

Annual

REPORT

for the Year Ended June 30, 2010

Report

Managed by:



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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

Ms. Naz Khan - Chief Executive

Mr. Syed Muhammad Rehmanullah

Mr. Muzaffar Ali Shah Bukhari

Mr. Masood Karim Sheikh

Chief Financial Officer

Mr. Muhammad Imran Khalil

Company Secretary

Mr. Muhammad Imran Khalil

Audit Committee

Mr. Masood Karim Sheikh - Chairman

Mr. Robert John Richard Owen

Mr. Syed Muhammad Rehmanullah

TrusteeCentral Depository Company of Pakistan Limited, CDC House,
99-B, Block 'B', SMCHS, Main Shahra-e-Faisal, Karachi**Fund Rating**

BBB+(f) by PACRA

(July 2010)

Bankers to the Fund

KASB 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

IGI Investment Bank Limited

Atlas Capital Markets (Private) Limited

Standard Chartered Bank (Pakistan) Limited

Management Company Rating

Rated AM3+ by JCR-VIS

(May 2010)

MISSION STATEMENT

KASB Liquid Fund seeks to maximise current income,
consistent with low levels of risk and high liquidity.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the year ended June 30, 2010

The Board of Directors of KASB Funds Limited (KFL), the Management Company of KASB Liquid Fund (KLF, the Fund), is pleased to present the fifth Annual Report, together with the audited financial statements of the Fund for the year ended June 30, 2010.

Financial Highlights	FY 2010	FY 2009	Increase / (Decrease) (%)
Net (loss) / income (Rs. in Million)	(202.82)	168.62	(220.28)
Net Assets as at June 30 (Rs. in Million)	959.40	3,145.10	(69.50)
NAV per Unit as on June 30 (Rs.) **	85.5835	99.3500*	(13.86)
Annualised yield (%)	(13.86)	1.75	(892)

* Ex-NAV after distributions during the year.

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

Economic Environment

The economic environment improved considerably in the outgoing fiscal year FY10 with a GDP growth of 4.1% as against a GDP growth of 1.2% in FY09. Pakistan economy is still passing through a consolidation phase which is reflected in an improved balance of payment position, highest ever foreign exchange reserves (USD16.76bn), robust workers' remittances of over USD 8 billion in FY10 (14% YoY growth) and relatively stable exchange rate.

Despite all these positives, the country's economy still faces a number of significant challenges. A higher budget deficit this year, rising domestic and foreign debt, persistent inflationary pressures and lower tax-to-GDP ratio are the major obstacles in the path of stable macroeconomic growth for the next year. In addition, energy and water shortages and increasing war-on-terror expenses limits the government's spending ability to accelerate economic activity.

Interest rates in the economy continue to remain firm as the central bank strictly followed a tight monetary policy stance due to stubborn inflation as well as agreements with the IMF. The SBP has kept the discount rate unchanged at 12.50% at fiscal year end after the last cut of 50bps during November 2009. Furthermore the private sector continues to be crowded out due to higher govt. borrowing needs, liquidity constraints in the market and risk aversion by lenders.

Capital Market

Lack of liquidity for corporate debt continues to prevail as does pricing volatility. A few instruments were restructured during the quarter as most of the companies that were having financial difficulties in a lean economic patch have managed to negotiate a restructuring with their investors. Market continues to be risk averse as investors find government papers yield attractive resulting in very few trades in TFCs/Sukuk. Assets under management of the industry declined by Rs 7 billion during the year and there was a shift from income to money market and government securities funds.

Investment Strategy

The primary objective of the Fund is to maximise current income, consistent with low levels of risk and high liquidity. The Fund invests in fixed income transactions in the capital market. As the fund AUMs have declined, the fund remained primarily focused on managing current investments in longer term instruments as well as generating liquidity. Overall asset allocation of the fund stood at 92.2% and 7.8% for TFC/Sukuk/Government backed securities and Cash/Placements respectively as at June 30, 2010. The fund did not make any new investments during the year.

Fund Performance

The Net Asset Value per unit of the Fund at the close of the year stood at Rs. 85.5835, thus, giving an annualised yield of 2.40% for the year. The net loss for the year ended June 30, 2010 was Rs. 202.82million.

Returns on the fund remained on the lower side on the back of re-valuation impact in TFCs both due to credit related issues as well as market pricing. The Fund recorded a return of 2.4% for the one year period while the benchmark returns were 12.44%. Short term returns can be affected by price volatility, however, in the longer term the returns look reasonable as most troubled debt instruments have been restructured.

Income Distribution

As the Fund has incurred net loss for the year, therefore, no dividend was declared by the Board of Directors of KASB Funds Limited for the financial year ended June 30, 2010.

Sale and redemption of units

The fund size of KLF was Rs. 3,145.10 million on June 30, 2009 which decreased by 69.50% by the end of the financial year to close at Rs. 959.40 million on June 30, 2010. During the year, units worth Rs. 245.07 million were issued and units with a value of Rs. 2,254.28 million were redeemed. As on June 30, 2010, the total number of outstanding units was 11,210,112 with a value of Rs. 959.40 million.

Code of Corporate Governance

The Board of Directors states that:

- The Financial Statements prepared by the Management Company, present fairly the state of affairs of the Fund and results of its operations, cash flows and movement in unit holder's fund.
- Proper books of accounts of the Fund have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements of the Fund except for the change in accounting policy as disclosed in note 2.2 of the financial statements, and accounting estimates are based on reasonable and prudent judgments.
- Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed in the preparation of the financial statements of the Fund. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives shall prevail.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

DETAILS OF PATTERN OF HOLDING (UNITS)

For the year ended June 30, 2010

As at June 30, 2010

- e) The system of internal control is sound in design and has been effectively implemented and monitored.
 f) There are no significant doubts about the Fund's ability to continue as a going concern.
 g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
 h) Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements;
 i) Key operating and financial data is enclosed.
 j) The statement as to the value of investment of provident fund is not applicable in the case of Fund as those expenses are borne by the Management Company.
 k) The detailed pattern of unit holding, as required by the code of corporate governance is enclosed.

Meetings of the Directors

Statement showing attendance of the directors in the meetings of the Board of Directors for the year ended June 30, 2010 is disclosed in note 25 of the financial statements.

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

S. No	Trades By	Designation	Investment (No. of Units)	Redemption (No. of Units)
1.	Ms. Naz Khan	Director & Chief Executive	44,087	90,140

Pattern of Holding

The pattern of holdings (units) presents a diversified investor base. As on June 30, 2010, banks and financial institutions held 93.57% out of the total units; individuals held 1.36% units and Retirement funds and other corporate sector entities held 5.07%. Detailed pattern is also annexed.

Future Outlook

The country remains on the path of economic stabilization with an improvement on a number of key economic indicators. Inflationary pressures in the economy continue to prevail constraining the central bank to use monetary policy to stimulate economic growth. Fiscal deficit continues to remain a concern with massive government borrowing crowding out the private sector. Impact of the vast devastation caused by the recent floods remains to be quantified and is likely to have a negative impact on the fiscal deficit as well as the economy for at least a couple of years. The trend of global commodity prices and external bilateral inflows will remain critical for the direction of the country's economy.

Auditors

The Audit Committee of the Board of Directors recommended the appointment of M/s A.F. Ferguson & Co. – Chartered Accountants in place of M/s KPMG Taseer Hadi & Co. – Chartered Accountants as auditors of KASB Liquid Fund for the financial year ending June 30, 2011. The Board has approved the appointment.

Acknowledgement

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

For and on behalf of the Board

August 27, 2010
KarachiNaz Khan
Chief Executive

	Units held	Units held (%)
Associated companies		
KASB Bank Limited	3,361,101	29.98
KASB Funds Limited	29,495	0.27
Banks and Financial Institutions	7,098,163	63.32
Individuals	152,930	1.36
Retirement Funds	527,269	4.70
Other Corporate Sector Entities	41,154	0.37
	<u>11,210,112</u>	<u>100.00</u>

PERFORMANCE TABLE

	2010	2009	2008
Total net asset value as at June 30 (Rs. '000)	959,401	3,145,099	8,828,324
Net asset value per unit as at June 30 (Rs.)	85.5835	99.3500	103.2878
Selling price for units as at June 30 (Rs.)	85.5835	99.3500	103.2878
Repurchase price for units as at June 30 (Rs.)	85.5835	99.3500	103.2878
Repurchase price with contingent back-end load for units as at June 30 (Rs.)	85.1556	98.8532	102.7714
Final dividend distribution per unit (Rs.)	-	1.25	2.75
Date of final distribution	-	July 4, 2009	July 2, 2008
Interim dividend distribution per unit (Rs.)	-	3.00	7.25
Date of Interim distribution	-	October 22, 2008	April 2, 2008
Highest selling price per unit (Rs.)	100.3559	104.1503	107.8151
Highest repurchase price per unit (Rs.)	100.3559	104.1503	107.8151
Highest repurchase price with contingent back-end load per unit (Rs.)	99.8541	103.6295	107.2809
Lowest selling price per unit (Rs.)	85.4358	88.3684	100.3735
Lowest repurchase price per unit (Rs.)	85.4358	88.3684	100.3735
Lowest repurchase price with contingent back-end load per unit (Rs.)	85.0088	87.9266	99.8682
Annualised return (%)	-13.86	1.75	10.34
Weighted average portfolio duration	97 days	83 days	85 days

Return since inception is 2.40%
Launch date of the Fund is May 9, 2006.

