistently inline with the changes in the secondary market yields and policy rate expectations. The Fund also invested in TDR and clean placements whenever the opportunity rises usually at the end of each quarter.

10. Fund Performance

While the benchmark (20% daily saving account rate + 80% 3-Month deposit rate) of the Fund posted an annualized return of 7.53%, the Fund recorded an annualized return of 11.43% since inception thereby outperforming its benchmark by 3.9% while the three months return for the benchmark and the Fund was recorded at 7.15% and 10.48% respectively.

The AUM of the Fund were PKR 591.8 million (NAV per unit: Rs 103.3587) on June 30, 2011 and at the end of the period the AUM of the Fund stood at PKR 1,122.5 million (NAV per unit: Rs 104.4926).

11. Review of the market(s) invested in during the period

The country's financial woes continued to trouble its economic managers who struggled unsuccessfully to contain its fiscal deficit within the revised target of 5.5% and also to build on a current account surplus of 0.11% achieved in FY11. Instead, it registered a whopping consolidated fiscal deficit of 8.5% (including a one off subsidy amounting to 1.9% of GDP), current account deficit of 1.9% of GDP, continued high subsidies, discretionary developmental expenditures and increasing cost of debt servicing.

ANNUAL FUND MANAGERS' REPORT

The country has yet been unable to craft its way out of the quagmire of electricity and gas shortages which have bogged economic growth for some time now (GDP grew by a trivial 3.7% as against 4.1% last year). Energy shortages are increasing leading to lower production and consequently hampering exports and increasing imports, while rising unemployment and rapid deterioration in the overall quality of life is giving way to wide spread social unrest. Amid an inconclusive end to the IMF program in Sep-11 and a worsening external account, Pakistan's foreign exchange reserves lost the attained stability gained in FY11. The first tranche of repayments of the Stand-By Arrangement loan to the IMF was also made in Feb-2012. As a result, the PKR lost 9.9% in FY12 against the USD and exerted further pressure on the reserves (Rs 14.6bn) already dwindling due to a higher oil import bill due to increasing reliance on thermal electricity and a bulging current account deficit. Further, CPI inflation averaged 11.1% in FY12, remaining well within the government's inflation target of target of 12% for the year. This decline in headline inflation, caused due to improved supply and high base effect coupled with a restraint in government borrowing, led the Central Bank to cut the policy rate by 200bps, which will also to boost private credit off take.

The continuous challenges faced by the economy have rendered repayment ability of the companies weaker. Therefore, the investors remained over cautious and refrained from investing further in corporate debts which resulted in very low activity in the TFC market. Thus lack of liquidity for corporate debt continues to prevail amid pricing volatility. The Market continues to be risk averse as investors find yields of government papers attractive, resulting in very few trades in TFCs/Sukuks. Both primary and secondary market of govt. papers remained active throughout the year as the govt. remained the biggest borrowers in the economy and liquidity from commercial banks was diverted mainly to this channel.

12. Fund performance by market(s) and by instruments

For details, please refer to the full yearly accounts.

13. Distribution

The Fund distributed Rs 9.26 during FY12, in the form of Rs 4.00 per unit as 1st interim distribution, Rs 3.00 per unit as 2nd interim distribution and Rs 2.6 were distributed as a final dividend on June 30, 2012.

Distribution	Amount of Distribution (PKR)
Interim Distribution	4.00
Interim Distribution	3.00
Final Distribution	2.60

14. Significant changes in the state of affairs

No significant change in affairs was witnessed.

15. Breakdown of unit holdings by size

Breakdown of unit holdings by size is same as in the director's report.

16. Unit Splits

There were no unit splits during the period.

17. Circumstances materially affecting the interests of the unit holders

No material impact on unit holder's interest

18. Soft Commission

The management company received soft commission from the brokers in the form of research reports which were sent in both soft and hard copies.

TRUSTEE REPORT TO THE UNIT HOLDERS OF KASB CASH FUND

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

KASB Cash Fund, an open-end scheme established under a Trust Deed dated June 08, 2009 executed between KASB Funds 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 03, 2009.

1. KASB Funds Limited, the Management Company of KASB Cash Fund, has in all material respects, managed KASB Cash 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

For the purpose of information, the attention of unit holders is drawn towards note 13 to the financial statements, which refers to the pending outcome of the litigation regarding contribution to WWF in Honorable High Court of Sindh. In view of the matters more fully discussed in the above note, provision against WWF amounting to Rs. 2.35 million in aggregate is not being maintained by the Fund.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited
Karachi: October 15, 2012

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No 35 of the Listing Regulations of the Karachi Stock Exchange Limited 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. The Board of Directors (the Board) of KASB Funds Limited (the Management Company), an unlisted public company, manages the affairs of KASB Cash Fund (the Fund). The Fund being a unit trust open end scheme does not have its own Board of Directors. The Management Company has applied the principles contained in the Code to the Fund, whose units are listed as a security on the Exchange, in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present, the Board includes:

Category	Names
Independent Directors	Mr. Qaisar P. Mufli Mr. Robert C. Richard Owen
Executive Director	Mr. Amer Maqbool
Non-Executive Directors	Mr. Muzaffar Ali Shah Bukhari

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

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. Mr. Syed Muhammad Rehmanullah has not been re-elected on Board at elections held in October 2011.
5. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman 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.
8. The Management Company has planned to conduct an orientation course for its directors, in the near future to apprise them of their duties and responsibilities.
9. The Board has approved the appointments of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including the remuneration and terms and conditions of employment.
10. 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.
11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
12. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than disclosed in the pattern of unit-holding.
13. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the Chairman of the Committee who is an independent director.
15. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
16. The board has set up an effective internal audit function which comprises of personnel who are considered suitably qualified and experienced for the purpose and are conversant with policies and procedures of the company.
17. 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 and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The statutory auditors of the Fund or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. 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(s).
20. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
21. 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.
22. We confirm that all other material principles contained in the Code have been complied with except for:
 - * the development of Code of Conduct towards which reasonable progress is being made by the Management Company to seek compliance by the end of next accounting year; and
 - * the formation of Human Resource and Remuneration Committee which has been formed on October 04, 2012.

