

**CONTENTS**

Fund Information	3
Mission Statement	5
Report of the Directors of the Management Company	6
Trustee Report to the Unit Holders	8
Independent Auditors' Report on review of Condensed Interim Financial Information to the Unit Holders of KASB Capital Protected Gold Fund	9
Condensed Interim Statement of Assets and Liabilities	10
Condensed Interim Income Statement (Un-audited)	11
Condensed Interim Cash Flow Statement (Un-audited)	12
Condensed Interim Distribution Statement (Un-audited)	13
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	14
Notes to the Condensed Interim Financial Information (Un-audited)	15

**KASB CAPITAL PROTECTED  
GOLD FUND**

**FUND INFORMATION**

**Management Company**

KASB Funds Limited

**Registered Office:**

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

**Principal Office:**

11th 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. Muhammad Imran Khalil - Chief Executive  
Mr. Syed Muhammad Rehmanullah  
Mr. Muzaffar Ali Shah Bukhari

**Chief Financial Officer**

Mr. Muhammad Imran Khalil

**Company Secretary**

Mr. Mansoor Ali

**Audit Committee**

Mr. Robert John Richard Owen  
Mr. Syed Muhammad Rehmanullah

**Trustee**

Central Depository Company of Pakistan  
Limited, CDC House, 99-B, Block 'B', SMCHS,  
Main Shakra-e-Faisal, Karachi

**Fund Rating**  
**AA(cpf) by JCR-VIS**  
**(April 2010)**

**Bankers to the Fund**

Standard Chartered Bank (Pakistan) Limited  
Habib Metropolitan 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**

Bawaney & Partners  
Room No. 404, 4th Floor, Beaumont Plaza,  
6-cl-10, Beaumont Road, Civil Lines,  
Karachi-75530

**Registrar**

Noble Computer Services (Pvt.) Limited  
Mezzanine Floor, House of Habib Building  
(Siddiqsons Tower) 3-Jinnah Cooperative  
Housing Society, Main Shakra-e-Faisal  
Karachi-75350

**Distributors**

KASB Funds Limited  
KASB Bank Limited  
KASB Securities Limited  
BMA Financial Services Limited  
Vector Consultants  
Standard Chartered Bank (Pakistan) Limited

**Management Company Rating**  
**Rated AM3+ by JCR-VIS**  
**(May 2010)**

---

**MISSION STATEMENT**

---

KASB Capital Protected Gold Fund (KCPGF) is an open-ended fund that aims to protect investors' capital at maturity through the investment structure by placing a significant percentage of the Fund as term deposit (s) with Scheduled Commercial Bank(s) or Development Finance Institutions (DFIs) having a minimum long term rating of 'AA-' assigned by credit rating agency registered with the Commission. Remaining funds are utilized to gain exposure to Gold through the Commodity Exchange listed gold contracts in Pakistan Rupees providing higher return possibilities.

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY**

*For the six months ended December 31, 2010*

The Board of Directors of KASB Funds Limited ("KFL" or "the Company"), the Management Company of KASB Capital Protected Gold Fund ("KCPGF" or "the Fund"), is pleased to present the condensed interim financial information of the Fund for the six months ended December 31, 2010.

### **Investing Activities and Fund's Performance**

Pakistan's economy is going through difficult times but more troublesome is the delay in the much needed reforms on the fiscal and administrative fronts. The country, after taking a huge economic hit due to devastating floods last year, needs to take crucial economic decision in a timely manner so as to address the structural issues that the economy faces especially to resolve the energy crisis and persistent inflation.

Given the higher inflation and higher fiscal deficit (resulting in the form of accelerating deficit monetization) the central bank has increased the policy rate by 150 bps to 14.0% during the last six months.

The global economy too is under turmoil albeit for different reasons. Some member countries of the Eurozone are still finding it difficult to crawl out of the debt crises that have engulfed the region for some time now, and fears are abundant that the contagion may spread to other members too. Though the US economy is believed to be on a stable recovery track, Central Banks are pursuing an expansionary monetary policy with interest rates being kept near to zero for economic recovery to take shape. However, this is also resulting in a gradual de-basing of the major currencies leading to a greater demand for commodities such as gold. On the contrary, high inflation in the high growth developing Asian economies is warranting pursuit of a contractionary monetary policy.