Disclaimer:

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

ANNUAL FUND MANAGER'S REPORT

Type & Category of Fund

Open-end Income

Inception Date

May 09, 2006

Investment objective

The primary objective of the Fund is to maximise current income, consistent with low levels of risk and high liquidity. The Fund will primarily invest in low duration, liquid investments including money market and other debt instruments as well as fixed income transactions in the capital market.

Accomplishment of objective

The fund is achieving its objective of generating regular income by investing in fixed income instruments within the guidelines provided under NBFC rules.

Benchmark

1 Month KIBOR (Karachi Interbank Offer Rate)

	KLF Return (%)	Benchmark return (%)
Since inception	2.40	11.29
1 Year	-13.86	12.44
Last 6 months	-6.72	12.35
Last 3 months	-22.69	12.28
For June 2010	-50.73	12.36

Strategies and policies employed during the period

Due to continued liquidity pressure in the markets and risk aversion by the participants, the corporate debt market remained highly depressed resulting in few trades of govt. backed TFCs/Sukuks and top rated banking instruments. In the presence of very few buyers, the prices of majority of TFCs declined significantly during the year as bargain hunting gained momentum. The fund remained focused in offloading TFCs and to restructure non-performing corporate debt. As a result most of instruments held in the fund with credit concerns have been restructured during the year.

Asset Allocation

	June 30, 2010 (%)	June 30, 2009 (%)
TFCs & Sukuks	92.02	65.41
Cash & Placements	7.98	31.02
Other Assets	-	3.57

Significant changes in asset allocation during the period

As compared to the last year the fund's overall exposure towards TFCs / Sukuk investments increased to 92.02% on average. Cash and placements comprised around 7.98% of the portfolio. This was due to redemption from the fund rather than any new TFC/Sukuk investments.

Fund Performance

Returns on the fund remained negative during the year on the back of credit concerns and valuation impact on TFCs/Sukuks. The Fund recorded a return of -13.86% for the one year period and -22.7% p.a. for the three month period 2010 while the benchmark returns were 12.44% and 12.28% respectively. Although no new investment was made in corporate debt but the proportion of TFCs in the fund's allocation increased significantly due to decrease in AUMs of the fund. The short term returns of the fund can be affected by price volatility, however, in the longer term the returns look to benefit from performance of a few troubled debt instruments which have been restructured.

The AUM of the fund were PKR 3,145 million (NAV per unit: Rs 99.3500) on June 30, 2009 and at the end of the period the AUM of the fund stood at PKR 959 million (NAV per unit: Rs 85.5835).

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

The economic environment improved considerably in the outgoing fiscal year FY10 with a GDP growth of 4.1% as against a GDP growth of 1.2% in FY09. Pakistan economy is still passing through a consolidation phase which is reflected in an improved balance of payment position, highest ever foreign exchange reserves (USD16.76bn), robust workers' remittances of over USD 8 billion in FY10 (14% YoY growth) and relatively stable exchange rate.

Despite all these positives, the country's economy still faces a number of significant challenges. A higher budget deficit this year, rising domestic and foreign debt, persistent inflationary pressures and lower tax-to-GDP ratio are the major obstacles in the path of stable macroeconomic growth for the next year. In addition, energy & water shortages and increasing war-on-terror expenses limits the government's spending ability to accelerate economic activity

Interest rates in the economy continue to remain firm as the central bank strictly follows tight monetary policy stance due to stubborn inflation as well as agreements with the IMF. The SBP has kept the discount rate unchanged at 12.50% at fiscal year end after the last cut of 50bps during November 2009. Furthermore the private sector continues to be crowded out due to higher govt. borrowing needs, liquidity constraints in the market and risk aversion by lenders.

Lack of liquidity for corporate debt continues to prevail amid pricing volatility. A few instruments were restructured during the quarter as most of the companies that were having financial difficulties in a lean economic patch have managed to negotiate a restructuring with its investors. Market continues to be risk averse as investors find government papers yield attractive resulting in very few trades in TFCs/Sukuks.

Fund performance by market(s) and by instruments

For details, please refer to the full yearly accounts.

Distribution

The fund did not distribute any dividend during FY10.

Significant changes in the state of affairs

During the period under review the liquidity crunch and risk aversion increased significantly in the market. Government has been relying heavily on the banking sector to finance its fiscal deficit by providing higher returns on the govt. papers, resulting in the non-availability of loan to private sector. As a result, leasing and investment banks were not able to pay off the fund's lending on time. There were few other companies that delayed payments on their principal and markup commitments. This resulted in fall in NAV of funds holding sukuks and TFCs.

Breakdown of unit holdings by size

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

Unit Splits

There were no unit splits during the period.

Circumstances materially affecting the interests of the unit holders

Changes in market rates of TFCs/ Sukuks and other debt instruments based on the new pricing mechanism severely affected fund returns. In addition, mark to market impacts of secondary market trades also affected fund performance.

Soft Commission

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

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

The KASB Liquid Fund (the Fund), an open-end fund was established under a Trust Deed dated February 20, 2006, 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 year ended June 30, 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 (NBFC Regulations) and the constitutive documents of the Fund.

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

Karachi, September 22, 2010

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

For the year ended June 30, 2010

This Statement is being presented to comply with the Code of Corporate Governance ("the Code") contained in Regulation No. 35 of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited ("KSE" or "the Stock Exchange"). The purpose of the Code is to establish a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. KASB Funds Limited ("the Company" or "the Management Company"), which is an Unlisted Public Limited Company, is the Management Company of KASB Liquid Fund ("the Fund"). The Fund being an open-end scheme doesn't have its own Board of Directors ("the Board"). The Management Company, which manages the affairs of the Fund, has applied the principals contained in the Code to the Fund, whose Units are listed on the Stock Exchange, in the following manner:

- The Management Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. All the directors except the Chief Executive Officer (CEO) are non-executive directors and none of the directors represent minority shareholders.
- The directors have confirmed that none of them is serving as a director in more than ten listed companies in Pakistan, including the Management Company.
- All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a FI or an NFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- On February 12, 2010, Mr. Amir Zahoor Khan resigned from the Board of the Management Company. Mr. Muzaffar Ali Shah Bukhari was appointed in his place to duly fill the vacancy. Further, on February 19, 2010 Mr. Farid Arshad Masood resigned from the Board of the Management Company and the Board appointed Mr. Masood Karim Sheikh in his place. However, application for appointment of Mr. Masood Karim Sheikh as Director on Board of the Management Company has been filed with the Securities and Exchange Commission of Pakistan and is currently under process.
- The Management Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Management Company.
- The Board has developed a vision/mission statement and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
- The meetings of the Board were presided over by the Chairman of the Board. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- An orientation course was conducted during the year in a meeting of the Board to apprise them of their duties and responsibilities.
- During the year, there was a change of the Company Secretary and the Internal Auditors; however, there was no change of Chief Financial Officer.
- The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the Board.
- The directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit-holding.
- The Management Company has complied with all the corporate and financial reporting requirements of the Code as applicable to the Fund.
- The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the Committee.
- The meetings of the Audit Committee were held at least once every quarter prior to the approval of the quarterly, half-yearly and final results of the Fund as required by the Code. The terms of reference of the Audit Committee have been formulated and approved by the Board and advised to the Committee for compliance.
- The Management Company had outsourced the internal audit function to a firm of Chartered Accountants (Ernst and Young Ford Rhodes Sidat Hyder & Co.) up to March 31, 2010. However, since Ernst and Young Ford Rhodes Sidat Hyder & Co. have been appointed as the Statutory Auditors of the Management Company for the year ending December 31, 2010, the Board Audit Committee has appointed Ms. Saman Hasan Qadri as the Internal Auditor of the Management Company. The said person is conversant with the policies and procedures of the Company and involved in the Internal Audit function on a full time basis.
- The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold Units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- The statutory auditors of the Fund or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- The related party transactions have been placed before the Audit Committee and approved by the Board with necessary justification for non arm's length transactions (if any) and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
- We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

August 27, 2010
KarachiNaz Khan
Chief Executive

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls; or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, sub-regulation (xiii-a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2010.

Date: 27 August 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

STATEMENT OF ASSETS AND LIABILITIES

As at June 30, 2010

We have audited the accompanying financial statements of **KASB Liquid Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2010, and the income statement, statement of comprehensive income, cash flow statement, distribution statement, statement of movement in Unit Holders' Funds for the year ended 30 June 2010 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2010, and of its financial performance, cash flows and transactions for the year ended 30 June 2010 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

Date: 27 August 2010

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Note	2010	2009
	(Rupees in '000)	
ASSETS		
4	5,646	818,684
5	60,550	111,788
6	10,374	45,000
7	885,815	2,057,078
8	25,560	120,885
9	3,975	3,799
10	513	1,115
	Total assets	3,158,349
LIABILITIES		
	-	76
11	1,532	4,065
12	170	353
13	1,243	4,513
14	25,000	-
15	5,087	4,243
	Total liabilities	13,250
	Net assets	3,145,099
	Unit holders' funds	3,145,099
		(Number of units)
	Number of units in issue	11,210,112
		(Rupees)
	Net asset value per unit	85,5835
		99,3500

The annexed notes 1 to 27 form an integral part of these financial statements.