For and on behalf of the Board

Amer Maqbool
Chief Executive Officer

Karachi, October 4, 2012

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("Statement of Compliance") prepared by the Board of Directors of KASB Funds Limited, ("the Management Company") of the Fund to comply with the Listing Regulations of Karachi Stock Exchange Limited, where the Fund is listed.

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

As part of our audit of 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, sub-regulation (x) of Listing Regulations 35 notified by the Karachi Stock Exchange Limited requires the Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of 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 under taken at arm's length price 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 Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2012.

We draw attention to paragraph 22 of the annexed Statement of Compliance which highlights that the requirements of clauses (v)(a) and (xxv) of the Code of Corporate Governance 2012 with respect to the formulation of Code of Conduct and formation of Human Resource and Remuneration Committee have not been complied with. However, the Board of Directors of the Management Company has formed the Human Resource and Remuneration Committee in their meeting held on 4 October 2012.

Date: 4 October 2012.

Karachi

**KPMG Taseer Hadi & Co.
Chartered Accountants
Muneeza Usman Butt**

KASB CASH FUND

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of KASB Cash Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2012, and the related income statement, distribution statement, statement of movement in Unit Holders' Fund, cash flow statement for the year ended 30 June 2012, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the 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 auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 state of the Fund's affairs as at 30 June 2012, and of its financial performance, its cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of matter

We draw attention to note 13 to the financial statements relating to provision for Workers' Welfare Fund (WWF) which refers to the pending outcome of the litigation regarding contribution to WWF in Honourable Sindh High Court. In view of the matter more fully discussed in the above note, provision against WWF amounting to Rs. 2.35 million in aggregate is not being maintained by the Fund. Our opinion is not qualified in respect of this matter.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: 4 October 2012

Karachi

**KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt**

KASB CASH FUND

STATEMENT OF ASSETS AND LIABILITIES

For the year ended June 30, 2012

	<i>Note</i>	2012	2011
----- (Rupees in '000)-----			
Assets			
Balances with banks	4	310,627	155,221
Investments	5	812,084	434,913
Income receivable	6	1,700	1,562
Prepayments and other receivables	7	661	678
Preliminary expenses and floatation costs	8	1,468	2,163
Total assets		1,126,540	594,537
Liabilities			
Payable to KASB Funds Limited - Management Company	9	1,367	315
Payable to MCB Financial Services Limited - Trustee	10	149	96
Payable to Securities and Exchange Commission of Pakistan	11	540	412
Accrued expenses and other liabilities	12	2,023	1,903
Total liabilities		4,079	2,726
Net assets		1,122,461	591,811
Unit holders' funds		1,122,461	591,811
Contingencies and commitments	13		
		(Number of units)	
Number of units in issue	14	10,742,014	5,725,798
		(Rupees)	
Net asset value per unit		104.4926	103.3587

The annexed notes 1 to 23 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

KASB CASH FUND

INCOME STATEMENT

For the year ended June 30, 2012

	Note	2012	2011
		----- (Rupees in '000)-----	
Income			
Income from government securities		59,382	56,091
Income from placements		7,330	3,790
Income from term deposit receipts		10,300	7,872
Profit on bank deposits		11,675	1,676
Capital gain on sale of investments		538	13
Total income		89,225	69,442
Expenses			
Remuneration of KASB Funds Limited - Management Company	9.1	5,769	4,275
Sindh sales tax on management fee	9.2	923	-
Remuneration of MCB Financial Services Limited - Trustee	10	1,329	1,096
Annual fee - Securities and Exchange Commission of Pakistan	11	540	412
Transaction costs on securities		131	111
Bank charges		9	24
Professional charges		40	55
Fees and subscription		230	230
Auditors' remuneration	15	441	442
Amortization of preliminary expenses and floatation costs		695	694
Provision for Workers' Welfare Fund	13	-	402
Printing and other expenses		120	260
Net unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	5.3	33	222
Total expenses		10,260	8,223
		78,965	61,219
Net realised element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(478)	(2,186)
Net income for the year		78,487	59,033
Earnings per unit	16		

The annexed notes 1 to 23 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

KASB CASH FUND

DISTRIBUTION STATEMENT

For the year ended June 30, 2012

	2012	2011
	----- (Rupees in '000) -----	
Undistributed income - brought forward		
- Realised gains	19,073	12,712
- Unrealised losses	(222)	(105)
	<u>18,851</u>	<u>12,607</u>
 Net income for the year	 78,487	 59,033
 Distributions to unit holders of the Fund		
Final distribution at the rate of Rs. 3.25 per unit for the year ended June 30, 2011 (2010: Rs. 2.25 per unit)		
- Issue of bonus units	(17,666)	(11,473)
- Cash dividend	(943)	(650)
 Interim distribution during the year		
- Issue of bonus units	(45,229)	(38,356)
- Cash dividend	(4,446)	(2,310)
	<u>(68,284)</u>	<u>(52,789)</u>
 Undistributed income - carried forward	 <u>29,054</u>	 <u>18,851</u>
 Undistributed income - carried forward		
- Realised gains	29,087	19,073
- Unrealised losses	(33)	(222)
	<u>29,054</u>	<u>18,851</u>

21

The annexed notes 1 to 23 form an integral part of these financial statements.