Gold continued on its upward momentum and reached its all time high price of USD 1,424/oz. before closing the calendar year at USD 1,421/oz. The rally, which has seen gold appreciate by 14.37% during the review period has been mostly due to constant negative news coming out of the Eurozone and the US, making investors jittery over sovereign debt and causing them to focus on the safe haven notion of gold.

While the benchmark (80% Term Deposit rates of AA- and above rated scheduled banks + 20% daily average of closing Pakistan Rupee gold prices at the Commodity Exchange) of the Fund posted a return of 7.25% for the period under review, the Fund recorded a return of 5.05%.

The Fund earned a gross income of Rs. 32.37 mln during the period under consideration while the net income of the Fund for the same period was Rs. 22.88 mln and the total net assets of the Fund stood at Rs. 487.01 mln at the end of the period translating into a NAV per unit of Rs. 105.26 (Par Rs. 100).

### **Future Outlook**

The increasing revenue-expenditure gap is the most urgent issue the government is facing right now, especially after the floods. The targeted fiscal deficit seems too optimistic (4.7% of GDP) as the 1HFY11 deficit has already reached 2.9%. Although, the IMF has extended the SBA program by nine months, the next review will be critical to satisfy the IMF on the reformed GST and improved fiscal measures. The SBP's monetary policy is expected to remain contractionary due to persistent inflation and higher government borrowing.

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY**

*For the six months ended December 31, 2010*

Strengthening of the US Dollar on the back of improved economic data has caused the yellow metal to retreat from its peak recently. However, global economic outlook remains uncertain at this stage which is pushing Gold to newer highs. The US Dollar continues to be under pressure and if the policy of gradual de-basing of the US currency continues, coupled with the lingering of the Eurozone debt crises, Gold is likely to push towards new highs in the remaining part of 2011.

### **Acknowledgement**

The Board of Directors of the Management Company thanks the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan for their valuable support, assistance and guidance. The Board also thanks the employees of the Management Company and Trustee for their dedication and hard work and the unit holders for their confidence in the management.

**For and on behalf of the Board**

**February 17, 2011  
Karachi**

**Muhammad Imran Khalil  
Chief Executive**

**TRUSTEE REPORT TO THE UNIT HOLDERS  
KASB CAPITAL PROTECTED GOLD FUND**

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

The KASB Capital Protected Gold Fund (the Fund), an open-end scheme was established under a trust deed dated September 01, 2009, executed between KASB Funds Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 2010 to December 31, 2010 in accordance with the provisions of the following:

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

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

Karachi, February 22, 2011

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED  
INTERIM FINANCIAL INFORMATION TO THE UNIT HOLDERS OF  
KASB CAPITAL PROTECTED GOLD FUND**

**Introduction**

We have reviewed the accompanying condensed interim statement of assets and liabilities of **KASB Capital Protected Gold Fund** ("the Fund") as at 31 December 2010 and the related condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and notes to the condensed interim financial information for the six months period ended 31 December 2010 (here-in-after referred to as the "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**Other matters**

The figures for the quarters ended 31 December 2010 in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds and for the period from 2 November 2009 to 31 December 2009 in the condensed cash flow statement have not been reviewed and we do not express a conclusion on them.