Chief Executive

For KASB Funds Limited
(Management Company)

Director

INCOME STATEMENT

For the year ended June 30, 2010

Note	2010	2009
	(Rupees in '000)	
Income		
Income from term finance and sukuk certificates	196,702	406,546
Income from continuous funding system	-	4,669
Dividend income	-	105
Income from term deposit receipts	17,089	151,937
Income from placements	15,824	107,382
Income from certificates of investment	2,838	54,645
Income from commercial papers	-	3,701
Profit on bank deposits	6,942	38,267
Capital loss on sale of investments	(79,930)	(214,635)
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	7.4 (2,009)	(37,476)
	<u>157,456</u>	<u>515,141</u>
Expenses		
Remuneration of KASB Funds Limited - Management Company	11.1 25,069	72,744
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12.1 2,657	6,084
Annual fee - The Securities and Exchange Commission of Pakistan	13.1 1,243	4,513
Transaction costs on securities	290	1,499
Settlement and bank charges	46	291
Legal and professional charges	1,158	536
Fees and subscription	475	1,050
Printing and other expenses	191	190
Auditors' remuneration	16 525	902
Amortisation of preliminary expenses and floatation costs	602	602
Borrowing cost	14 1,596	18,644
Provision for Workers' Welfare Fund	17 3,372	-
Provision against non-performing placements	43,450	-
Provision against non-performing investments	255,353	131,583
Provision for doubtful income receivable	26,345	23,532
	<u>362,372</u>	<u>262,170</u>
	(204,916)	252,971
Net realised element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	2,093	(84,349)
Net (loss) / income for the year	<u>(202,823)</u>	<u>168,622</u>
(Loss) / Earnings per unit	18	

The annexed notes 1 to 27 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2010

	2010	2009
	(Rupees in '000)	
Net (loss) / income for the year	(202,823)	168,622
Other comprehensive income:		
Net unrealised diminution in fair value of investments classified as 'available for sale'	(103,083)	(137,554)
Provision against non-performing 'available for sale' investments	157,037	56,583
Net element of income and capital gains included in prices of units issued less those in units redeemed-amount representing unrealised appreciation / (diminution)	47,408	12,640
Other comprehensive income / (loss) for the year	101,362	(68,331)
Total comprehensive (loss) / income for the year	<u>(101,461)</u>	<u>100,291</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

DISTRIBUTION STATEMENT

For the year ended June 30, 2010

Note	2010	2009
	(Rupees in '000)	
Undistributed income brought forward	19 41,418	262,039
Net element of income and capital gains included in prices of units issued less those in units redeemed-amount representing unrealised appreciation / (diminution)	47,408	12,640
Net (loss) / income for the year	(202,823)	168,622
Final distribution @ Rs. 1.25 per unit for the year ended June 30, 2009 (June 30, 2008: Rs. 2.75 per unit)	(39,571)	(235,051)
Interim distribution: Nil (October 22, 2008: Rs. 3 per unit)	-	(166,832)
	(194,986)	(220,621)
Accumulated (loss) / income carried forward	<u>(153,568)</u>	<u>41,418</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended June 30, 2010

	2010	2009
	(Rupees in '000)	
Net assets at beginning of the year	3,145,099	8,828,324
Issue of 2,498,233 units (2009: 54,902,595 units)	245,069	5,571,209
Issue of 143,226 bonus units (2009: 2,703,166 units)	14,050	272,310
Redemption of 23,088,113 units (2009: 111,422,094 units)	(2,254,284)	(11,296,861)
	(1,995,165)	(5,453,342)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:		
- amount representing loss / accrued (income) and realised capital losses / (gains) - transferred to the Income Statement	(2,093)	84,349
- amount representing unrealised capital losses reported in other comprehensive income	(47,408)	(12,640)
	(49,501)	71,709
Unrealised diminution in fair value of investments classified as 'available for sale' at end of the year	(221,661)	(118,578)
Provision against non-performing investments	157,037	56,583
Unrealised diminution / (appreciation) in fair value of investments classified as 'available for sale' at beginning of the year	118,578	(18,976)
Unrealised appreciation / (diminution) in fair value of investments classified as 'available for sale' during the year	53,954	(80,971)
Distribution during the year:		
- Issue of bonus units	(14,050)	(272,310)
- Dividend	(25,521)	(129,573)
	(39,571)	(401,883)
Net (loss) / income for the year (excluding unrealised diminution in fair value of investments classified as 'at fair value through profit or loss' and capital gains / (losses))	(120,884)	420,733
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	(2,009)	(37,476)
Capital loss on sale of investments	(79,930)	(214,635)
Net unrealised element of income and capital gains included in prices of units issued less those in units redeemed-amounts representing unrealised appreciation / (diminution)	47,408	12,640
Net (loss) / income (including net element of income and capital gains included in prices of units issued less those in units redeemed-amount representing unrealised appreciation / (diminution))	(155,415)	181,262
Net assets at end of the year	<u>959,401</u>	<u>3,145,099</u>
	(Rupees)	
Net asset value per unit as at beginning of the year	<u>99.3500</u>	<u>103.2878</u>
Net asset value per unit as at end of the year	<u>85.5835</u>	<u>99.3500</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

CASH FLOW STATEMENT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

For the year ended June 30, 2010

	2010 (Rupees in '000)	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the year	(202,823)	168,622
Adjustments for:		
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	2,009	37,476
Provision against non-performing placements	43,450	-
Provision against non-performing investments	255,353	131,583
Provision for doubtful income receivable	26,345	23,532
Net realised element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(2,093)	84,349
Amortisation of preliminary expenses and floatation costs	602	602
	122,843	446,164
Decrease / (increase) in assets		
Placements	7,788	(11,788)
Certificates of investment	34,626	730,000
Receivable against continuous funding system	-	311,893
Investments - net	1,111,867	1,835,695
Term deposit receipts with maturity of more than three months	-	1,800,000
Income receivable	(75,032)	72,392
Deposits, prepayments and other receivables	(176)	1,766
	1,079,073	4,739,958
Increase / (decrease) in liabilities		
Payable against purchase of investments	-	(2,967)
Payable to KASB Funds Limited - Management Company	(2,533)	(5,493)
Payable to Central Depository Company of Pakistan Limited - Trustee	(183)	(530)
Payable to The Securities and Exchange Commission of Pakistan	(3,270)	(4,310)
Borrowing against redemption of units	25,000	-
Accrued expenses and other liabilities	844	2,609
	19,858	(10,691)
Net cash generated from operating activities	1,221,744	5,175,431
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	(25,521)	(129,573)
Payable on redemption of units	(76)	-
Net payments from sale and redemption of units	(2,009,215)	(5,733,058)
Net cash used in financing activities	(2,034,812)	(5,862,631)
Net decrease in cash and cash equivalents during the year	(813,038)	(687,200)
Cash and cash equivalents at beginning of the year	818,684	1,505,884
Cash and cash equivalents at end of the year	5,646	818,684

The annexed notes 1 to 27 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Liquid Fund ("the Fund") was established under a Trust Deed executed between KASB Funds Limited (KFL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on February 20, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on March 17, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to undertake asset management and investment advisory services as Non-Banking Finance Company under the 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 Pakistan Credit Rating Agency Limited (PACRA) has assigned a 'BBB+(f)' stability rating to the Fund.

KLF is an open-end income 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.

The Fund seeks to maximise current income, consistent with low levels of risk and high liquidity by primarily investing in low duration, liquid investments including money market and other debt instruments as well as fixed income transactions in the capital market.

Under circular 7 of 2009 dated March 6, 2009 issued by the SECP, all Collective Investment Schemes (CISs) are required to categorise open end CISs on the basis of investment parameters including eligible assets classes with pre-specified risk profile with the approval of Board of Directors of Asset Management Company. Funds are also required to disclose in the offering document the authorised investments and rating of securities that it would invest in. Accordingly, the Fund has submitted the amended trust deed to the SECP for approval purposes by assigning Aggressive Income category to the Fund. Subsequent to year end, SECP has approved the supplemental Trust Deed vide letter SCD / NBFC-II / KASBIOF / 625 / 2010 and the name of the Fund has been changed to KASB Income Opportunity Fund.

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

2.1 Statement of compliance

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

Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives shall prevail.

2.2 Change in accounting policy

Starting July 01, 2009 the Fund has changed its accounting policy with respect to "Revised IAS 1 Presentation of Financial Statements (2007)". The revision to IAS 1 requires the Fund to present all unit holders changes and all non-unit holders changes in the Statement of Unit Holders' Fund, separately. Where the Fund restates / reclassifies comparative information, they are required to present a restated Statement of Asset and Liabilities as at the beginning of the comparative period. In addition, the standard introduces the Statement of Comprehensive Income: it presents all items of recognised income and expense, either in one single statement (i.e. Statement of Comprehensive Income), or in two linked statements (i.e. Income Statement and Statement of Comprehensive Income). The Fund has elected to present two statements.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. Since the change in accounting policy only effects presentation / disclosures of financial statements, there is no impact on net loss for the year / income for previous year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

2.3 Other accounting developments*Disclosures pertaining to fair values and liquidity risk of financial instruments*

The Fund has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

Apart from above other standards, amendments to published standards and interpretations of accounting standards became effective during the year, however they did not affect the Fund's financial statements.