Chief Executive

For KASB Funds Limited
(Management Company)

Director

KASB CASH FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended June 30, 2012

	2012	2011
	----- (Rupees in '000) -----	
Net assets at the beginning of the year	591,811	551,391
Contributions and redemptions by unit holders		
Issue of 12,483,281 units (2011: 4,635,669 units)	1,298,458	471,984
Issue of 608,560 bonus units (2011: 496,744 bonus units)	62,895	49,829
Redemption of 8,075,625 units (2011: 4,794,454 units)	(841,384)	(489,823)
	519,969	31,990
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	478	2,186
Total comprehensive income for the year		
Net income for the year (excluding net unrealised diminution in fair value of investments classified as 'at fair value through profit or loss' and capital gain on sale of investments)	77,982	59,242
Capital gain on sale of investments	538	13
Net unrealised diminution in fair value of investments classified as at 'fair value through profit or loss'	(33)	(222)
	78,487	59,033
Distributions to unit holders of the Fund		
Final distribution at the rate of Rs. 3.25 per unit for the year ended June 30, 2011 (2010: Rs. 2.25 per unit)		
- Issue of bonus units	(17,666)	(11,473)
- Cash dividend	(943)	(650)
Interim distribution during the year		
- Issue of bonus units	(45,229)	(38,356)
- Cash dividend	(4,446)	(2,310)
	(68,284)	(52,789)
Net assets at the end of the year	<u>1,122,461</u>	<u>591,811</u>
	(Rupees)	
Net asset value per unit as at beginning of the year	<u>103.3587</u>	<u>102.3398</u>
Net asset value per unit as at end of the year	<u>104.4926</u>	<u>103.3587</u>

The annexed notes 1 to 23 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

KASB CASH FUND

CASH FLOW STATEMENT

For the year ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

	2012	2011
	(Rupees in '000)	
Net income for the year	78,487	59,033
<i>Adjustments for non cash and other items:</i>		
Net unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	33	222
Net realised element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	478	2,186
Amortization of preliminary expenses and floatation costs	695	694
	<u>79,693</u>	<u>62,135</u>
(Increase) / decrease in assets		
Investments	(377,204)	7,213
Income receivable	(138)	(1,355)
Prepayments and other receivables	17	756
	<u>(377,325)</u>	<u>6,614</u>
Increase / (decrease) in liabilities		
Payable to KASB Funds Limited - Management Company	1,052	(83)
Payable to MCB Financial Services Limited - Trustee	53	5
Payable to Securities and Exchange Commission of Pakistan	128	142
Accrued expenses and other liabilities	120	477
	<u>1,353</u>	<u>541</u>
Net cash (used in) / generated from operating activities	<u>(296,279)</u>	<u>69,290</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(5,389)	(2,960)
Net receipts / (payments) from sale and redemption of units	457,074	(28,020)
Net cash generated from / (used in) financing activities	<u>451,685</u>	<u>(30,980)</u>
Net increase in cash and cash equivalents during the year	<u>155,406</u>	<u>38,310</u>
Cash and cash equivalents at beginning of the year	155,221	116,911
Cash and cash equivalents at end of the year	<u>310,627</u>	<u>155,221</u>

The annexed notes 1 to 23 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Cash Fund (the Fund) was established under a Trust Deed executed on June 8, 2009 between KASB Funds Limited as Management Company and MCB Financial Services Limited as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 3, 2009 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In conformity with Circular 7 of 2009 dated March 6, 2009 issued by the SECP, the Fund has been assigned "Money Market" category.

The Management Company of the Fund has been licensed to undertake asset management and investment advisory services as non-banking finance company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) issued by the SECP. The registered office of the Management Company is situated at 9th Floor, Trade Centre, I. I. Chundrigar Road, Karachi, Pakistan. JCR-VIS has assigned management quality rating of AM3 to the Management Company and has reaffirmed the Fund Stability Rating (FSR) of the Fund at AA+(f).

During the year, the SECP vide letter no. SCD/PR&DD/AMCW/CAML& KFL/333/2010 dated July 15, 2011 has sanctioned the Scheme of Arrangement of acquisition and simultaneous merger of Crosby Asset Management (Pakistan) Limited ("CAMPL") with and into KASB Funds Limited ("KFL") in terms of Section 282L of the Companies Ordinance, 1984 and the rights to manage Crosby Dragon Fund, Crosby Phoenix Fund and AMZ Plus Income Fund have been transferred to KFL with effect from July 20, 2011.

The Fund is an open-end money market fund and is listed on the Karachi Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

The Fund seeks to generate reasonable returns consistent with low risk from a portfolio constituted of high quality short term investments including cash deposits and government securities.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective. However, the amendments or interpretations did not have any material effect on the financial statements of the Fund.

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

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements, other than increased disclosures in certain cases:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1, Presentation of Financial Statements) effective for annual periods beginning on or after July 01, 2012.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32: Financial Instruments: Presentation) effective for annual periods beginning on or after January 01, 2014.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7: Financial Instruments: Disclosures) effective for annual periods beginning on or after January 01, 2013.
- Annual Improvements 2009 - 2011 effective for annual period beginning on or after January 01, 2013.
The new cycle of improvements contain amendments to five standards. However, those amendments do not have any affect on the financial statements of the Fund.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that certain financial assets are measured at fair value.

2.4 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. In particular, information about assumption and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year as well as critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Investments stated at fair value

The Management Company has determined fair value of certain investments by using quotations from active market valuation done by Financial Markets Association of Pakistan. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore can not be determined with precision.

Other assets

Judgment is also involved in assessing the realisability of the assets balances.

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied consistently in the preparation of these financial statements. At present, the Fund has no item to be reported in other comprehensive income, hence total comprehensive income equals reported net income for the year as well as for comparative period.

3.1 Financial Instruments

The Fund classifies its financial instruments in the following categories:

a) *'At fair value through profit or loss'*

An instrument is classified as 'at fair value through profit or loss' if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments as 'at fair value through profit or loss' are measured at fair value, and changes therein are recognised in Income Statement.

All derivatives in a net receivable position (positive fair value) are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value) are reported as financial liabilities held for trading.

b) *'Available-for-sale'*

'Available for sale' financial assets are non-derivative that are either designated in this category or not classified in any other category.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as 'at fair value through profit or loss' or 'available for sale'.

d) Financial liabilities

Financial liabilities, other than those as 'at fair value through profit or loss', are measured at amortized cost using the effective yield method.

Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not as 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instruments. Transaction costs on financial instruments as 'at fair value through profit or loss' are expensed out immediately.

