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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:

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

MCB Financial Services Limited

3rd Floor, Adamjee House,

I.I. Chundrigar Road, Karachi.

Fund Rating

AA+(f) by JCR-VIS
(Dec 2010)

Bankers to the Fund

Bank Alfalah Limited

Standard Chartered Bank (Pakistan) 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

IGI Investment Bank Limited

Summit Capital (Private) Limited

Standard Chartered Bank (Pakistan) Limited

Management Company Rating

Rated AM3+ by JCR-VIS
(May 2010)

MISSION STATEMENT

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

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 Cash Fund ("KCF" 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

The country'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 decisions in a timely manner so as to address the structural issues that the economy faces especially to resolve the energy crisis and persistent inflation.

As the government remained under stress in order to finance its fiscal deficit, it kept financing the gap through SBP and commercial banks. Due to continuous need of financing and tight monetary policy stance from SBP, the money market rates remained on higher side during the period under review. The SBP raised policy rate by 150 bps during 1HFY11 to 14.0%. The treasury bills cut-offs increased by 115,116 and 136 bps in 3M, 6M and 12M papers respectively. The activity in the corporate bonds remained dull and only highly rated TFCs/Sukuks were traded.

While the benchmark (20% daily saving account rate + 80% 3-Month deposit rate) of the Fund posted an annualized return of 7.44%, the Fund recorded an annualized return of 10.48% since inception thereby outperforming its benchmark by 3.04% while the six months return for the benchmark and the Fund was recorded at 7.41% and 11.20% respectively. The overall asset allocation of the Fund stood at 55.4% for T-bills, 40.1% for Placements and 4.5% for Cash/Cash equivalents/other assets at December end.

The Fund earned a gross income of Rs. 31.38 mln during the period under consideration while the net income of the Fund for the same period was Rs. 25.54 mln and the total net assets of the Fund stood at Rs. 497.29 mln at the end of the period translating into a NAV per unit of Rs. 101.0069 (Par Rs. 100).

Income Distribution

The Board of Directors of the Management Company in their meeting held on February 17, 2011 approved an interim dividend distribution of Rs. 2.00 per unit amounting to Rs. 10.95 mln in total. This distribution is in addition to the interim distribution of Rs. 2.50 per unit and Rs. 2.00 per unit for the period ended October 02, 2010 and December 10, 2010 respectively.

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.

KASB CASH FUND

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the six months ended December 31, 2010

Due to consistent fiscal pressure on the government and higher inflation the central bank is following a contractionary monetary policy stance. Therefore, the fund aims to invest in shorter duration treasury bills to avoid any revaluation losses. The fund has provided its investors with good returns by investing mainly in AAA rated instruments. Going forward, the Fund will continue its efforts to provide consistent returns while maintaining high level of liquidity for its investors.

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

KASB CASH FUND

TRUSTEE REPORT TO THE UNIT HOLDERS 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.

KASB Funds Limited, the Management Company of KASB Cash Fund, has in all material respects, managed KASB Cash Fund during the six months period ended December 31, 2010 in accordance with the provisions of the following:

- (i) The limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
- (ii) The valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
- (iii) The creation and cancellation of Units are carried out in accordance with the deed;
- (iv) And any regulatory requirement.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: February 18, 2011

KASB CASH FUND

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNIT HOLDERS OF KASB CASH FUND

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **KASB Cash Fund** ("the Fund") as at 31 December 2010 and the related condensed interim income statement, condensed interim statement of comprehensive income, 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 and 31 December 2009 in the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds 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

KASB CASH FUND

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

As at December 31, 2010

Note	(Un-audited) December 31	(Audited) June 30	
	2010	2010	
----(Rupees in '000)----			
Assets			
Bank balances	6	217,058	116,911
Income receivable		2,441	207
Investments	7	276,862	442,348
Prepayments and other receivables		706	1,434
Preliminary expenses and floatation costs		2,508	2,857
Total assets		499,575	563,757
Liabilities			
Payable on redemption of unit		31	10,212
Payable to KASB Funds Limited - Management Company		340	398
Payable to MCB Financial Services Limited - Trustee		83	91
Payable to The Securities and Exchange Commission of Pakistan		194	270
Accrued expenses and other liabilities		1,633	1,395
Total liabilities		2,281	12,366
Net assets		497,294	551,391
Unit holders' funds		497,294	551,391
(Number of units)			
Number of units in issue		4,923,365	5,387,839
(Rupees)			
Net asset value per unit		101.0069	102.3398