2.4 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after July 01, 2010 are either not relevant to Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain increased disclosures:

IFRS 2 (amendment) - Share - based payments and withdrawal of IFRIC 8 - Scope of IFRS 2 and IFRIC 11 - Group and Treasury Share Transactions (effective for annual periods beginning on or after January 01, 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities.

International Accounting Standard (IAS) 24 (Revised): Related Party Disclosures (effective for annual period beginning on or after January 01, 2011). The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.

Amendments to IAS 32: Classification of Rights Issues (effective for period beginning on or after February 01, 2010). Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for period beginning on or after July 01, 2010). IFRIC 19 clarifies the accounting when an entity extinguish the liability by issuing its own equity instruments to the creditor.

Amendments to IFRIC 14: Prepayment of a Minimum Funding Requirement (effective for period beginning on or after July 01, 2011). IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognise prepayments of minimum funding contributions, as an asset.

The International Accounting Standards Board made certain amendments to existing standards as part of its second and third annual improvements project. The effective dates for these amendments vary by standards.

2.5 Basis of measurement

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

2.6 Functional and presentation currency

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

2.7 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have most significant effect on the amount recognised in the financial statements are as follows:

Investments stated at fair value and derivative financial instruments

The management company has determined fair value of certain investments by using rates notified by Mutual Funds Association of Pakistan (MUFAP). Fair value estimates are made at a specific point in time, based on market conditions and information about financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore, cannot be determined with precision.

Other assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented, except for change as disclosed in note 2.2 to these financial statements.

3.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) Financial instruments as 'at fair value through profit or loss'

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

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

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

b) Available-for-sale

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

c) Loans and receivables

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

d) Financial liabilities

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

Recognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

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

Measurement

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

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

Basis of valuation of Term Finance and Sukuk Certificates

Investment in debt securities are valued at the rates determined and notified by Mutual Funds Association of Pakistan (MUFAP) as per the methodology prescribed by SECP via Circular 1 of 2009 and Circular 3 of 2010. The circular also specifies a criteria for application of discretionary discount to yield of any debt security calculated by MUFAP and contain criteria for the provisioning of non-performing debt securities.

Investment in thinly and non-traded debt securities with maturity upto six months are valued at their amortised cost in accordance with the requirements of Circular 1 of 2009.

Basis of valuation of Commercial Papers

Commercial papers (with residual maturity of upto six months) are valued at their amortised cost in accordance with requirements of Circular 1 of 2009 with effect from January 06, 2009. Commercial papers (with residual maturity of over six months) are valued on the basis of yield matrix calculated and announced by MUFAP in accordance with the requirement of Circular 1 of 2009. The Fund does not have any investment in commercial papers with residual maturities exceeding six months.

Securities under repurchase / resale agreements

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

All reverse repo transactions are accounted for on the settlement date.

Impairment

Financial assets not carried at fair value through profit or loss are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

Any subsequent decrease in impairment loss on debt securities classified as 'available for sale', is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

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

Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial assets expire or it transfers the financial assets and the transfer qualifies for derecognition in accordance with International Accounting Standard 39: Financial Instruments: Recognition and Measurement.

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

Offsetting of financial instruments

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

3.2 Unit holders' funds

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

3.3 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company.

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

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

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

The Fund records the net element of accrued income / (loss) and realised capital gains / (losses) relating to units issued and redeemed during an accounting period in the Income Statement while the portion of the element of income / (loss) and capital gains / (losses) that relates to unrealised gains / (losses) held by the Fund in Unit Holders' Funds is recorded in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to unit holders.

3.5 Preliminary expenses and floatation costs

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

3.6 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

3.7 Net asset value per unit

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

3.8 Taxation

Current

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

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on utilised tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund intends to continue availing the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders. Accordingly, no current tax and deferred tax has been recognised in these financial statements.

3.9 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on debt securities, placements, certificates of investment and reverse repurchase transactions is recognised on a time proportion basis using effective interest rate method.
- Unrealised gains / (losses) arising on valuation of investments classified as financial assets 'at fair value through profit or loss' and derivatives are included in the Income Statement in the period in which they arise.
- Profit on bank deposit is recognised on time proportion basis using effective interest rate method.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

3.10 Expenses

All expenses including management fee and trustee fee are recognised in the Income Statement on an accrual basis.

3.11 Cash and cash equivalents

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

3.12 Other assets

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

3.13 Dividend distributions and appropriations

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

4. BANK BALANCES

	2010	2009
	(Rupees in '000)	
In current accounts	6	9
In deposit accounts	4.1 5,640	58,675
Term deposit receipts	-	760,000
	<u>5,646</u>	<u>818,684</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

4.1 Profit rates on deposit accounts range between 5% to 12% per annum (June 30, 2009: 5% to 12.5% per annum).

5. PLACEMENTS - Unsecured

This represents placements with financial institutions and carry profit rate ranging from 12.51% to 13.42% (June 30, 2009: 15% to 22% per annum) and maturity ranging from 13 to 19 days (June 30, 2009: 6 to 7 days).

Due to continuous delays in payments by the respective counter parties, the Fund has recognised adequate provisions against the respective investments and suspended further accrual of mark-up in light of provisioning policy of the Fund duly approved by the Board of Directors of the Management Company. Management is continuously monitoring the Fund's exposure to these investments and is making necessary efforts for the recovery of the amount.

The above is without prejudice to the Fund's claim against the above financial institutions for the entire exposure and unrecognised mark-up and other charges etc.

6. CERTIFICATES OF INVESTMENT - Unsecured

This represent certificates of investment of a financial institution and carries profit at the rate of 15% per annum (June 30, 2009: 16% per annum) having a maturity of 2 days (June 30, 2009: 18 days).

7. INVESTMENTS

2010 2009
(Rupees in '000)

At fair value through profit or loss

Designated on initial recognition

- Fixed income and other debt securities	7.2	325,816	684,928
- Advance against Pre Initial Public Offer investments	7.3	-	275,000
		<u>325,816</u>	<u>959,928</u>

Available for sale

- Fixed income and other debt securities	7.5	559,999	1,097,150
		<u>885,815</u>	<u>2,057,078</u>

7.1 The cost of the above investments as at June 30, 2010 amounted to Rs. 1,221.96 million (June 30, 2009: Rs. 2,288.132 million).

7.2 Fixed income and other debt securities - designated as 'at fair value through profit or loss' on initial recognition

Name of the Investee Company	Profit/ mark-up rate %	---Number of certificates---				Market value as at June 30, 2010	Market value as a percentage of total investments
		As at July 01, 2009	Purchases during the year	Sales during the year	As at June 30, 2010		

(Rupees in '000)

Term Finance Certificates - Listed

Allied Bank Limited	7.2.1	13.28	40,000	-	29,000	11,000	52,564	5.93
Pace Pakistan Limited	7.2.2	13.79	30,000	-	29,000	1,000	4,853	0.55
Trust Investment Bank Limited - III	7.2.3	14.26	10,000	-	-	10,000	39,014	4.40
United Bank Limited - IV	7.2.4	13.14	-	2,000	-	2,000	9,499	1.07
NIB Bank Limited	7.2.5	13.54	-	2,000	-	2,000	9,594	1.08
Pakistan Mobile Communications Limited - IV	7.2.6	13.99	85,000	-	36,390	48,620	210,282	23.74
Worldcall Telecom Limited	-	-	22,000	-	22,000	-	-	-
						<u>325,816</u>		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

7.2.1 These term finance certificates were issued on February 28, 2009 and carry mark-up equal to 6 month KIBOR plus 150 basis points per annum with no floor or cap. The principal redemption and mark up thereon will be paid semi-annually. These certificates will mature on February 28, 2013.

7.2.2 These term finance certificates are secured and will mature on February 15, 2013. They carry mark-up equal to 6 month KIBOR plus 150 basis points per annum. The principal repayment along with interest is paid on semi annual basis.

7.2.3 The term finance certificates are unsecured. They carry mark-up equal to 6 month KIBOR plus 190 basis point per annum with no floor or cap. The interest thereon is paid on semi annual basis.

7.2.4 These term finance certificates are unsecured, and will mature on February 14, 2018 and carry mark-up equal to the 6 month KIBOR plus 85 basis points per annum in first five years & 1.85 basis points from 5 to 10 years receivable, semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.

7.2.5 These term finance certificates are unsecured and subordinated, with maturity on March 05, 2016. They carry mark-up equal to the 6 month KIBOR plus 115 basis points per annum, receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.

7.2.6 These term finance certificates were issued on October 28, 2008 and carry mark-up equal to 6 month KIBOR plus 165 basis points per annum. The principal redemption and mark-up thereon are paid semi-annually with no floor and cap. These certificates will mature on October 28, 2013.

7.3 Advance against Pre Initial Public Offer investments - designated as 'at fair value through profit or loss' on initial recognition

Name of the Investee Company	Profit/ mark-up rate %	-----Number of certificates-----				Carrying value as at June 30, 2010	Carrying value as a percentage of total investments
		As at July 01, 2009	Purchases during the year	Sales during the year	As at June 30, 2010		
(Rupees in '000)							
Dewan Cement Limited	7.3.1 16.12	30,000	-	-	30,000	-	

7.3.1 This represents investment in advance against term finance certificates of Dewan Cement Limited (DCL). The investment in DCL is secured against collaterals. As per agreement, public offering was expected to be completed within 270 days from the signing of the agreement failing which the Company was required to refund the amount of Rs. 150 million along with interest accrued thereon.