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets as 'at fair value through profit or loss' are recognised in the Income Statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Unit Holders' Funds until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Funds are included in the Income Statement. The financial instruments classified as loans and receivables are subsequently measured at amortized cost less provision for impairment, if any.

Fair value measurement principles

The fair value of the investments in government securities is determined by reference to the quotations obtained from active market valuation done by Financial Markets Association of Pakistan.

Securities under repurchase/ resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the Statement of Assets and Liabilities. Amounts paid under these agreements are recognised as receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the agreement. All reverse repo transactions are accounted for on the settlement date.

Impairment

Financial assets not carried as 'at fair value through profit or loss' are reviewed at each balance sheet date to determine whether there is any indication of impairment.

A financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of assets and that less events had an impact on the future cash flows of that assets and that can be estimated reliably.

An impairment loss in respect of financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Any subsequent decrease in impairment loss on debt securities classified as 'available-for-sale' is recognised in Income Statement.

The Board of Directors of the Management Company has formulated a comprehensive policy for making provision against non performing investments in compliance with Circular 13 of 2009 issued by SECP.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred on in which the Fund neither transfers nor retain substantially all the risks and rewards of ownership and does not retain control of the financial assets.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount 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 to realise the assets and settle the liabilities simultaneously.

3.2 Unit holders' funds

Unit holders' funds representing the units issued by the Fund, is carried at the net assets value representing the investors' right to a residual interest in the Fund assets.

3.3 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 investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.4 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) included in prices of units sold 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) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognized in income statement and to the extent that it is represented by unrealized appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement.

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

3.6 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortized over a period of five years commencing from the last day of the IPO period as per the Trust Deed of the Fund.

3.7 Net asset value per unit

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

3.8 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 of the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the Fund's unit holders.

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 assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund intends to avail the tax exemption 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. Accordingly, no deferred tax asset or liability or current tax has been recognised in these financial statements.

3.9 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) arising on revaluation of investments classified as financial assets as 'at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Income on government securities is recognised on time proportion basis using the effective interest rate method.
- Profit on bank deposit is recognised on time proportion basis using effective interest rate method.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

3.10 Expenses

All expenses including Management fee, Trustee fee and SECP annual fee are recognized in the Income Statement on an accrual basis.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise of deposit accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

3.12 Other assets

Other assets are stated at cost less impairment losses, if any

3.13 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

4 BALANCES WITH BANKS

		2012	2011
	 (Rupees in '000).....	
In saving accounts	4.1	160,627	15,221
In term deposit receipt	4.2	150,000	140,000
		310,627	155,221

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

- 4.1** These saving accounts carry profit at the rate of 10.5% to 11.9% per annum (2011: 5.0% to 10.5% per annum).
- 4.2** This term deposit receipt carries profit at the rate of 12.25% per annum (2011: 13.60% per annum) and having maturity of 18 days (June 30, 2011: 28 days).
- 4.3** **DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

The Securities and Exchange Commission of Pakistan vide Circular no. 7 of 2009 dated March 6, 2009, require all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board of Directors of the management company has approved the category of the fund as "Money Market scheme", in accordance with the said Circular.

In accordance with clause (iv) of the investment criteria laid down for 'Money Market scheme', the Fund is required to place funds in any bank or DFI with rating not lower than AA (Double A). However, as at June 30, 2012, the Fund is non-compliant with the above requirement, the detail of which is as follows:



NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	% of net assets	% of gross assets
Balances with bank - KASB Bank Limited	Saving accounts	1,575	-	1,575	0.14%	0.14%

At the time of placing the funds, the rating of the aforesaid bank was in compliance of the said circular and was subsequently downgraded to BBB.

5. INVESTMENTS

	2012 (Rupees in '000)	2011 (Rupees in '000)
'At fair value through profit or loss' - Fixed income securities	5.2 <u>812,084</u>	<u>435,135</u>

5.1 The cost of the above investments as at June 30, 2012, amounted to Rs. 812.117 million (2011: 435.135 million).

5.2 Fixed income securities - 'at fair value through profit or loss' - designated on initial recognition

Issue date	As at July 1, 2011	Purchases during the year	Sales during the year	Maturities during the year	As at June 30, 2012	Market value as at June 30, 2012	Market value as a percentage of total investments
	------(Number of certificates)-----					(Rupees in '000)	

Government securities - treasury bills

June 30, 2012

1 Year

September 9, 2010	-	30,000	-	30,000	-	-	-
September 22, 2011	-	100,000	100,000	-	-	-	-
March 10, 2011	-	350,000	-	350,000	-	-	-
April 7, 2011	-	150,000	-	150,000	-	-	-
April 21, 2011	-	125,000	-	125,000	-	-	-
June 16, 2011	-	825,000	-	825,000	-	-	-

6 Months

March 24, 2011	100,000	-	-	100,000	-	-	-
April 7, 2011	35,000	18,000	-	53,000	-	-	-
April 21, 2011	70,000	45,000	70,000	45,000	-	-	-
May 5, 2011	65,000	-	-	65,000	-	-	-
May 19, 2011	-	100,000	-	100,000	-	-	-
June 2, 2011	-	100,000	100,000	-	-	-	-
June 30, 2011	75,000	-	75,000	-	-	-	-
July 14, 2011	-	170,000	-	170,000	-	-	-
August 11, 2011	-	115,000	115,000	-	-	-	-
September 8, 2011	-	50,000	50,000	-	-	-	-
September 22, 2011	-	100,000	100,000	-	-	-	-
October 6, 2011	-	230,000	230,000	-	-	-	-
October 20, 2011	-	50,000	50,000	-	-	-	-
November 3, 2011	-	175,000	100,000	75,000	-	-	-
November 17, 2011	-	275,000	275,000	-	-	-	-
December 1, 2011	-	25,000	-	25,000	-	-	-
February 24, 2011	-	30,000	-	30,000	-	-	-