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

KASB CASH FUND

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

For the six months and quarter ended December 31, 2010

Note	Six months ended	From July 20	Quarter ended	Quarter ended
	December 31	2009 to December 31	December 31	December 31
	2010	2009	2010	2009
------(Rupees in '000)-----				
Income				
Income from government securities	24,441	3,670	11,041	3,655
Income from placements	2,504	-	1,087	-
Income from term deposit receipts	3,700	848	2,330	848
Profit on bank deposits	732	11,373	285	6,843
Capital loss on sale of investments	(82)	-	(2)	-
Unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' 7.3	87	-	258	-
Total income	31,382	15,891	14,999	11,346
Expenses				
Remuneration of KASB Funds Limited - Management Company	1,949	1,787	966	1,227
Remuneration of MCB Financial Services Limited - Trustee	523	301	248	200
Annual fee - The Securities and Exchange Commission of Pakistan	194	107	91	73
Transaction costs on securities	63	21	21	20
Settlement and bank charges	7	21	3	16
Legal and professional charges	35	158	10	102
Fees and subscription	116	54	58	38
Auditor's remuneration	245	210	110	140
Amortisation of preliminary expenses and floatation costs	350	268	175	175
Provision for Workers' Welfare Fund 8	402	-	159	-
Printing and other expenses	61	53	31	35
Total expenses	3,945	2,980	1,872	2,026
	27,437	12,911	13,127	9,320
Net realised element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(1,900)	(1,541)	233	(3,180)
Net income for the period	25,537	11,370	13,360	6,140
Earnings per unit				
	9			

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

KASB CASH FUND

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the six months and quarter ended December 31, 2010

	Six months ended	From July 20	Quarter ended	Quarter ended
	December 31	2009 to December 31	December 31	December 31
	2010	2009	2010	2009
------(Rupees in '000)-----				
Net income for the period	25,537	11,370	13,360	6,140
Other comprehensive income:				
Net element of income and capital gains included in prices of units issued less those in units redeemed amount representing unrealised appreciation	-	1	-	1
Total comprehensive income for the period	25,537	11,371	13,360	6,141

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

KASB CASH FUND

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the six months and quarter ended December 31, 2010

	Six months ended December 31	From July 20 2009 to December 31	Quarter ended December 31	Quarter ended December 31
	2010	2009	2010	2009
(Rupees in '000)				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	25,537	11,370	13,360	6,140
Adjustments for:				
Net realised element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	1,900	1,541	(233)	3,180
Unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'	(87)	-	(258)	-
Amortisation of preliminary expenses and floatation costs	350	268	175	175
	2,163	1,809	(316)	3,355
Decrease / (increase) in assets				
Preliminary expenses and floatation costs	-	(3,469)	-	-
Investments - net	165,572	(848)	184,528	49,649
Income receivable - term deposit receipts	(2,227)	(2,401)	(2,330)	(848)
Income receivable - Profit on bank deposits	(7)	(2,401)	132	183
Prepayments and other receivables	728	(40)	1	86,486
	164,066	(6,759)	182,331	135,470
Increase / (decrease) in liabilities				
Payable to KASB Funds Limited - Management Company	(58)	3,953	(10)	(36)
Payable to MCB Financial Services Limited - Trustee	(8)	62	(3)	4
Payable to The Securities and Exchange Commission of Pakistan	(76)	107	91	73
Accrued expenses and other liabilities	238	338	109	223
	96	4,460	187	264
Net cash generated from operating activities	191,862	10,880	195,562	145,229
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(1,949)	(1,500)	(1,299)	(1,500)
Payable on redemption of units	(10,181)	-	31	-
Net (payments) / receipts from sale and redemption of units	(79,585)	251,950	10,736	(218,238)
Net cash (used in) / generated from financing activities	(91,715)	250,450	9,468	(219,738)
Net increase / (decrease) in cash and cash equivalents during the period	100,147	261,330	205,030	(74,509)
Cash and cash equivalents at beginning of the period	116,911	-	12,028	335,839
Cash and cash equivalents at end of the period	217,058	261,330	217,058	261,330