The Fund has made full provision against the said investment and full provision against mark-up receivable till October 5, 2008. Moreover, the Fund suspended further accruals of mark-up there against. Therefore, the investment has been fully provided as at June 30, 2010.

The above provision against said investment and related mark-up are in light of provisioning policy of the Fund duly approved by the Board of Directors of the Management Company and related SECP circulars. Management is continuously monitoring the Fund's exposure to this investment and is making necessary efforts for the recovery of the amount.

The above is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognised mark-up and other charges etc.

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For the year ended June 30, 2010

7.4 Net unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'

	2010	2009
	(Rupees in '000)	
Fair value of investments	325,816	959,928
Less: Cost of investments	(515,301)	(1,072,404)
	<u>(189,485)</u>	<u>(112,476)</u>
Unrealised diminution / (appreciation) in fair value of investments classified as 'at fair value through profit or loss' at the beginning of the year	112,476	(22,259)
Provision against non-performing investments	75,000	75,000
Realised on disposal during the year	-	22,259
	<u>187,476</u>	<u>75,000</u>
	<u>(2,009)</u>	<u>(37,476)</u>

7.5 Fixed income and other debt securities - 'available for sale'

Name of the Investee Company	Profit/ mark-up rate %	-----Number of certificates-----				Market / Carrying value as at June 30, 2010	Market / Carrying value as a percentage of total investments
		As at July 01, 2009	Purchases during the year	Sales during the year	As at June 30, 2010		
(Rupees in '000)							
Term Finance Certificates							
Orix Leasing Pakistan Limited	-	10,000	-	10,000	-	-	
Engro Chemicals Pakistan Limited -II	7.5.1 14.14	360	-	-	360	1.606	
Gharibwal Cement Limited	7.5.2 15.30	8,000	-	-	8,000	-	
Agritech Limited formerly: Pak American Fertilizers Limited)	-	30,000	-	30,000	-	-	
Azgard Nine Limited - IV	7.5.3 14.58	44,400	-	-	44,400	159,712	
Optimus Limited	7.5.4 14.45	10,000	-	-	10,000	47,432	
KASB Securities Limited	-	10,000	-	10,000	-	-	
Avani Hotels Limited	7.5.5 15.58	19,760	-	-	19,760	84,761	
New Allied Electronics Industries (Private) Limited	7.5.6	13,000	-	-	13,000	-	
					<u>293,511</u>		
Sukuk Certificates							
New Allied Electronics Industries (Private) Limited - I	7.5.7	32,000	-	-	32,000	-	
Maple Leaf Cement Factory Limited - II	7.5.8 14.10	47,600	-	21,000	26,600	93,060	
New Allied Electronics Industries (Private) Limited - II	7.5.9	8,600	-	-	8,600	-	
Kohat Cement Company Limited	7.5.10 14.12	7,650	-	-	7,650	27,339	
Al-Zamin Leasing Modaraba	7.5.11 14.24	14,000	-	-	14,000	57,896	
Security Leasing Corporation Limited	7.5.12 6.00	500	-	-	500	1,099	
Pak Elektron Limited - I	-	4,000	-	4,000	-	-	
Pak Elektron Limited - II	7.5.13 13.34	14,000	-	-	14,000	63,833	
Eden Housing Limited	7.5.14 14.91	5,185	-	-	5,185	14,583	
Eden Builders Limited	7.5.15 14.55	1,720	-	-	1,720	7,711	
Karachi Shipyard & Engineering Works Limited - II	7.5.16 12.66	5,000	-	4,800	200	967	
					<u>266,488</u>		
					<u>559,999</u>		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

- 7.5.1 These privately placed term finance certificates are secured & subordinated, with maturity on March 18, 2018. They carry mark-up equal to the 6 month KIBOR receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 7.5.2 This represents privately placed term finance certificates of Gharibwal Cement Limited (GCL). The investment in GCL is secured against collaterals.
- On July 18, 2009, owing to financial difficulties, no payment was made against the mark-up and principal due amounting to Rs. 3.67 million and Rs. 0.008 million respectively. However, principal due was subsequently received on August 11, 2009. The Fund has recognised full provision against the said investment and full provision against mark-up receivable. Moreover, the Fund suspended further accruals of mark-up there against. Therefore, the investment has been fully provided as at June 30, 2010.
- The above provision against said investment and related mark-up are in light of provisioning policy of the Fund duly approved by the Board of Directors of the Management Company and related SECP circulars. Management is continuously monitoring the Fund's exposure to this investment and is making necessary efforts for the recovery of the amount.
- The above is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognised mark up and other charges etc.
- 7.5.3 Due to financial difficulties, Azgard Nine Limited (ANL) was unable to make the due payments of principal and profit amounting to Rs. 22.18 million and Rs. 16.22 million respectively on June 4, 2010. ANL is in the process of restructuring arrangement with term finance certificate holders. The Fund has recognised a partial provision against the respective investment and full provision against the profit accrued till June 4, 2010. Further, the Fund has also suspended further accrual of profit there against.
- The above provision against said investment and related mark-up are in light of provisioning policy of the Fund duly approved by the Board of Directors of the Management Company and related SECP circulars. Management is continuously monitoring the Fund's exposure to this investment and is making necessary efforts for the recovery of the amount.
- The above provision is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognised mark-up and other charges etc.
- 7.5.4 These privately placed term finance certificates will mature on October 10, 2012. They carry mark-up equal to 6 month KIBOR plus 210 basis points per annum with no floor or cap. The principal repayment along with interest is paid on semi annual basis.
- 7.5.5 These privately placed term finance certificates, will mature on November 01, 2014. They carry mark-up equal to 6 month KIBOR plus 325 basis points per annum with no floor or cap. The principal repayment along with interest is paid on semi annual basis.
- 7.5.6 This represents privately placed term finance certificates of New Allied Electronics Industries (Private) Limited (NAEIL). The investment in NAEIL is secured against collaterals.
- On November 15, 2008, owing to the financial difficulties, no payment was made against the mark-up and principal due amounting to Rs. 2.41 million and Rs. 5.42 million respectively. The Fund has made recognised provision against the said investment and full provision against mark-up receivable. Moreover, the Fund suspended further accruals of mark-up there against. Therefore, the investment has been fully provided as at June 30, 2010.
- The above provision against said investment and related mark-up are in light of provisioning policy of the Fund duly approved by the Board of Directors of the Management Company and related SECP circulars. Management is continuously monitoring the Fund's exposure to this investment and is making necessary efforts for the recovery of the amount.
- The above provision is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognised mark-up and other charges etc.
- 7.5.7 This represents sukuk certificates of New Allied Electronics Industries (Private) Limited - I (NAEIL). The investment in NAEIL is secured against collaterals.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

- On October 25, 2008, owing to financial difficulties, NAEIL paid full mark-up amounting to Rs. 0.42 million, however, no payment was made against the principal due amounting to Rs. 0.63 million. Subsequently NAEIL has continuously defaulted on every repayment date. The Fund has recognised full provision against the investment and suspended further accruals of mark-up there against. Therefore, the investment has been fully provided as at June 30, 2010.
- The above provision against said investment and related mark-up are in light of provisioning policy of the Fund duly approved by the Board of Directors of the Management Company and related SECP circulars. Management is continuously monitoring the Fund's exposure to this investment and is making necessary efforts for the recovery of the amount.
- The above provision is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognised mark-up and other charges etc.
- 7.5.8 This represents sukuk certificates of Maple Leaf Cement Factory Limited (MLCFL). The investment in MLCFL is secured against collaterals.
- On December 3, 2009, owing to financial difficulties, no payment was made against the profit amounting to Rs. 10.3 million. However, on March 30, 2010, MLCFL in consultation with sukuk certificate holders, worked out a restructuring plan and issued revised redemption schedule and an amount of Rs. 5.21 million has been received as per the restructuring agreement, against outstanding profit receivable amounting to Rs. 10.3 million up to December 3, 2009, while the remaining, net of certain related expenses, has been adjusted against additional sukuk certificates. As at June 30, 2010, the Fund has recognised a partial provision against the respective investment and has also suspended further accrual of profit there against.
- The above provision against said investment and related mark-up are in light of provisioning policy of the Fund duly approved by the Board of Directors of the Management Company and related SECP circulars. Management is continuously monitoring the Fund's exposure to this investment and is making necessary efforts for the recovery of the amount.
- The above provision is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognised mark-up and other charges etc.
- 7.5.9 This represents sukuk certificates of New Allied Electronics Industries (Private) Limited - II (NAEIL). The investment in NAEIL is secured against collaterals.
- On December 3, 2008, owing to the financial difficulties, no payment was made by NAEIL against mark-up amounting to Rs. 3.25 million. On February 11, 2009 and March 20, 2009 the Fund received a partial payment amounting to Rs. 1.57 million and Rs. 0.84 million respectively against the outstanding mark-up. The Fund has recognised full provision against the said investment and outstanding mark-up receivable accordingly. Moreover, the Fund suspended further accrual of mark-up there against. Therefore, the investment has been fully provided as at June 30, 2010.
- The above provision against said investment and related mark-up are in light of provisioning policy of the Fund duly approved by the Board of Directors of the Management Company and related SECP circulars. Management is continuously monitoring the Fund's exposure to this investment and is making necessary efforts for the recovery of the amount.
- The above provision is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognised mark-up and other charges etc.
- 7.5.10 These privately placed sukuk certificates will mature on December 20, 2015 and carry mark-up equal to the 3 month KIBOR plus 180 basis points per annum upto December 20, 2011 and thereafter 3 months KIBOR plus 250 basis points per annum upto maturity.
- 7.5.11 These privately placed sukuk certificates will mature on May 12, 2012. They carry mark-up equal to the 6 month KIBOR plus 190 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