KASB CASH FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

Issue date	As at July 1, 2011	Purchases during the year	Sales during the year	Maturities during the year	As at June 30, 2012	Market value as at June 30, 2012	Market value as a percentage of total investments
	----- (Number of certificates) -----					(Rupees in '000)	
3 Months							
April 21, 2011	105,000	-	-	105,000	-	-	-
May 19, 2011	-	60,000	-	60,000	-	-	-
June 2, 2011	-	50,000	50,000	-	-	-	-
July 14, 2011	-	45,000	-	45,000	-	-	-
July 28, 2011	-	75,000	75,000	-	-	-	-
August 11, 2011	-	88,000	-	88,000	-	-	-
January 26, 2012	-	500,000	-	500,000	-	-	-
February 9, 2012	-	305,000	-	305,000	-	-	-
February 23, 2012	-	270,000	140,000	130,000	-	-	-
March 8, 2012	-	400,000	375,000	25,000	-	-	-
March 22, 2012	-	35,000	35,000	-	-	-	-
April 19, 2012	-	1,638,000	823,000	-	815,000	812,084	100.00
April 5, 2012	-	325,000	325,000	-	-	-	-
May 17, 2012	-	155,000	155,000	-	-	-	-
May 3, 2012	-	960,000	960,000	-	-	-	-
						812,084	
						812,084	
June 30, 2011							
1 Year							
August 27, 2009	-	110,000	-	110,000	-	-	-
6 Months							
February 25, 2010	-	100,000	-	100,000	-	-	-
March 11, 2010	-	100,000	-	100,000	-	-	-
April 8, 2010	50,000	15,000	50,000	15,000	-	-	-
April 22, 2010	70,000	-	-	70,000	-	-	-
May 20, 2010	10,000	-	-	10,000	-	-	-
June 3, 2010	28,000	-	5,000	23,000	-	-	-
June 17, 2010	75,000	115,000	-	190,000	-	-	-
July 15, 2010	-	45,000	-	45,000	-	-	-
August 3, 2010	-	95,000	-	95,000	-	-	-
August 16, 2010	-	35,000	-	35,000	-	-	-
March 24, 2011	-	100,000	-	-	100,000	97,032	22.31
April 7, 2011	-	35,000	-	-	35,000	33,790	7.77
April 21, 2011	-	70,000	-	-	70,000	67,235	15.46
May 5, 2011	-	65,000	-	-	65,000	62,115	14.28
June 30, 2011	-	75,000	-	-	75,000	70,235	16.15
						330,407	
3 Months							
April 8, 2010	50,000	-	-	50,000	-	-	-
April 22, 2010	180,000	155,000	-	335,000	-	-	-
May 6, 2010	-	29,000	-	29,000	-	-	-
June 17, 2010	25,000	-	25,000	-	-	-	-
July 15, 2010	-	235,000	140,000	95,000	-	-	-
August 13, 2010	-	165,000	-	165,000	-	-	-
August 26, 2010	-	120,000	90,000	30,000	-	-	-
October 7, 2010	-	115,000	-	115,000	-	-	-
October 21, 2010	-	25,000	-	25,000	-	-	-
November 4, 2010	-	115,000	-	115,000	-	-	-
November 16, 2010	-	80,000	-	80,000	-	-	-
December 2, 2010	-	95,000	-	95,000	-	-	-
January 13, 2011	-	259,000	240,000	19,000	-	-	-
January 27, 2011	-	175,000	10,000	165,000	-	-	-
February 10, 2011	-	50,000	-	50,000	-	-	-
February 24, 2011	-	95,000	-	95,000	-	-	-
March 24, 2011	-	160,000	15,000	145,000	-	-	-
April 21, 2011	-	105,000	-	-	105,000	104,506	24.03
						434,913	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

	2012 (Rupees in '000)	2011
5.3 Net unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'		
Fair value of investments	812,084	434,913
Less: Cost of investments	<u>(812,117)</u>	<u>(435,135)</u>
	<u>(33)</u>	<u>(222)</u>
6. INCOME RECEIVABLE		
Income accrued on saving accounts	1,599	1,304
Income accrued on term deposit receipts	<u>101</u>	<u>258</u>
	<u>1,700</u>	<u>1,562</u>
7. PREPAYMENTS AND OTHER RECEIVABLES		
Prepaid brokerage	-	9
Others	<u>661</u>	<u>673</u>
	<u>661</u>	<u>678</u>
8. PRELIMINARY EXPENSES AND FLOATATION COSTS		
Preliminary expenses and floatation costs	2,163	2,857
Less: Amortisation during the year	<u>(695)</u>	<u>(694)</u>
	<u>1,468</u>	<u>2,163</u>
9. PAYABLE TO KASB FUNDS LIMITED – MANAGEMENT COMPANY		
Management fee payable	9.1	699
Sindh sales tax payable on management fee	9.2	112
Sales load payable		289
		<u>556</u>
		<u>1,367</u>
9.1	Under the provisions of Non Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 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. During the year, the Management Company has charged its remuneration at the rate of 0.80% per annum of the average annual net assets of the Fund.	
9.2	During the year, the provincial government of Sindh levied Sindh Sales Tax at the rate of 16% on the remuneration of the Management Company through enactment of Sindh Sales Tax Act, 2011 effective from July 1, 2011.	
10. PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE		
	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed at the higher of Rs. 0.7 million or 0.2% per annum on amount upto Rs. 1 billion of average daily net assets of the Fund and Rs. 1.75 million plus 0.1% per annum on amount exceeding Rs. 1 billion of average daily net assets of the Fund.	
11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
	Under the provisions of the NBFC Regulations, 2008, an 'money market scheme' is required to pay an amount equal to 0.075% of the average annual net assets of the Fund, as annual fee to the SECP.	

KASB CASH FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

12. ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration payable		335	335
Credit rating fee payable		210	200
Brokerage payable		53	11
Unclaimed redemption payable		31	31
Provision for Workers' Welfare Fund	13	1,154	1,154
Others		240	172
		<u>2,023</u>	<u>1,903</u>

13. CONTINGENCIES AND COMMITMENTS

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 this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for an adjudication.