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

KASB CASH FUND

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)

For the six months and quarter ended December 31, 2010

	Six months ended December 31	From July 20 2009 to December 31	Quarter ended December 31	Quarter ended December 31
	2010	2009	2010	2009
(Rupees in '000)				
Undistributed income brought forward	12,419	-	12,473	5,230
Final distribution at the rate of Rs. 2.25 per unit for the period ended June 30, 2010	(12,123)	-	-	-
Interim distribution at the rate of Rs. 2.50 per unit as on October 02, 2010 (2009: Rs. 1.50 per unit as on October 23, 2009)	(11,552)	(6,058)	(11,552)	(6,058)
Interim distribution at the rate of Rs. 2 per unit as on December 10, 2010 (2009: Nil)	(9,511)	-	(9,511)	-
Net element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised appreciation	-	1	-	1
Net income for the period	25,537	11,370	13,360	6,140
	(7,649)	5,313	(7,703)	83
Undistributed income carried forward	4,770	5,313	4,770	5,313

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

KASB CASH FUND

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 2010	From July 20 2009 to December 31 2009	Quarter ended December 31 2010	Quarter ended December 31 2009
------(Rupees in '000)-----				
Net assets at beginning of the period	551,391	-	474,730	473,779
Issue of 1,103,537 units (2009: 9,025,647 units) and 444,726 units (2009: 2,785,569 units) for the six months and quarter respectively	111,723	907,994	45,042	281,790
Issue of 311,708 bonus units (2009: 45,498 units) and 197,081 bonus units (2009: 45,498 units) for the six months and quarter respectively	31,237	4,558	19,764	4,558
Redemption of 1,879,719 units (2009: 6,490,660 units) and 338,842 units (2009: 4,935,570 units) for the six months and quarter respectively	(191,308) (48,348)	(656,044) 256,508	(34,306) 30,500	(500,028) (213,680)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed: - amount representing accrued loss / (income) and realised capital (gains) / losses - transferred to the Income Statement	1,900	1,541	(233)	3,180
Net unrealised diminution in fair value of investments classified as 'available for sale' during the period	-	(1)	-	(1)
Distribution during the period: - Issue of bonus units - Dividend	(31,237) (1,949) (33,186)	(4,558) (1,500) (6,058)	(19,764) (1,299) (21,063)	(4,558) (1,500) (6,058)
Net income for the period (excluding unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital losses)	25,532 (82)	11,370 -	13,104 (2)	6,140 -
Capital loss on sale of investments	-	-	-	-
Unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'	87	-	258	-
Net element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised appreciation	-	1	-	1
Net income for the period (including unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital losses)	25,537	11,371	13,360	6,141
Net assets at end of the period	497,294	263,361	497,294	263,361

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

KASB CASH FUND

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 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.

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 KASB Cash Fund (KCF) at AA+(f).

KCF is an open-end money market fund and is listed on the Karachi Stock Exchange (Guarantee) 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, except for the units issued to core investors which are not redeemable for a period of two years from the date of issue.

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

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 statement of comprehensive income, 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.

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, where as the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the period ended December 31, 2009.

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 and period ended December 31, 2009 have been reviewed by the auditor, however, figures for the quarter ended December 31, 2010 and December 31, 2009 have neither been audited nor reviewed by the auditor.

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

For the six months and quarter ended December 31, 2010

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. BANK BALANCES

		(Un-audited) December 31 2010	(Audited) June 30 2010
		----(Rupees in '000)----	
In deposit accounts	6.1	17,058	16,911
In term deposit receipt	6.2	200,000	100,000
		<u>217,058</u>	<u>116,911</u>

6.1 These deposit accounts carry profit at the rate of 5% to 10.5% per annum (June 30, 2010: 5% to 10.5% per annum).

6.2 These term deposit receipts carry profit rate ranging from 12.90% to 13.75% per annum (June 30, 2010: 12.50% per annum) maturing on January 31, 2011 and February 18, 2011 respectively (June 30, 2010: August, 2010).