7.5.12	These privately placed sukuk certificates are secured and will mature on March 19, 2014 and carry mark-up equal to the 600 basis points per annum up to September 19, 2011 and thereafter 1 month KIBOR per annum till maturity.		
7.5.13	These privately placed sukuk certificates are unsecured and will mature on April 01, 2015. They carry mark-up equal to 3 month KIBOR plus 325 basis points per annum receivable quarterly in arrears with no floor or cap.		
7.5.14	These privately placed sukuk certificates will mature on March 31, 2013. They carry mark-up equal to 6 month KIBOR plus 250 basis points per annum with no floor or cap. The principal repayment along with interest is paid on semi annual basis.		
7.5.15	These privately placed sukuk certificates are unsecured and will mature on December 08, 2013. They carrying profit equal to 3 months KIBOR plus 230 basis points per annum payable semi-annually in arrears.		
7.5.16	These privately placed sukuk certificates are secured, and will mature on February 04, 2016. They carry mark-up equal to 6 month KIBOR plus 40 basis points per annum receivable semi annually in arrears with no floor or cap.		
7.5.17	Net unrealised appreciation / (diminution) in fair value of investments classified as 'available for sale'		
		2010	2009
		(Rupees in '000)	
	Fair value of investments	559,999	1,097,150
	Less: Cost of investments	<u>(781,660)</u>	<u>(1,215,728)</u>
		<u>(221,661)</u>	<u>(118,578)</u>
	Unrealised diminution / (appreciation) in fair value of investments classified as 'available for sale' at beginning of the period	118,578	(18,976)
	Provision against non-performing investments	<u>157,037</u>	<u>56,583</u>
		<u>275,615</u>	<u>37,607</u>
		<u>53,954</u>	<u>(80,971)</u>
8.	INCOME RECEIVABLE		
	Income accrued on bank deposits	80	1,394
	Income accrued on term deposit receipts	-	42,922
	Income accrued on placements	6,463	49
	Income accrued on certificates of investment	576	256
	Income accrued on term finance certificates and sukuk certificates	140,999	120,533
	Less: Provision for doubtful income receivable	<u>(122,558)</u>	<u>(44,269)</u>
		<u>25,560</u>	<u>120,885</u>
9.	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Deposit with National Clearing Company of Pakistan Limited	3,625	3,500
	Deposit with Central Depository Company of Pakistan Limited	100	100
	Prepaid expenses	82	32
	Advance tax	1	-
	Others	167	167
		<u>3,975</u>	<u>3,799</u>
10.	PRELIMINARY EXPENSES AND FLOATATION COSTS		
	Preliminary expenses and floatation costs	1,115	1,717
	Less: Amortisation during the year	<u>(602)</u>	<u>(602)</u>
	Balance as at June 30	<u>513</u>	<u>1,115</u>

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For the year ended June 30, 2010

		2010	2009
		(Rupees in '000)	
11.	PAYABLE TO KASB FUNDS LIMITED - MANAGEMENT COMPANY		
	Management fee payable	11.1	1,532
	Sales load payable	-	1
		<u>1,532</u>	<u>4,065</u>
11.1	Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter, of an amount equal to two percent of such assets of the Fund. During the year, remuneration of management company is charged at the rate of 1.5 percent per annum of the average annual net assets of the Fund for the period from July 01, 2009 to June 15, 2010 and at the rate of 2 percent per annum of the average annual net assets of the Fund for the period from June 16, 2010 and onwards.		
12.	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
	Trustee fee payable	12.1	169
	CDS charges payable	-	353
		<u>1</u>	<u>-</u>
		<u>170</u>	<u>353</u>
12.1	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed at the higher of Rs. 0.7 million or 0.2 % per annum on amount upto Rs. 1.0 billion of average daily net assets of the Fund and Rs. 2.0 million plus 0.1 % per annum on amount exceeding Rs. 1.0 billion of average daily net assets of the Fund.		
13.	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	13.1	1,243
			4,513
13.1	As per schedule II of the NBFC Regulations 2008, income funds are required to pay as annual fee to the SECP, an amount equal to 0.075 percent per annum of the average annual net assets of the Scheme.		
14.	BORROWING AGAINST REDEMPTION OF UNITS		
	This represents borrowing obtained from a commercial bank carrying mark-up at the rate of 15.41% per annum and is payable within 90 days as per the requirement of Non-Banking Finance Companies and Notified Entities Regulations, 2008. The borrowing has been secured against term finance certificates of Pakistan Mobile Communications Limited with market value as at June 30, 2010 aggregating to Rs. 31.6 million.		
15.	ACCRUED EXPENSES AND OTHER LIABILITIES		
	Auditors' remuneration	303	703
	Legal and professional charges payable	100	62
	Brokerage payable	29	31
	Payable to KASB Stock Market Fund	-	68
	Payable to KASB Islamic Income Fund	-	2,595
	Payable to KASB Cash Fund	44	-
	Others	4,611	784
		<u>5,087</u>	<u>4,243</u>
16.	AUDITORS' REMUNERATION		
	Audit fee	16.1	398
	Other certifications and services	-	592
	Out of pocket expenses	74	85
		<u>525</u>	<u>902</u>
16.1	Audit fee includes services for audit of annual financial statements and limited review of condensed interim financial information for the six months period.		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

17. 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 year ended June 30, 2009 amounting to Rs. 3,372 million in these financial statements. However, subsequent to the year end, Ministry of Labor has issued certain clarifications regarding applicability of WWF on mutual funds and the matter is currently under review and discussion.

18. (LOSS) / EARNINGS PER UNIT

(Loss) / earnings per unit has not been disclosed as in the opinion of the management, determination of weighted average number of units for calculating (loss) / earnings per unit is not practicable.

19. UNDISTRIBUTED INCOME / (LOSS) BROUGHT FORWARD / CARRIED FORWARD

As per Schedule V to the NBFC Regulations 2008, undistributed income / (loss) brought forward / carried forward needs to be bifurcated in to realised and unrealised gains. However, it has not been bifurcated as it is impracticable to do so.

20. 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, and New Horizon Exploration and Production Limited being the companies under common management, Central Depository Company of Pakistan Limited being the Trustee, other Funds managed by the management company (including KASB Stock Market Fund, KASB Balanced Fund, KASB Islamic Income Fund, KASB Cash 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 year end are as follows:

	2010	2009
	(Rupees in '000)	
20.1 Transactions		
KASB Funds Limited		
Remuneration expense	25,069	72,744
Bonus units: 5,384 units (2009: 64,585 units)	528	6,513
Redemption from the Fund: 856,211 units (2009: 402,838 units)	85,028	40,263
KASB Funds Limited Employees' Provident Fund		
Bonus units: Nil units (2009: 376 units)	-	38
Redemption from the Fund: Nil units (2009: 6,873 units)	-	669
KASB Stock Market Fund		
Sale of Sukuk Certificates: Nil units (2009: 11,600 units)	-	60,068
Purchase of Sukuk Certificates: Nil units (2009: 5,200 units)	-	24,238
KASB Balanced Fund		
Repurchase Transaction	-	48,000
Expense accrued on Repurchase Transaction	-	2,035
Sale of Term Finance Certificates 7,000 units (2009: Nil units)	34,733	-
Sale of Sukuk Certificates: Nil units (2009: 25,500 units)	-	132,068
Purchase of Sukuk Certificates: Nil units (2009: 10,000 units)	-	51,826

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For the year ended June 30, 2010

