

**KASB CAPITAL PROTECTED
GOLD FUND**

QUARTERLY REPORT
September 30, 2010

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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

Mr. Masood Karim Shaikh

Chief Financial Officer

Mr. Muhammad Imran Khalil

Company Secretary

Mr. Muhammad Kashif Masood

Audit Committee

Mr. Masood Karim Shaikh - Chairman

Mr. Robert John Richard Owen

Mr. Syed Muhammad Rehmanullah

Trustee

Central Depository Company of Pakistan
Limited, CDC House, 99-B, Block 'B',
SMCHS, Main Shahra-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 Shahra-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 quarter ended September 30, 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 quarter ended September 30, 2010.

Investing Activities and Fund's Performance

The devastating floods that recently hit Pakistan have long term ramifications on the economy of the country which was on the stabilization path by the end of FY10. The economy is now confronted with destructive flood and the post flood projections raise significant apprehensions for short-to-medium term economic growth. As the economic impacts of the worst flood in the country's history are being assessed, the real GDP growth is likely to be hurt by 1.5-2.0% for FY11.

The global economic environment also appears gloomy at this stage for reasons very different to the ones being experienced in Pakistan. The western economies continue to face pressure in providing boost to a sagging economic recovery and towards this end the central banks are pursuing a very 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 safe haven commodities such as gold.

Gold continued its march towards new nominal highs in the quarter and at September end was hovering around USD1308/Oz. This rally, which has seen gold easily surpass USD1300/Oz has been due to constant negative news coming out of the US causing a fall in the US Dollar against major international currencies such as the Euro.

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 8.72% since inception, the Fund recorded a return of 5.51%.

The Fund earned a gross income of Rs. 15.63 million during the period under consideration while the net income of the Fund for the same period was Rs. 10.94 million and the total net assets of the Fund stood at Rs. 482.46 million at the end of the period translating into a NAV per unit of Rs. 102.55 (Par Rs. 100).

Future Outlook

The short term macroeconomic environment for Pakistan looks difficult with a renewed threat of inflation, higher fiscal deficit, deficit monetization, and lower GDP growth. The government will be under stress to overcome these challenges and generate greater domestic revenue through taxation. The next quarter will remain crucial in terms of government ability to take effective measures for the rehabilitation of flood affectees, keeping food inflation in control and confine the borrowing from SBP by convincing the international community to provide aid / soft loans. As the post-flood inflationary expectations have risen significantly the central bank is expected to continue its monetary tightening stance going forward as well.

Global economic outlook is also uncertain at this stage which is pushing Gold to newer highs. The US Dollar remains under pressure and if the policy of gradual de-basing of the US currency continues, coupled with uncertainty with regards to the global economic review, Gold is likely to push towards new highs. At the same time, a slow depreciation of the Rupee is also being witnessed which will improve Fund returns through increase in Rupee price of Gold.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the quarter ended September 30, 2010

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

**October 28, 2010
Karachi**

**Muhammad Imran Khalil
Chief Executive**

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

As at September 30, 2010

		(Un-audited) September 30	(Audited) June 30
Note		2010	2010
(Rupees in '000)			
ASSETS			
Capital Protection Segment			
		383,100	383,100
	6	22,815	11,469
		<u>405,915</u>	<u>394,569</u>
Investment Segment			
	7	67,254	72,599
	8	1,831	(102)
		583	618
		<u>10,254</u>	<u>9,832</u>
		79,922	82,947
		<u>1,506</u>	<u>1,764</u>
		<u>487,343</u>	<u>479,280</u>
LIABILITIES			
		690	2,734
		57	58
		90	118
		<u>4,047</u>	<u>2,343</u>
		4,884	5,253
		<u>482,459</u>	<u>474,027</u>
		<u>482,459</u>	<u>474,027</u>
(Number of units)			
		4,704,797	4,597,901
(Rupees)			
		<u>102.55</u>	<u>103.10</u>
Commitments			
	11		