7. INVESTMENTS

		(Un-audited) December 31 2010	(Audited) June 30 2010
		----(Rupees in '000)----	
'At fair value through profit or loss'			
- Fixed income and other debt securities	7.2	<u>276,862</u>	<u>442,348</u>

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

For the six months and quarter ended December 31, 2010

7.1 The cost of the above investments as at December 31, 2010 amounted to Rs. 267.88 million (June 30, 2010: Rs. 442.45 million).

**7.2 Fixed income and other debt securities - 'at fair value through profit or loss'
Government Securities**

Issue dateFace value.....				As at December 31, 2010	Market value as at December 31, 2010	Market value as a Percentage of net assets
	As at July 1, 2010	Purchases during the period	Sales during the period	Maturities during the period			

----- (Rupees in '000) -----							
Treasury bills							
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	44,812	9.01
						<u>44,812</u>	
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	24,895	5.01
November 4, 2010	-	115,000	-	-	115,000	113,952	22.91
December 2, 2010	-	95,000	-	-	95,000	93,203	18.74
						<u>232,050</u>	
						<u>276,862</u>	

7.3 Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'

	(Un-audited)	
	Six months ended December 31 2010	From July 20 2009 to December 31 2009
	----(Rupees in '000)----	
Fair value of investments	276,862	-
Less: Cost of investments	<u>(276,880)</u>	-
	(18)	-
Less: Net unrealised appreciation in fair value of investment classified as 'at fair value through profit or loss' at beginning of the period	105	-
	<u>87</u>	-

KASB CASH FUND

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

For the six months and quarter ended December 31, 2010

8. 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 followed 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.

9. 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.

10. 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 unrealised 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.

11. 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

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Production Limited and KASB International Limited being the associated companies of KASB Bank Limited, MCB Financial Services Limited being the Trustee, 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 Capital Protected Gold 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:

	(Un-audited)			
	Six months ended December 31	From July, 2009 to December 31,	Quarter ended December 31	Quarter ended December 31
	2010	2009	2010	2009
	------(Rupees in '000)-----			
11.1 Transactions				
KASB Funds Limited				
Remuneration	1,949	1,787	966	1,227
Sales load	73	327	66	90
Investment in the Fund: Nil units (2009: 500,000 units) and Nil units (2009: Nil units) for the six months and quarter respectively	-	50,000	-	-
Redemption from the Fund: 118,412 units (2009: 149,310 units) and Nil units (2009: 49,565 units) for the six months and quarter respectively	12,000	15,000	-	5,000
Bonus units: 40,509 units (2009: 5,993 units) and 26,153 units (2009: 5,993 units) for the six months and quarter respectively	4,060	600	2,623	600
Conversion in the Fund: 41,889 units (2009: Nil units) and Nil units (2009: Nil units) for the six months and quarter respectively	4,240	-	-	-
Transfer in the Fund: Nil units (2009: 1000,000 units) and Nil units (2009: 500,000 units) for the six months and quarter respectively	-	100,362	-	50,266

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For the six months and quarter ended December 31, 2010