Subsequent to the year ended June 30, 2010, a clarification was 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. However, on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year 2011, the Honourable High Court of Lahore vide their order in respect of writ petition no. 8763/2011 has declared amendments introduced through Finance Act 2006 and 2008 to the Workers' Welfare Ordinance, 1971 as unconstitutional. A writ petition in the High Court of Sindh at Karachi was filed to impugn the amendments made to the Workers' Welfare Ordinance, 1971 vide Finance Act 2008. The case is contested vigorously by certain mutual funds. Management expect that the constitutional petition pending in the Court on the subject will be decided in the favours of the Fund. Accordingly, the management has suspended further accrual from July 1, 2010 amounting to Rs. 2.35 million and as a matter of abundant caution has not reversed earlier charge amounting to Rs. 1.15 million.

14. NUMBER OF UNITS IN ISSUE

	2012	2011
	----- (Rupees in '000) -----	
Total outstanding at beginning of the year	5,725,798	5,387,839
Sales during the year	12,483,281	4,635,669
Bonus units issued during the year	608,560	496,744
Redemption during the year	(8,075,625)	(4,794,454)
Total units in Issue at the end of the year	<u>10,742,014</u>	<u>5,725,798</u>

Face value of the unit is Rs. 100 each.

15. AUDITORS' REMUNERATION

	(Rupees in '000)	
Audit fee	275	275
Half yearly review	80	75
Other certifications and services	60	60
Out of pocket expense	26	32
	<u>441</u>	<u>442</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

16. EARNINGS PER UNIT

Due to the specific nature of open ended collective investment schemes in respect of daily issuance and redemptions of units, determination of weighted average number of units for calculation of earnings per unit is not practical.

17. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per Regulation 63 of the NBFC Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains to 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. Since the management intends to distribute the income earned by the Fund during the year to unit holders in the manner explained above, consequently, no provision for taxation has been made in these financial statements.

18. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons include KASB Funds Limited being the Management Company, KASB Bank Limited being the Holding Company of the Management Company, KASB Securities Limited, KASB Modaraba, KASB Technology Services Limited, KASB Invest (Private) Limited, KASB Finance (Private) Limited, Structured Venture (Private) Limited (indirectly through KASB Securities Limited) being the subsidiary companies of KASB Bank Limited, Shakarganj Food Products Limited, New Horizon Exploration and Production Limited and KASB International Limited being the associated companies of KASB Bank Limited, MCB Financial Services Limited being the Trustee of the Fund, other Funds managed by the Management Company including KASB Stock Market Fund, KASB Income Opportunity Fund, KASB Islamic Income Opportunity Fund, KASB

Asset Allocation Fund, Crosby Dragon Fund, Crosby Phoenix Fund and AMZ Plus Income Fund and directors, key management personnel and officers of the Management Company.

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations, 2008, and the Trust Deed respectively.

Details of transactions with related parties / connected persons and balances with them at year end are as follows:

18.1 Transactions with related parties / connected persons during the year:

	2012	2011
	----- (Rupees in '000) -----	
KASB Funds Limited		
Remuneration	9.1 <u>5,769</u>	<u>4,275</u>
Sales load	<u>2,301</u>	<u>707</u>
Investment in the Fund: Nil units (2011: 24,743 units)	<u>-</u>	<u>2,500</u>
Redemption from the Fund: 545,964 units (2011: 263,733 units)	<u>55,710</u>	<u>26,760</u>
Bonus units: 37,961 units (2011: 289 units)	<u>3,803</u>	<u>29</u>
Conversion in the Fund: Nil units (2011: 41,889 units)	<u>-</u>	<u>4,240</u>

KASB CASH FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

	2012	2011
	----- (Rupees in '000)-----	
Transfer out from the Fund: 144,967 units (2011: 60,007 units)	<u>15,000</u>	<u>6,080</u>
Units pledged with KASB Bank Limited: Nil units (2011: 17,416 units)	<u>-</u>	<u>1,757</u>
KASB Funds Limited Employees' Provident Fund		
Redemption from the Fund: 12,291 units (2011: Nil units)	<u>1,280</u>	<u>-</u>
Bonus units: 2,828 units (2011: Nil units)	<u>289</u>	<u>-</u>
KASB Bank Limited		
Conversion in the Fund: 805,311 units (2011: Nil units)	<u>84,392</u>	<u>-</u>
Dividend paid	<u>5,360</u>	<u>2,944</u>
KASB Bank Limited Employees' Provident Fund		
Investment in the Fund: 96,260 units (2011: Nil units)	<u>10,000</u>	<u>-</u>
Bonus units: 2,828 units (2011: Nil units)	<u>289</u>	<u>-</u>
KASB Securities Limited		
Brokerage	18.3 <u>74</u>	<u>79</u>
Redemption from the Fund: Nil units (2011: 1,263,559 units)	<u>-</u>	<u>130,000</u>
Conversion in the Fund: Nil units (2011: 835,018 units)	<u>-</u>	<u>84,793</u>
Bonus units: 71,155 units (2011: 133,497 units)	<u>7,246</u>	<u>13,396</u>
KASB Securities Limited Employees' Provident Fund		
Investment in the Fund: 97,192 units (2011: Nil units)	<u>10,000</u>	<u>-</u>
MCB Financial Services Limited - Trustee		
Remuneration	10 <u>1,329</u>	<u>1,096</u>

KASB CASH FUND

NOTES TO THE FINANCIAL STATEMENTS

Directors and Officers of the Management Company

	2012	2011
	----- (Rupees in '000) -----	
Investment in the Fund: 67,337 units (2011: 15,101 units)	6,997	1,537
Redemption from the Fund: 39,969 units (2011: 20,483 units)	4,097	2,081
Bonus units: 558 units (2011: 3,334 units)	7	330
Conversion in the Fund: 1,303 units (2011: 21,663 units)	136	2,193
Conversion out of the Fund: 315 units (2011: 10 units)	33	1
Transfer in the Fund: nil units (2011: 246 units)	-	25