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

For the quarter ended September 30, 2010

		Quarter ended September 30	
Note		2010	2010
(Rupees in '000)			
Income			
		11,346	11,346
		1,969	1,969
		484	484
	8	1,831	1,831
		<u>15,630</u>	<u>15,630</u>
Expenses			
		2,101	2,101
		176	176
		90	90
		84	84
		58	58
		23	23
		33	33
		126	126
		258	258
	9	220	220
		1,489	1,489
		30	30
		<u>4,688</u>	<u>4,688</u>
		<u>10,942</u>	<u>10,942</u>
		2	2
Net income for the period			
		<u>10,944</u>	<u>10,944</u>
Earnings per unit			
	10		

Net realised element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

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

For the quarter ended September 30, 2010

	Quarter ended September 30 2010
	(Rupees in '000)
Net income for the period	10,944
Other comprehensive income:	
Other comprehensive income for the period	-
Total comprehensive income for the period	<u><u>10,944</u></u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Chief Executive

For KASB Funds Limited
(Management Company)

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)

For the quarter ended September 30, 2010

	Quarter ended September 30 2010
	(Rupees in '000)
Undistributed income brought forward	14,059
Final distribution @ Rs. 2.90 per unit for the period ended June 30, 2010	(13,334)
Net income for the period	<u>10,944</u> <u>(2,390)</u>
Undistributed income carried forward	<u><u>11,669</u></u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Chief Executive

For KASB Funds Limited
(Management Company)

Director

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

For the quarter ended September 30, 2010

	Quarter ended September 30 2010
	(Rupees in '000)
Net assets at beginning of the period	474,027
Issue of 133,072 bonus units	13,334
Redemption of 26,176 units	(2,642)
	10,692
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed: - amount representing accrued (income) / loss and realised capital (gains) / losses transferred to the Income Statement	(2)
Issue of bonus units during the period	(13,334)
Net income for the period (excluding unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gain)	8,629
Capital gain on sale of investments	484
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'	1,831
	10,944
Transferred to the special reserve account	132
Net assets at end of the period	482,459

The annexed notes 1 to 14 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 quarter ended September 30, 2010

	Quarter ended September 30 2010
	(Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the period	10,944
Adjustments for:	
Net realised element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(2)
Unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'	(1,831)
Amortization of preliminary expenses and floatation costs	258
	(1,575)
(Increase) / decrease in assets	
Investments - net	(102)
Income receivable	(11,311)
Deposits and prepayments	(422)
	(11,835)
Increase / (decrease) in liabilities	
Payable to KASB Funds Limited - Management Company	(2,044)
Payable to Central Depository Company of Pakistan Limited - Trustee	(1)
Payable to The Securities and Exchange Commission of Pakistan	(28)
Accrued expenses and other liabilities	1,704
	(369)
Net cash used in operating activities	(2,835)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net payments from sale and redemption of units	(2,510)
Net decrease in cash and cash equivalents during the period	(5,345)
Cash and cash equivalents at beginning of the period	72,599
Cash and cash equivalents at end of the period	67,254

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

Chief Executive

For KASB Funds Limited
(Management Company)

Director

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

For the quarter ended September 30, 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 and the Fund 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 Regulation) 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.

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 financial information has been prepared in condensed form in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting as required under regulation 38 (g) of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 (NBFC Regulations). This 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.

Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) 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) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the said directives shall prevail.

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

For the quarter ended September 30, 2010

This condensed interim financial information comprises of the condensed interim statement of assets and liabilities as at September 30, 2010 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds, condensed interim cash flow statement and notes thereto for the quarter ended September 30, 2010.

The comparatives in the statement of assets and liabilities presented in the condensed interim financial information as at September 30, 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.

3. 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.

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. 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.