Date: 17 February 2011

Karachi

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
**MONEEZA USMAN BUTT**

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES**

As at December 31, 2010

	Note	(Un-audited) December 31 2010	(Audited) June 30 2010
----(Rupees in '000)----			
<b>ASSETS</b>			
<b>Capital Protection Segment</b>			
Term deposit receipts	6	383,100	383,100
Income receivable - term deposit receipts		34,161	11,469
		417,261	394,569
<b>Investment Segment</b>			
Bank balances	7	65,190	72,599
Income receivable - bank deposits		502	618
Investments	8	806	(102)
Deposits and prepayments		8,734	9,832
		75,232	82,947
Preliminary expenses and floatation costs		1,248	1,764
<b>Total assets</b>		<b>493,741</b>	<b>479,280</b>
<b>LIABILITIES</b>			
Payable to KASB Funds Limited - Management Company		721	2,734
Payable to Central Depository Company of Pakistan Limited - Trustee		59	58
Payable to The Securities and Exchange Commission of Pakistan		181	118
Accrued expenses and other liabilities		5,769	2,343
<b>Total liabilities</b>		<b>6,730</b>	<b>5,253</b>
<b>Net assets</b>		<b>487,011</b>	<b>474,027</b>
<b>Unit holders' funds</b>			
		<b>487,011</b>	<b>474,027</b>
(Number of units)			
<b>Number of units in issue</b>		<b>4,626,924</b>	<b>4,597,901</b>
(Rupees)			
<b>Net asset value per unit</b>		<b>105.26</b>	<b>103.10</b>
<b>Commitments</b>	9		

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive  
For KASB Funds Limited  
(Management Company)

Director

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)**

For the six months and quarter ended December 31, 2010

	Note	Six months ended December 31 2010	Quarter ended December 31 2010
----(Rupees in '000)----			
<b>Income</b>			
Income from term deposit receipts - capital protection segment		22,692	11,346
Profit on bank and other deposits		3,785	1,816
Capital gain on sale of investments		5,084	4,600
Unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'	8	806	(1,025)
<b>Total Income</b>		<b>32,367</b>	<b>16,737</b>
<b>Expenses</b>			
Remuneration of KASB Funds Limited - Management Company		4,234	2,133
Remuneration of Central Depository Company of Pakistan Limited - Trustee		353	177
Annual fee - The Securities and Exchange Commission of Pakistan		181	91
Transaction costs on securities		123	39
Settlement and bank charges		87	29
Legal and professional charges		33	10
Fees and subscription		66	33
Auditor's remuneration		236	110
Amortization of preliminary expenses and floatation costs		516	258
Provision for Workers' Welfare Fund	10	364	144
Provision for Zakat		2,978	1,489
Printing and other expenses		61	31
<b>Total expenses</b>		<b>9,232</b>	<b>4,544</b>
		<b>23,135</b>	<b>12,193</b>
Net realised element of loss and capital losses included in prices of units issued less those in units redeemed		(255)	(257)
<b>Net income for the period</b>		<b>22,880</b>	<b>11,936</b>
<b>Earnings per unit</b>	11		

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive  
For KASB Funds Limited  
(Management Company)

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**

For the six months and quarter ended December 31, 2010

	Six months ended December 31 <b>2010</b>	From November 2 2009 to December 31 <b>2009</b>	Quarter ended December 31 <b>2010</b>	From November 2 2009 to December 31 <b>2009</b>
----- (Rupees in '000) -----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period	22,880	-	11,936	-
<b>Adjustments for:</b>				
Net realised element of loss and capital losses included in prices of units issued less those in units redeemed	255	-	257	-
Unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss'	(806)	-	1,025	-
Amortization of preliminary expenses and flotation costs	516	-	258	-
	(35)	-	1,540	-
<b>(Increase) / decrease in assets</b>				
Investments - net	(102)	-	-	-
Income receivable - term deposit receipts	(22,692)	-	(11,346)	-
Income receivable - bank deposits	116	(1,000)	81	(1,000)
Deposits and prepayments	1,098	-	1,520	-
	(21,580)	(1,000)	(9,745)	(1,000)
<b>Increase / (decrease) in liabilities</b>				
Payable to KASB Funds Limited - Management Company	(2,013)	5	31	5
Payable to Central Depository Company of Pakistan Limited - Trustee	1	-	2	-
Payable to Securities and Exchange Commission of Pakistan	63	-	91	-
Accrued expenses and other liabilities	3,426	1,806	1,722	1,806
	1,477	1,811	1,846	1,811
<b>Net cash generated from operating activities</b>	<b>2,742</b>	<b>811</b>	<b>5,577</b>	<b>811</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net (payments) / receipt from sale and redemption of units	(10,151)	119,650	(7,641)	119,650
Net (decrease) / increase in cash and cash equivalents during the period	(7,409)	120,461	(2,064)	120,461
Cash and cash equivalents at beginning of the period	72,599	-	67,254	-
Cash and cash equivalents at end of the period	65,190	120,461	65,190	120,461