	2010	2009
	(Rupees in '000)	
KASB Islamic Income Fund		
Sale of Sukuk Certificates: Nil units (2009: 14,750 units)	-	75,548
KASB Capital Limited		
Transfer in the Fund: Nil units (2009: 31,491 units)	-	2,893
Transfer out of the Fund: Nil units (2009: 31,491 units)	-	315
Sale of Sukuk Certificates: Nil units (2009: 71,000 units)	-	369,043
Sale of Term Finance Certificates: Nil units (2009: 59,640 units)	-	301,967
Purchase of Sukuk Certificates: Nil units (2009: 41,000 units)	-	210,911
KASB Securities Limited		
Brokerage expense	20.3	48
Sale of Term Finance Certificates: Nil units (2009: 25,600 units)	-	129,862
Purchase of Term Finance Certificates: Nil units (2009: 20,000 units)	-	100,300
Sale of 10,000 units (2009: Nil units) of Term Finance Certificates issued by KASB Securities Limited	43,704	-
KASB Securities Limited Employees' Provident Fund		
Bonus units: Nil units (2009: 2,481 units)	-	250
Redemption from the Fund: Nil units (2009: 45,389 units)	-	4,425
KASB Bank Limited		
Bank charges	21	69
Term Deposit Receipts	-	300,000
Income accrued on term deposit receipts	-	3,154
Profit accrued on bank deposits	20.4	6,453
Repurchase Transaction	-	50,000
Expense accrued on Repurchase Transaction	-	849
Borrowing against redemptions of units	25,000	-
Expense accrued on borrowing against redemptions of units	1,596	-
Dividend Paid	4,201	645
Investment in the Fund: Nil units (2009: 2,518,295 units)	-	250,000
Transfer in the Fund: Nil units (2009: 730,672 units)	-	67,566
Sale of Term Finance Certificates: Nil units (2009: 66,926 units)	-	299,996
Purchase of Term Finance Certificates: Nil units (2009: 47,926 units)	-	222,120
KASB Bank Limited Employees' Provident Fund		
Bonus units: Nil units (2009: 4,870 units)	-	491
Redemption from the Fund: Nil units (2009: 89,094 units)	-	8,466
New Horizon Exploration and Production Ltd.		
Bonus units: 1 unit (2009: 5 units)	1	1
Redemption from the Fund: 95 units (2009: Nil units)	8	-
KASB Modaraba		
Sale of Sukuk Certificates: Nil units (2009: 6,401 units)	-	33,040
Sale of Term Finance Certificates: Nil units (2009: 4,433 units)	-	23,388
Purchase of Sukuk Certificates: Nil units (2009: 2,401 units)	-	12,269
Purchase of Term Finance Certificates: Nil units (2009: 4,433 units)	-	23,529

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	2010	2009
	(Rupees in '000)	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	2,657	6,084
CDS charges	7	109
Investment in the Fund: Nil units (2009: 916,663 units)	-	94,425
Bonus units issued : Nil units (2009: 24,405 units)	-	2,454
Redemption from the Fund: Nil units (2009: 1,833,325 units)	-	189,464
Directors and officers of the Management Company		
Investment in the Fund: Nil units (2009: 297,790 units)	-	30,544
Redemption from the Fund: 57,154 units (2009: 312,639 units)	5,633	32,128
Conversion in the Fund: 8,931 units (2009: 39,332 units)	891	4,011
Conversion out of the Fund: 27,306 units (2009: 89,487 units)	2,603	9,062
Transfer in the Fund: Nil units (2009: 5,118 units)	-	523
Transfer out of the Fund: Nil units (2009: 108,391 units)	-	9,731
Switching in the Fund: 70,742 units (2009: Nil units)	6,898	-
Switching out of the Fund: 66,116 units (2009: Nil units)	6,334	-
Bonus units: 893 units (2009: 13,459 units)	88	1,358
20.2 Balances	2010	2009
	(Rupees in '000)	
KASB Funds Limited		
Payable to the Management Company	1,532	4,065
Units held: 29,495 units (2009: 422,563 units)	2,524	41,982
KASB Cash Fund		
Payable to KASB Cash Fund	44	-
KASB Stock Market Fund		
Payable to KASB Stock Market Fund	-	68
KASB Islamic Income Fund		
Payable to KASB Islamic Income Fund	-	2,595
KASB Securities Limited		
Brokerage payable	12	1
Nil units (2009: 10,000 units) of term finance certificates	-	43,715
Income Receivable on term finance certificates	-	80
KASB Bank Limited		
Bank balances	5,414	57,213
Profit receivable on bank deposits	80	1,393
Units held: 3,361,101 units (2009: 3,361,101 units)	287,655	333,925
Borrowing against redemption of units	25,000	-
New Horizon Exploration and Production Ltd.		
Units held: Nil units (2009: 94 units)	-	10

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

	2010	2009
	(Rupees in '000)	
Central Depository Company of Pakistan Limited - Trustee		
Payable to the Trustee	170	353
Security deposit	100	100
Directors and officers of the Management Company		
Units held: Nil units (2009: 70,304 units)	-	6,985
20.3	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.	
20.4	The rate of return on this deposit account is 12% per annum (2009: 9.5% to 12.5% per annum).	
21. RISK MANAGEMENT	The Board of Directors of management company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies. The management of these risks is carried out by investment committee under policies approved by Board of Directors.	
	The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.	
	The Fund's activities expose it to a variety of financial risks such as:	
	- Market risk;	
	- Credit risk; and	
	- Liquidity risk.	
Market risk	Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.	
	The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP).	
	Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.	
Currency risk	Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.	
Interest rate risk	Interest rate risk arises from the possibility that changes in prevailing level of interest rates will affect future cash flows or the fair values of financial instruments. Investments in floating rate debt securities expose the fund to cash flow interest rate risk where as investments in fixed interest rate debt securities expose the Fund to fair value interest rate risk.	
	The Fund manages fair value risk by investing primarily in floating rate debt securities preferably with no cap and floor to insulate Fund from fair value interest rate risk.	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

As at June 30, 2010 the Fund's investments as detailed in note 7.2 and 7.5 is exposed to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. Investments in certificates of investment and placements which are carried at amortised cost expose the fund to fair value interest rate risk.

Sensitivity analysis for variable rate instruments

In case 100 basis points increase / decrease in KIBOR on June 30, 2010 with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 1.413 million (2009: 3.857 million) with consequential effect on net loss for the year. This arises substantially from the increase / decrease in interest income and income receivable.

The Fund has direct exposure to interest rate changes on the cash flows of its interest bearing assets. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests. Further the composition of the Fund's investment portfolio and KIBOR rates is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2010 is not necessarily indicative of the effect on the Fund's net assets and income statement of future movements in interest rates.

Yield / interest rate sensitivity position for financial instruments reported on Statement of Assets and Liabilities is based on the earlier of contractual repricing or maturity date.

The Fund's market rate of return sensitivity related to financial assets and financial liabilities can be determined from the following:

On-balance sheet financial instruments	Effective rate of mark-up/return (%)	June 30, 2010			Not exposed to MROR Risk	Total
		Exposed to MROR Risk				
		Up to three months	More than three months and up to one year	More than one year		
(Rupees in '000)						
Financial assets						
Bank balances	5 - 12	5,646	-	-	-	5,646
Placements	12.51 - 13.42	60,550	-	-	-	60,550
Certificates of Investment	15	10,374	-	-	-	10,374
Investments	6 - 15.58	275,985	609,830	-	-	885,815
Income receivable		-	-	-	25,560	25,560
Deposits, prepayments and other receivables		-	-	-	3,975	3,975
		352,555	609,830	-	29,535	991,920
Financial liabilities						
Payable to KASB Funds Limited - Management Company		-	-	-	1,532	1,532
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	170	170
Borrowing against redemption of units	15.41	25,000	-	-	-	25,000
Accrued expenses and other liabilities		-	-	-	1,715	1,715
		25,000	-	-	3,417	28,417
On-balance sheet gap 2010		327,555	609,830	-	26,118	963,503

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

On-balance sheet financial instruments	Effective rate of mark-up/return (%)	June 30, 2009			Not exposed to MROR Risk	Total
		Exposed to MROR Risk				
		Up to three months	More than three months and up to one year	More than one year		
(Rupees in '000)						
Financial assets						
Bank balances	12.5 - 13.75	685,684	133,000	-	-	818,684
Placements	15 - 22	111,788	-	-	-	111,788
Certificates of Investment	16	45,000	-	-	-	45,000
Investments	12.86 - 17.53	1,285,567	771,511	-	-	2,057,078
Income receivable		-	-	-	120,885	120,885
Deposits, prepayments and other receivables		-	-	-	3,767	3,767
		2,128,039	904,511	-	124,652	3,157,202
Financial liabilities						
Payable on redemption of units		-	-	-	76	76
Payable to KASB Funds Limited - Management Company		-	-	-	4,065	4,065
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	353	353
Accrued expenses and other liabilities		-	-	-	4,243	4,243
		-	-	-	8,737	8,737
On-balance sheet gap 2009		2,128,039	904,511	-	115,915	3,148,465

Other price risk

Other price risk includes equity price risks which is the risk of changes in the fair value of equity securities as a result of changes in the levels of KSE 30 Index and the value of individual shares. The equity price risk exposure arises from investments in equity securities held by the Fund for which prices in the future are uncertain.

At June 30, 2010, the Fund does not have any exposure to equity securities and hence not exposed to other price risk.

Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of reverse re-purchase transactions or other arrangements to fulfil their obligations resulting in financial loss to the Fund. These credit exposures exist within financing relationships, derivatives and other transactions. There is also a risk of default by participants and of failure of the financial markets / stock exchanges, the depositories, the settlements or the central clearing system etc.

The credit risk of the Fund mainly arises from its investment in debt securities. The Fund is also exposed to counterparty credit risk on investments in commercial papers, certificates of investment, placements, deposits, cash and cash equivalents, and other receivable balances.

Credit risk management

It is the Fund's policy to enter into financial contracts with reputable, diverse and creditworthy counterparties and wherever possible or deemed necessary obtain collaterals in accordance with internal risk management policies and investment guidelines designed for credit risk management. The Investment Committee closely monitors the creditworthiness of the Fund's counterparties by reviewing their credit ratings, financial statements and press releases on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

The maximum exposure to credit risk before any credit enhancements at June 30 is the carrying amount of the financial assets as set out below.