		(Un-audited) September 30 2010	(Audited) June 30 2010
(Rupees in '000)			
6. TERM DEPOSIT RECEIPTS			
In term deposit receipt	6.1	<u>383,100</u>	<u>383,100</u>
6.1	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			
In deposit accounts	7.1	<u>67,254</u>	<u>72,599</u>
7.1	These deposit accounts carry mark-up at the rate of 5% to 10.48% per annum.		
8. INVESTMENTS			
'At fair value through profit or loss'			
<i>Held for trading</i>			
- Futures Gold Contracts	8.1	<u>1,831</u>	<u>(102)</u>

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

For the quarter ended September 30, 2010

8.1 This represents the net unrealised gain on Future Gold Ounce and Gram Contracts with settlement dates of October 27, 2010 and October 20, 2010 respectively.

9. PROVISION FOR WORKERS' WELFARE FUND

In pursuance of the order passed by the Honorable High Court of Sind against the constitutional petition filed by Mutual Funds Association of Pakistan (MUFAP), the Management Company recorded provision for Workers' Welfare Fund (WWF) for the period ended June 30, 2010 and September 30, 2010 amounting to Rs. 0.28 million and 0.22 million respectively. However, during the period under review, Ministry of Labor has issued certain clarifications regarding applicability of WWF on mutual funds. Moreover, Federal Board of Revenue also circulated the clarification issued by the Ministry of Labor to its members and the matter is currently under review and discussion.

10. 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.

	(Un-audited) September 30 2010	(Audited) June 30 2010
	(Rupees in '000)	
11. COMMITMENTS		
Purchase transactions in Future Gold Ounce and Gram Contracts which have not been settled as at	37,978	23,399
Sale transactions in Future Gold Ounce Contracts which have not been settled as at	16,653	-

This represents the gross value of Future Gold Ounce and Gram Contracts with settlement date of October 27, 2010 and October 20, 2010 respectively.

12. 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.

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

For the quarter ended September 30, 2010

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

	(Un-audited) Quarter ended September 30 2010	(Audited) June 30 2010
	(Rupees in '000)	
12.1 Transactions		
KASB Funds Limited		
Remuneration	2,101	2
Bonus units: 16 units	2	10
Transfer in the Fund: 103 units	10	-
KASB Bank Limited		
Bonus units: 20,560 units	2,060	-
KASB Bank Limited Employees' Provident Fund		
Bonus units: 2,803 units	281	-
KASB Securities Limited		
Brokerage Expense	12.3	16
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	176	-
Directors and Officers of the Management Company		
Bonus units: 158 units	16	49
Redemption from the Fund: 514 units	49	10
Transfer out the Fund: 103 units	10	-
12.2 Balances		
	(Un-audited) September 30 2010	(Audited) June 30 2010
	(Rupees in '000)	
KASB Funds Limited		
Payable to Management Company	690	2,734
Units held: 687 units (June 30, 2010: 568 units)	70	59
KASB Bank Limited		
Bank balance	12.4	13
Units held: 730,948 units (June 30, 2010: 710,388 units)	74,959	73,241
KASB Bank Limited Employees' Provident Fund		
Units held: 99,655 units (June 30, 2010: 96,852 units)	10,220	9,985
Central Depository Company of Pakistan Limited - Trustee		
Payable to the Trustee	57	58
Directors and Officers of the Management Company		
Units held: 4,990 units (June 30, 2010: 6,667 units)	512	687

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

For the quarter ended September 30, 2010

- 12.3** 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.
- 12.4** The rate of return on this deposit account is 5% per annum (June 30, 2010: 5% per annum).
- 13. DATE OF AUTHORISATION FOR ISSUE**
This condensed interim financial information was authorised for issue on October 28, 2010 by the Board of Directors of the Management Company.
- 14. GENERAL**
The accounting period of the Fund started on November 2, 2009, therefore, there are no comparative figures to report in respect of condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds, condensed interim cash flow statement and notes to the condensed interim financial information.



For KASB Funds Limited
(Management Company)

Chief Executive

Director