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For KASB Funds Limited  
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)**

For the six months and quarter ended December 31, 2010

	Six months ended December 31 <b>2010</b>	Quarter ended December 31 <b>2010</b>
----- (Rupees in '000) -----		
Undistributed income brought forward	14,059	11,669
Final distribution at the rate of Rs. 2.90 per unit for the period ended June 30, 2010	(13,334)	-
Net income for the period	22,880	11,936
	9,546	11,936
Undistributed income carried forward	23,605	23,605

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For KASB Funds Limited  
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN  
UNIT HOLDERS' FUNDS (UN-AUDITED)**

For the six months and quarter ended December 31, 2010

	Six months ended December 31 <b>2010</b>	Quarter ended December 31 <b>2010</b>
	----(Rupees in '000)----	
Net assets at beginning of the period	474,027	482,459
Issue of 133,073 bonus units and Nil units for the six months and quarter ended respectively	13,334	-
Redemption of 104,050 units and 77,873 units for the six months and quarter ended respectively	(10,686)	(8,044)
	2,648	(8,044)
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed: - amount representing accrued loss and realised capital losses - transferred to the Income Statement	255	257
Issue of bonus units during the period	(13,334)	-
Net income for the period (excluding unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gain)	16,990	8,361
Capital gain on sale of investments	5,084	4,600
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'	806	(1,025)
	22,880	11,936
Transferred to the special reserve account	535	403
Net assets at end of the period	487,011	487,011

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

For KASB Funds Limited  
(Management Company)

Chief Executive

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED)**

For the six months and quarter ended December 31, 2010

**1. LEGAL STATUS AND NATURE OF BUSINESS**

KASB Capital Protected Gold Fund (the Fund) was established under a Trust Deed executed on September 1, 2009 between KASB Funds Limited as Management Company and Central Depository Company of Pakistan Limited as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on September 17, 2009 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

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 Regulations) Rules, 2003 issued by SECP. The registered office of the management company is situated at 9th Floor, Trade Center, I.I. Chundrigar Road, Karachi, Pakistan. JCR-VIS has assigned management quality rating of AM3+ to the Management Company. Currently management has applied for assignment for Fund's rating based on its latest financial statements and awaiting for reponse in this regard.

The Fund is an open end capital protected fund that aims to protect investors' capital at maturity through the investment structure by placing a significant percentage of the Fund as term deposit(s) with Scheduled Commercial Bank(s) or Development Finance Institutions (DFIs) having a minimum long term rating of 'AA+' assigned by credit rating agency registered with the Commission. Remaining funds are utilised to gain exposure to gold through the commodity exchange listed gold contracts in Pakistan Rupees providing higher return possibilities.

The Fund is listed on Karachi Stock Exchange (Guarantee) Limited. The duration of the Fund is two years following the last day of initial offering period i.e. March 19, 2010. The Fund consists of two segments, Capital Protected Segment and Investment Segment. The Capital Protected Segment aims at protecting initial investment value of the investors till completion of minimum period, provided investment held by respective unit holders for minimum period as laid down in constitutive documents of the Fund. Capital Protection is provided through the investment structure of the Fund as detailed in the Offering Document to preserve the Initial Investment Value and not through an undertaking by the Management Company or Trustee, who shall not be liable as guarantors or otherwise. The remaining portion of the Fund will be part of Investment Segment and will be invested in Gold contracts or kept in saving accounts with commercial banks. Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

**2. BASIS OF PREPARATION**

This condensed interim financial information of the Fund has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements for the period ended June 30, 2010.

This condensed interim financial information comprises of the condensed interim statement of assets and liabilities as at December 31, 2010 and the related condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and notes thereto for the six months and quarter ended December 31, 2010. As the Fund has no item to be reported in other comprehensive income for the six months and quarter ended December 31, 2010 hence no such statement is prepared and the reported net income for the period equals to the total comprehensive income.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED)**

For the six months and quarter ended December 31, 2010

The comparatives in the statement of assets and liabilities presented in the condensed interim financial information as at December 31, 2010 have been extracted from the audited financial statements of the Fund for the period ended June 30, 2010.