18.2 Balances with related parties / connected persons at year end:

KASB Funds Limited

Units held: 140,394 units (2011: Nil Units)		14,670	-
Receivable from the Management Company	7	61	661
Payable to Management Company	9	1,36	315

KASB Bank Limited

Units held: 1,092,502 units (2011: 287,190 units)		114,158	29,684
---	--	---------	--------

KASB Bank Limited Employees' Provident Fund

Units held: 99,088 units (2011: Nil units)		10,354	-
--	--	--------	---

KASB Securities Limited

Brokerage payable		53	11
Units held: 754,905 units (2011: 683,751 units)		78,882	70,672

KASB Securities Limited Employees' Provident Fund

Units Held: 97,192 (2011: Nil Units)		10,156	-
--------------------------------------	--	--------	---

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

	2012	2011
	----- (Rupees in '000)-----	
MCB Financial Services Limited - Trustee		
Payable to the Trustee	10	149
		96
Directors and Officers of the Management Company		
Units held: 33,460 units (2011: 35,038 units)	3,496	3,539

- 18.3** The amount disclosed represents the amount of brokerage paid to connected person and not the purchase or sale values of securities transacted through them. The purchase or sale values have not been treated as transactions with connected persons as ultimate counter-parties are not connected persons.

19. FINANCIAL RISK MANAGEMENT

The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies. The management of these risks is carried out by investment committee under policies approved by the Board of Directors.

The Fund primarily invests in money market instrument and government securities with an objective of optimizing the return to unit holders.

The Fund has exposure to the following risks from financial instruments:

- Market risk
- Credit risk and
- Liquidity risk

19.1 Market risk

Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate as a result of changes in market prices, such as interest rates, equity prices and foreign exchange rate. The objective of market risk management is to manage market risk exposure within acceptable parameters, while optimising the return.

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

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

Currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund holds fixed rate debt securities that expose the fund to cash flow and fair value interest rate risk due to fluctuations in prevailing levels of market interest rates.

As at June 30, 2012 the investment in debt securities exposed to interest rate risk is detailed in Note 5.2.

Sensitivity analysis for fixed rate instruments

In case of 100 basis points increase / decrease in rates announced by Financial Markets Association of Pakistan on June 30, 2012 with all other variables held constant, the net income for the year and net assets would be lower / higher by Rs. 0.61 million (2011: Rs. 4.06 million). The fluctuation in interest of 100 basis points is reasonably possible in current economic environment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

The composition of the Fund's investment portfolio and rates announced by Financial Markets Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Other price risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of change in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. As at June 30, 2012 the Fund does not hold any investment exposed to price risk, accordingly there shall be no impact on the net assets of the Fund. Further, the Fund is expecting minimal price fluctuation on its investment in government securities for change in factors other than those arising from interest rate or currency risk.

19.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It principally arises from balances with banks, income receivables and other receivables.

Credit risk management

It is the Fund's policy to enter into financial contracts with reputable, diverse and creditworthy counterparties and wherever possible or deemed necessary obtain collaterals in accordance with internal risk management policies and investment guidelines designed for credit risk management. However, for testing an investment for impairment the management does not consider the value of collaterals or other credit enhancements and follow the guidelines provided by the SECP in terms of Circular 1 of 2009 and other clarification circulars issued by the SECP and provisioning policy of the Fund duly approved by the Board of Directors of the Management Company. The Investment Committee closely monitors the creditworthiness of the Fund's counterparties by reviewing their credit ratings, financial statements and press releases on a regular basis.

Exposure to credit risk

The Fund's maximum credit exposure, without taking into account collateral and other credit enhancement, at the balance sheet date is represented by the respective carrying amount of relevant financial asset i.e. balances with banks, income receivable and other receivables reported in Statement of Assets and Liabilities.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal as the Fund uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery using central clearing system.

Balances with banks

As at June 30, 2012, the Fund kept surplus liquidity with banks having credit rating ranging from AA to BBB. The rating to respective banks are assigned by reputable credit rating agencies. During the year, the rating of KASB Bank Limited was downgraded to BBB (refer note 4.3). The rating of the banks is monitored by the Fund Manager and Investment Committee.

Investment in fixed income securities

Investment in treasury bills do not expose the Fund to credit risk as the counterparty to the investment is the Government of Pakistan and management does not expect to incur any credit loss on such investments.

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. As at June 30, 2012 there is no concentration of credit risk to an individual issuer / counterparty, apart from investment in government securities to which the management believes it has no material credit exposure.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

Past due and impaired assets

No financial asset carried at amortised cost or cost were past due or impaired either as at June 30, 2012 or June 30, 2011. The management has not quantified the value of collaterals held against debt securities as management does not incorporate collaterals or other credit enhancements into its credit risk management nor it considers the value of collateral while testing investments for impairment and follows the circulars issued by SECP for the purpose of making provision and provisioning policy of the Fund duly approved by the Board of Directors of the Management Company.

19.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations arising from its financial liabilities that are settled by delivering cash or other financial assets or that such obligations will have to be settled in a manner disadvantageous to the Funds. Liquidity risk also arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's applicable redemption price calculated in accordance with the Fund's constitutive documents and guidelines laid down by the SECP. Hence, unit holders' fund appearing in Statement of Assets and Liabilities represent the continuous obligation of the Fund for redemption by its holders.