	2010	2009
	(Rupees in '000)	
Bank balances	5,646	818,684
Placements	60,850	111,788
Certificates of investment	10,374	45,000
Income receivable	25,560	120,885
Investments	885,815	2,057,078
Deposits, prepayments and other receivables	3,975	3,799
	<u>991,920</u>	<u>3,157,234</u>

None of the above financial assets were considered to be past due or impaired in 2010 and 2009 except for the exposures and the provisions there against as provided in note 7.3.1, 7.5.2, 7.5.3, 7.5.6, 7.5.7, 7.5.8 and 7.5.9. The management company follows Circular 1 of 2009 containing criteria for provisioning of non-performing debt securities issued by SECP for the purpose of making provision against non-performing debt securities. Further management company has devised provisioning policy duly approved by the Board of Directors of the management company to make provision over and above required by the said Circular and for those exposures not covered by the said Circular.

For those assets that are not past due it is believed that the risk of default is small and the capital repayments will be made in accordance with the agreed terms and conditions. No terms or conditions are renegotiated except stated otherwise.

Settlement risk

Credit risk relating to unsettled transactions in securities is considered to be minimal as the Fund uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery using central clearing system.

Bank balances

The Fund kept surplus liquidity with banks having credit rating from AAA to BBB+. The rating of the banks is monitored by the Fund Manager and Investment Committee.

Investment in debt securities

Credit risk on debt investments is mitigated by investing primarily in investment grade rated investments and purchase certificate of investments or make placements with financial institutions having sound credit rating. Where the investment is considered doubtful / becomes non-performing as per the criteria specified in Circular 1 of 2009 issued by SECP, a provision is recognised as per the criteria specified therein and also in accordance with provisioning policy of the Fund approved by Board of Directors of the Management Company. For provision against non performing debt securities and placements refer Note 7.3.1, 7.5.2, 7.5.3, 7.5.6, 7.5.7, 7.5.8, 7.5.9 and 5 to the financial statements.

The analysis below summarises the credit quality of the Fund's investment in Term Finance Certificates, Sukuk Certificates, Placements and Certificates of Investment as at June, 30:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

Debt Securities by rating category

	2010	2009
	(%)	(%)
Government Guaranteed	0.10	0.82
AA+	0.00	0.00
AA	1.19	1.70
AA-	5.61	32.63
A+	30.80	2.79
A	5.95	7.86
A-	37.05	13.78
BBB	4.76	0.00
BBB-	0.00	0.00
A-1	0.00	26.16
A-2	0.00	3.16
A-3	0.00	0.00
A1+	0.00	0.00
Below investment grade	11.50	3.44
Non-rated	3.04	7.66

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations arising from its financial liabilities that are settled by delivering cash or other financial assets or that such obligations will have to be settled in a manner disadvantageous to the Fund. Liquidity risk also arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's applicable redemption price calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

The Fund's policy to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units as and when due, without incurring undue losses or risking damage to the Fund's reputation.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings. The Fund has borrowed an amount of Rs.25 million for the purpose of redemption of units as disclosed in note 14 to the financial statements.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

The liquidity position of the Fund is monitored by Fund Manager and Risk and Compliance Department on daily basis. The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	June 30, 2010			Total
	Up to three months	More than three months and up to one year	More than one year	
	------(Rupees in '000)-----			
Payable to KASB Funds Limited - Management Company	1,532	-	-	1,532
Payable to Central Depository Company of Pakistan Limited - Trustee	170	-	-	170
Borrowing against redemption of units	25,000	-	-	25,000
Accrued expenses and other liabilities	5,087	-	-	5,087
	<u>31,789</u>	<u>-</u>	<u>-</u>	<u>31,789</u>

	June 30, 2009			Total
	Up to three months	More than three months and up to one year	More than one year	
	------(Rupees in '000)-----			
Payable on redemption of units	76	-	-	76
Payable to KASB Funds Limited - Management Company	4,065	-	-	4,065
Payable to Central Depository Company of Pakistan Limited - Trustee	353	-	-	353
Accrued expenses and other liabilities	4,243	-	-	4,243
	<u>8,737</u>	<u>-</u>	<u>-</u>	<u>8,737</u>

Units of the Fund are redeemable on demand at the holder's option and also the Fund has arranged line of credit to facilitate the redemption request lodged with the Fund.

Unit Holders' Funds risk management

As a result of the ability to issue and repurchase redeem units, the Unit Holders' Funds can vary depending on the demand for redemptions, and subscription to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue and redemption of units.

The Fund's objective for managing Unit holders' Fund are to maximise current income, consistent with low levels of risk and high liquidity by primarily investing in low duration, liquid investments including money market and other debt instruments as well as fixed income transactions in the capital market. The Fund has an objective of managing liquidity risk for redemption of units.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Valuation techniques using significant unobservable inputs.

Investment in debt securities as disclosed in note 7 to the financial statements, are valued at the rates determined and notified by Mutual Fund Association of Pakistan (MUFAP) as per the methodology prescribed by SECP via Circular 1 of 2009 and Circular 3 of 2010. Therefore the fair value of debt securities are included within Level 3 of the fair value hierarchy as the inputs used for the valuation are not based on observable market data .

23. PATTERN OF UNITHOLDING

Category	Number of unit holders		Investment amount		Percentage of total investment	
	2010	2009	2010	2009	2010	2009
	Numbers		-----(Rupees in '000)----		(%)	
Individuals	179	365	13,088	149,180	1.36	4.74
Associated companies	3	5	290,179	380,506	30.25	12.10
Directors	-	-	-	-	-	-
Banks / Financial Institutions	3	5	607,486	2,382,885	63.32	75.77
Insurance Companies	-	1	-	5,947	-	0.19
Non Banking Finance Companies	1	1	10	12	-	-
Retirement Funds	12	25	45,126	99,812	4.70	3.17
Public Limited Companies	-	-	-	-	-	-
Other Corporate Sector Entities	6	17	3,512	126,757	0.37	4.03
	<u>204</u>	<u>419</u>	<u>959,401</u>	<u>3,145,099</u>	<u>100.00</u>	<u>100.00</u>

24. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker Name	2010	Broker Name	2009
	(Percentage)		(Percentage)
JS Global Capital Limited	41.35	KASB Securities Limited	27.64
KASB Securities Limited	18.90	JS Capital Markets Limited	19.60
First Capital Securities Corporation Limited	17.91	Live Securities (Private) Limited	18.46
Alfalsh Securities (Private) Limited	17.61	Adam Securities (Private) Limited	9.24
Invisor Securities (Private) Limited	4.23	Alfalsh Securities (Private) Limited	9.18
		Finex Securities Limited	4.22
		Atlas Investment Bank Limited	4.09
		Global Securities Pakistan Limited	2.71
		First Capital Securities Limited	1.49
		IGI Finex Securities	1.09

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2010

25. DATES, NAMES OF PERSONS ATTENDING EACH MEETING OF THE BOARD OF DIRECTORS

Name of the Person	Designation	Meetings		
		Total	Attended	Leave Granted
Mr. Robert John Richard Owen	Chairman	8	8	-
Mr. Amir Zahoor Khan	Director*	5	5	-
Mr. Farid Arshad Masood	Director**	7	6	1
Ms. Naz Khan	Chief Executive & Director	8	8	-
Mr. Syed Muhammad Rehmanullah	Director	8	8	-
Mr. Muhammad Imran Khaili	Chief Financial Officer & Company Secretary	8	8	-
Mr. Irfan Saleem Awan	Company Secretary***	3	3	-
Mr. Mirza Mahmood-ul-Hassan	Company Secretary****	4	4	-

* Mr. Amir Zahoor has resigned from the Board in the meeting held on February 12, 2010 and Mr. Muzaffar Ali Shah Bukhari was appointed Director after SECP granted approval on March 05, 2010.

** Mr. Farid Arshad Masood resigned from the Board on February 19, 2010.

***Mr. Irfan Saleem Awan resigned on October 01, 2009.

****Mr. Mirza Mahmood-ul-Hasan resigned on June 10, 2010 and Mr. Muhammad Imran Khaili was appointed as Company Secretary on June 11, 2010 at his place.

Dates of the meetings of the Board of Directors

Thirty-second meeting	July 4, 2009
Thirty-third meeting	July 21, 2009
Thirty-fourth meeting	August 25, 2009
Thirty-fifth meeting	October 23, 2009
Thirty-sixth meeting	November 20, 2009
Thirty-seventh meeting	February 12, 2010
Thirty-eighth meeting	February 19, 2010
Thirty-ninth meeting	April 22, 2010

26. DETAILS OF MEMBERS OF INVESTMENT COMMITTEE

Name	Designation	Qualification	Experience (Years)
Naz Khan	Chief Executive Officer	B.A (USA)	17
Muhammad Faisal Potrik	Chief Investment Officer	MBA	10
Mir Taimur Ali	Fund Manager	CFA , ACCA	07
Muhammad Kashif Masood	Representative of Risk Management & Compliance	M Sc.(Economics)	03

26.1 Details of other funds managed by the Fund Manager

KASB Islamic Income Fund and KASB Cash Fund under the management of KASB Funds Limited.

27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 27, 2010 by the Board of Directors of the Management Company.

For KASB Funds Limited
(Management Company)

Chief Executive

Director