This condensed interim financial information is unaudited and is presented in Pak Rupees, which is the Fund's functional and presentation currency and has been rounded off to the nearest thousand rupees. The figures for the six months ended December 31, 2010 have been reviewed by the auditor, however, figures for the quarter ended December 31, 2010 have neither been audited nor reviewed by the auditor.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the period ended June 30, 2010. New interpretations and amendments to certain existing standards / interpretations are effective during the period, however, adoption of such amendments / new interpretations did not have any impact on the accounting policies of the Fund.

**4. ESTIMATES AND JUDGEMENTS**

The preparation of condensed interim financial information require the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates. In preparing these condensed interim financial information, the significant judgements made by the management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the period ended June 30, 2010.

**5. FINANCIAL RISK MANAGEMENT**

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the period ended June 30, 2010.

**6. TERM DEPOSIT RECEIPTS**

This represents term deposit receipts with a commercial bank and carry mark-up at the rate of 11.75% per annum maturing on March 30, 2012. The said deposit has been placed by the Fund to ensure that these deposits are grown to become at least 100% of the total invested value.

**7. BANK BALANCES**

		(Un-audited) December 31 <b>2010</b>	(Audited) June 30 <b>2010</b>
----(Rupees in '000)----			
In deposit accounts	7.1	<u>65,190</u>	<u>72,599</u>

7.1 These deposit accounts carry mark-up at the rate of 5% to 10.48% per annum (June 30, 2010: 5% to 10.48% per annum).

**8. INVESTMENTS**

At fair value through profit or loss

Held for trading			
- Futures Gold Contract	8.1	<u>806</u>	<u>(102)</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED)**

For the six months and quarter ended December 31, 2010

8.1 This represents the net unrealised gain on future Gold Ounce with settlement dates of January 27, 2011 and February 24, 2011 and Gram Contracts with settlement date of January 19, 2011.

	(Un-audited) December 31 <b>2010</b>	(Audited) June 30 <b>2010</b>
----(Rupees in '000)----		
<b>9. COMMITMENTS</b>		
Purchase of:		
- Ounce Gold contracts in USD 529,520 (June 30, 2010: USD 370,012)	<u>45,390</u>	<u>23,399</u>
- Gold gram contracts in Pak rupees	<u>11,392</u>	<u>-</u>

The above represents the gross value of Future Gold Ounce with settlement dates of January 27, 2011 and February 24, 2011 and Gram Contracts with settlement date of January 19, 2011.

**10. PROVISION FOR WORKERS' WELFARE FUND**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it is alleged 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

On July 08, 2010 an advice was issued by the Ministry of Labour and Manpower (the Ministry) stating that WWF is not applicable to Mutual Funds. However, on July 15, 2010 the Ministry has issued another letter stating that "Mutual Fund(s) is product which is being managed / sold by the Asset management Companies which are liable to contribute towards the Workers Welfare Fund under section - 4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid." The clarification issued by the Ministry on July 08, 2010 was forwarded by Federal Board of Revenue (FBR) [being the collecting agency of WWF on behalf of the Ministry] to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF.

Notice of demand have also been issued to several other mutual funds including funds under the management of the Management Company and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Honorable High Court of Sindh. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry in the Court.

In view of the above stated matters, the Management has suspended the accrual of WWF charge from November 26, 2010 and as a matter of abundant caution has not reversed the earlier provision.

**11. EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average number of units for calculating EPU is not practicable.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED)**

For the six months and quarter ended December 31, 2010

**12. 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 Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the Fund by the year end to the unit holders. Accordingly, no provision for taxation has been made in this condensed interim financial information.

**13. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons / related parties 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 Modaraba Management (Private) 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, Central Depository Company of Pakistan Limited being the Trustee of the Fund, other Funds managed by the management company (including KASB Income Opportunity Fund [formerly KASB Liquid Fund], KASB Stock Market Fund, KASB Asset Allocation Fund [formerly KASB Balanced Fund], KASB Islamic Income Opportunity Fund [formerly KASB Islamic Income Fund] and KASB Cash Fund) and directors, key management personnel and officers of the Management Company.