	(Un-audited)			
	Six months ended December 31	From July, 20 2009 to December 31	Quarter ended December 31	Quarter ended December 31
	2010	2009	2010	2009
Transfer out of the Fund: Nil units (2009: 500,000 units) and Nil units (2009: Nil units) for the six months and quarter respectively	-	50,096	-	-
Units pledged with KASB Bank Limited: 560,007 units (2009: 500,000 units) and 400,255 units (2009: 500,000 units) for the six months and the quarter respectively	56,565	49,780	2,611	49,780
----- (Rupees in '000) -----				
KASB Funds Limited Employees' Provident Fund				
Investment in the Fund: 2,988 units (2009: Nil units) and 2,988 units (2009: Nil units) for the six months and quarter respectively	300	-	300	-
Redemption from the Fund: 10,995 units (2009: Nil units) and 7,504 units (2009: Nil units) for the six months and quarter respectively	1,105	-	755	-
Bonus units: 729 units (2009: Nil units) and 449 units (2009: Nil units) for the six months and quarter respectively	73	-	45	-
KASB Bank Limited				
Investment in the Fund: Nil units (2009: 500,000 units) and Nil units (2009: Nil units) for the six months and quarter respectively	-	50,000	-	-
Conversion in the Fund: Nil units (2009: 500,000 units) and Nil units (2009: 500,000 units) for the six months and quarter respectively	-	50,200	-	50,200
Transfer in the Fund: Nil units (2009: 500,000 units) and Nil units (2009: Nil units) for the six months and quarter respectively	-	50,096	-	-
Transfer out of the Fund: Nil units (2009: 1000,000 units) and Nil units (2009: 500,000 units) for the six months and quarter respectively	-	100,362	-	50,26
Dividend paid	1,939	1,500	1,293	1,500
KASB Securities Limited				
Brokerage	11.3	40	-	16
Bonus units: 67,409 units (2009: Nil units) and 45,406 units (2009: Nil units) for the six months and quarter respectively	6,756	-	4,554	-

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For the six months and quarter ended December 31, 2010

	(Un-audited)			
	Six months ended December 31	From July, 20 2009 to December 31	Quarter ended December 31	Quarter ended December 31
	2010	2009	2010	2009
----- (Rupees in '000) -----				
MCB Financial Services Limited - Trustee				
Remuneration	523	301	248	200
Directors and Officers of the Management Company				
Investment in the Fund: 7,006 units (2009: 20,675 units) and 2,535 units (2009: 17,679 units) for the six months and quarter respectively	712	2,090	256	1,790
Redemption from the Fund: 21,499 units (2009: 265,747 units) and 5,164 units (2009: 262,751 units) for the six months and quarter respectively	2,176	26,901	521	26,600
Bonus units: 2,015 units (2009: 348 units) and 1,364 units (2009: 348 units) for the six months and quarter respectively	202	35	137	35
Conversion in the Fund: 13,530 units (2009: 300,590 units) and 417 units (2009: 25,794 units) for the six months and quarter respectively	1,371	30,159	42	25,794
Conversion out of the Fund: Nil units (2009: 36,942 units) and Nil units (2009: 1,395 units) for the six months and quarter respectively	-	3,706	-	140
Transfer in the Fund: 245 units (2009: Nil units) and Nil units (2009: Nil units) for the six months and quarter respectively	25	-	-	-
----- (Rupees in '000) -----				
	(Un-audited) December 31		(Audited) June 30	
	2010		2010	
----- (Rupees in '000) -----				
11.2 Balances				
KASB Funds Limited				
Receivable from the Management Company	665		664	
Payable to Management Company	340		398	
Units held: 602,596 units (June 30, 2010: 628,373 units)	60,866		64,308	
KASB Funds Limited Employees' Provident Fund				
Units held: 5,196 units (June 30, 2010: 12,473 units)	525		1,277	
KASB Bank Limited				
Units held: 287,190 units (June 30, 2010: 287,190 units)	29,008		29,391	
KASB Securities Limited				
Brokerage payable	13		9	
Units held: 1,046,203 units (June 30, 2010: 978,794 units)	105,674		100,170	

KASB CASH FUND

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For the six months and quarter ended December 31, 2010

	(Un-audited) December 31 2010	(Audited) June 30 2010
----(Rupees in '000)----		
MCB Financial Services Limited - Trustee		
Payable to the Trustee	83	91
KASB Islamic Income Opportunity Fund (formerly KASB Islamic Income Fund)		
Receivable from the Fund	-	720
KASB Income Opportunity Fund (formerly KASB Liquid Fund)		
Receivable from the Fund	-	44
Directors and Officers of the Management Company		
Units held: 7,112 units (June 30, 2010: 29,239 units)	718	2,992

11.3 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. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on February 17, 2011 has approved an interim dividend distribution of Rs. 2.00 per unit for the unit holders of the Fund as at February 15, 2011, out of the distributable income for the period ended February 16, 2011 amounting to Rs. 10.95 million. This condensed interim financial information does not reflect this proposed issue.

13. 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.

For KASB Funds Limited
(Management Company)

Chief Executive

Director