Management of liquidity risk

The Fund's policy to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units as and when due, without incurring undue losses or risking damage to the Fund's reputation. The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with a condition of repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

The Board of Directors of the Management Company is empowered to impose a redemption gate should redemption level exceed 10% of the net assets value of the Fund in any redemption period. The liquidity position of the Fund is monitored by the Fund Manager and Risk and Compliance Department on daily basis. The aim of the review is to ascertain the amount available for investment and also ensure sufficient liquidity is maintained to meet redemption requests by analysing the historical redemption requests received by the Management Company.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

	June 30, 2012			Total
	Up to three months	More than three months and upto one year	More than one year	
----- (Rupees in '000) -----				
Payable to KASB Funds Limited - Management Company	1,367	-	-	1,367
Payable to MCB Financial Services Limited - Trustee	149	-	-	149
Accrued expenses and other liabilities	869	-	-	869
	<u>2,385</u>	<u>-</u>	<u>-</u>	<u>2,385</u>

	June 30, 2011			Total
	Up to three months	More than three months and upto one year	More than one year	
----- (Rupees in '000) -----				
Payable to KASB Funds Limited - Management Company	315	-	-	315
Payable to MCB Financial Services Limited - Trustee	96	-	-	96
Accrued expenses and other liabilities	749	-	-	749
	<u>1,160</u>	<u>-</u>	<u>-</u>	<u>1,160</u>

19.4 Unit Holders' Funds risk management

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations 2008, to maintain minimum fund size to Rs. 100 million by July 1, 2012. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

The Fund's objective in managing the unit holder's funds are to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments on the Statement of Assets and Liabilities are carried at fair value. The Management Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Fund measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument

KASB CASH FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

21. DISTRIBUTIONS TO UNIT HOLDERS OF FUND

21.1 Final and interim distributions

Date of distributions	For the year ended June 30, 2012				
	Distribution per unit	No. of bonus units issued	Bonus ----- (Rupees)	Cash (Rupees)	Total -----
<i>Final distribution</i>					
July 04, 2011	3.25	176,469	17,666	943	18,609
<i>Interim distributions</i>					
January 30, 2012	4.00	234,592	24,168	1,160	25,328
April 13, 2012	3.00	206,262	21,061	3,286	24,347
		440,854	45,229	4,446	49,675

Date of distributions	For the year ended June 30, 2011				
	Distribution per unit	No. of bonus units issued	Bonus ----- (Rupees)	Cash (Rupees)	Total -----
<i>Final distribution</i>					
July 03, 2010	2.25	114,627	11,473	650	12,123
<i>Interim distributions</i>					
October 1, 2010	2.50	108,040	10,830	722	11,552
December 10, 2010	2.00	89,032	8,934	578	9,512
February 17, 2011	2.00	103,118	10,369	577	10,946
March 31, 2011	1.50	81,927	8,223	433	8,656
		382,117	38,356	2,310	40,666

21.2 Non-adjusting event after the balance sheet date

The Board of Directors of the Management Company has approved a final dividend distribution of Rs. 2.60 per unit for the year ended June 30, 2012, amounting to Rs. 27.93 million in total in their meeting held on July 5, 2012. The financial statements for the year ended June 30, 2012, do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2013.

22. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding pattern of unitholding, list of top ten brokers / dealers by percentage of commission paid, attendance at meetings of the Board of Directors of the Management Company and particulars of members of Investment Committee are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

22.1 Pattern of unitholding:

Unit holding pattern of the Fund as at June 30 is as follows:

Category	Number of unit holders		Investment amount		Percentage of total investment	
	2012 (Numbers)	2011	2012 (Rupees in '000)	2011	2012 (%)	2011
Individuals	321	256	434,374	202,365	38.70	34.19
Associated companies and directors	5	4	228,220	153,219	0.33	25.89
Retirement funds	10	10	43,195	56,897	8.53	9.58
Others	16	12	416,672	179,530	3.7	30.34
Total	352	282	1,122,461	591,811	100	100

22.2 List of top ten brokers / dealers by percentage of commission paid:

Broker Name	2012 (Percentage)
KASB Securities Limited	55.16%
BMA Capital Management Limited	20.55%
Invest Capital Investment Bank Limited	8.38%
Global Securities Pakistan Limited	5.57%
Invest & Finance Securities (Private) Limited	4.77%
Invst One Markets Limited	2.42%
Pear Securities Limited	1.83%
Vector Capital	1.07%
Optimus	0.25%
	2011 (Percentage)
KASB Securities Limited	70.70%
Alfalah Securities (Private) Limited	9.99%
JS Global Capital Limited	8.16%
Global Securities Pakistan Limited	4.26%
Invisor Securities (Private) Limited	3.49%
BMA Capital Management Limited	1.17%
ICON Securities (Private) Limited	1.12%
Invest Capital Market Limited	0.82%
Atlas Capital Markets (Private) Limited	0.29%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

22.1 Pattern of unitholding:

Unit holding pattern of the Fund as at June 30 is as follows:

22.3 Attendance at meetings of Board of Directors:

Name of the person	Designation	Meetings		
		Total	Attended	Leave granted
Mr. Robert John Richard Owen	Chairman	10	10	-
Mr. Syed Muhammad Rehmaniullah*	Director	4	4	-
Mr. Muzaffar Ali Shah Bukhari	Director	10	7	3
Mr. Qaisar P. Mufli	Director	10	10	-
Mr. Amer Maqbool	Chief Executive and Director	10	10	-

*Mr. Syed Muhammad Rehmaniullah was not re-elected on Board at elections held in October 2011.

Dates of the meetings of the Board of Directors

The 50th, 51st, 52nd, 53rd, 54th, 55th, 56th, 57th, 58th and 59th Board meetings were held on July 04, 2011, August 03, 2011, August 19, 2011, September 15, 2011, October 28, 2011, February 15, 2012, March 16, 2012, April 02, 2011, April 27, 2012 and May 18, 2012 respectively.

22.4 Details of Members of Investment Committee

Name	Designation	Qualification	Experience (Years)
Amer Maqbool	Chief Executive Officer	MBA	16
Jamshed Aziz Khan	Chief Investment Officer	BSc (Hons.)	14
Syed Khurram Qadri	Fund Manager	MBA	06
Syed Adnan Abdali	Chief Financial Officer	ACMA	08

22.4.1 Other funds managed by the Fund Manager:

KASB Islamic Income Opportunity Fund under the management of KASB Funds Limited.

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 04, 2012

For KASB Funds Limited
(Management Company)

Chief Executive

Director