The transactions with connected persons / related parties 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 connected persons / related parties and balances with them at period end are as follows:

**13.1 Transaction**

**KASB Funds Limited**

Remuneration

Bonus units: 16 units and Nil units for the six months and quarter ended December 31, 2010 and Nil units for the period ended December 31, 2009

Transfer in the Fund: 103 units and Nil units for the six months and quarter ended December 31, 2010 and Nil units for the period ended December 31, 2009

**KASB Bank Limited**

Investment in the Fund: Nil units for the six months and quarter ended December 31, 2010 and 1,000,000 units for the period ended December 31, 2009

(Un-audited)		
Six months ended December 31	Quarter ended December 31	From November 2009 to December 31
2010	2010	2009
------(Rupees in '000)-----		
4,234	2,133	-
2	-	-
10	-	-
-	-	100,000

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED)**

For the six months and quarter ended December 31, 2010

(Un-audited)

Six months ended December 31	Quarter ended December 31	From November 2009 to December 31
2010	2010	2009
------(Rupees in '000)-----		

Bonus units: 20,560 units and Nil units for the six months and quarter ended December 31, 2010 and Nil units for the period ended December 31, 2009

2,060	-	-
-------	---	---

**KASB Bank Limited Employees' Provident Fund**

Bonus units: 2,803 units and Nil units for the six months and quarter ended December 31, 2010 and Nil units for the period ended December 31, 2009

281	-	-
-----	---	---

**KASB Securities Limited**

Brokerage Expense 13.3

38	22	-
----	----	---

**Central Depository Company of Pakistan Limited - Trustee**

Remuneration

353	177	-
-----	-----	---

**Directors and Officers of the Management Company**

Bonus units: 161 units and Nil units for the six months and quarter ended December 31, 2010 and Nil units for the period ended December 31, 2009

16	-	-
----	---	---

Redemption from the Fund: 1,646 units and 1,029 units for the six months and quarter ended December 31, 2010 and 1,029 units for the period ended December 31, 2009

141	101	-
-----	-----	---

Transfer out the Fund: 103 units and Nil units for the six months and quarter ended December 31, 2010 and Nil units for the period ended December 31, 2009

10	-	-
----	---	---

Investment in the Fund: Nil units for the six months and quarter ended December 31, 2010 and 2,000 units for the period ended December 31, 2009

-	-	200
---	---	-----

(Un-audited) (Audited)

December 31	June 30
2010	2010
------(Rupees in '000)-----	

**13.2 Balances**

**KASB Funds Limited**

Payable to Management Company

721	2,734
-----	-------

Units held: 687 units (June 30, 2010: 568 units)

72	59
----	----

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
(UN-AUDITED)**

For the six months and quarter ended December 31, 2010

	(Un-audited) December 31 2010	(Audited) June 30 2010
----(Rupees in '000)----		
<b>KASB Bank Limited</b>		
Bank balance	13.4	8
Units held: 730,948 units (June 30, 2010: 710,388 units)	<u>76,940</u>	<u>73,241</u>
<b>KASB Bank Limited Employees' Provident Fund</b>		
Units held: 99,655 units (June 30, 2010: 96,852 units)	<u>10,490</u>	<u>9,985</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Payable to the Trustee	<u>59</u>	<u>58</u>
<b>Directors and Officers of the Management Company</b>		
Units held: 1,595 units (June 30, 2010: 6,667 units)	<u>168</u>	<u>687</u>

13.3 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.

13.4 The rate of return on this deposit account is 5% per annum (June 30, 2010: 5% per annum).

**14. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue on February 17, 2011 by the Board of Directors of the Management Company.

**15. GENERAL**

The accounting period of the Fund started on November 2, 2009, however, the operations of the Fund were started on March 19, 2010, therefore, there are no comparative figures to report in respect of condensed interim income statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds.

For KASB Funds Limited  
(Management Company)

Chief Executive

Director