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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

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 Shakra-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)**

**Board of Directors of KASB Funds
Limited**

Mr. Robert John Richard Owen - Chairman

Mr. Muhammad Imran Khalil - Chief Executive

Mr. Syed Muhammad Rehmanullah

Mr. Muzaffar Ali Shah Bukhari

Mr. Masood Karim Shaikh

Chief Financial Officer

Mr. Muhammad Imran Khalil

Company Secretary

Mr. Muhammad Kashif Masood

Audit Committee

Mr. Masood Karim Shaikh - Chairman

Mr. Robert John Richard Owen

Mr. Syed Muhammad Rehmanullah

Trustee

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

Fund Rating

**4 star by PACRA
(February 2010)**

MISSION STATEMENT

The Funds seeks to generate long term capital appreciation and income, from a portfolio that is substantially constituted of equity and equity related securities. The scheme may also invest a certain portion of its corpus in Short term government securities in order to meet liquidity requirements from time to time.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the quarter ended September 30, 2010

The Board of Directors of KASB Funds Limited ("KFL" or "the Company"), the Management Company of KASB Stock Market Fund ("KSMF" or "the Fund"), is pleased to present the condensed interim financial information of the Fund for the quarter ended September 30, 2010. In conformity with circular 7 of 2009 dated March 6, 2009 issued by the SECP, certain amendments have been made in the Trust Deed of the Fund duly approved by the SECP, whereby the Fund has been assigned "Equity" category.

Investing Activities and Fund's Performance

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

At the same time headline inflation is expected to increase significantly going forward due to supply side shocks as more than 20% of the cultivated area has been damaged. The agriculture sector, which accounts for ~ 22% of GDP, has been hit particularly hard. Recently, in this regard, the central bank increased the policy rate by 50bps to 13.5% in its last monetary policy due to consistent fiscal slippages and post-flood higher inflationary expectations.

The international monetary response to the floods has been dreary and the government may ultimately have to resort to deficit monetization which will be another push for inflation. Fiscal deficit is expected to reach over 7% this year against the government target of 4% and the balance of payment position of the country will remain under pressure. Burdened by relief efforts, the government will face significant income-expenditure gap. In this regard, the flood tax is expected to be introduced to raise additional revenue but external aid will be critical to cover flood costs.

The equity market maintained a somber note for the better part of the first quarter of the new financial year. The initial euphoria of July gave way to bearish sentiments at the bourse, and the KSE-30 index only appreciated by 1.23% during the period under review. Low volumes were a hallmark of daily trading activities, as local investors, apprehensive of the fallout of the devastating floods on the different sectors of the economy, chose to remain on the sidelines

However, Foreign Portfolio inflow remained healthy at US\$ 105mn during the period. Furthermore, while introduction of CGT on stock trading had limited negative impact on the market, two successive increases of 50 bps in the discount rate contrary to market expectations, served as a catalyst for the prevalent bearish mood. Margin Trading System (MTS), a leveraged product on patterns similar to the previously prevalent CFS product, was widely anticipated to kick-start voluminous trading at the market but various issues have led to a delay in the implementation of the product. A silver lining was the indications from Moody's and S&P that Pakistan's current ratings remain stable in spite of the disastrous floods that crippled the country's agrarian economy.

While the benchmark KSE-30 posted a return of 1.23% for the three month period, the Fund recorded a return of 2.04%. The out performance is the result of careful stock selection and pursuance of a research driven strategy in a volatile market

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY
For the quarter ended September 30, 2010

The Fund earned a gross income of Rs. 7.43 million during period under consideration while the net loss of the Fund for the same period was Rs. 55.03 million and the total net assets of the Fund stood at Rs. 213.01 million at the end of the period translating into a NAV per unit of Rs. 25.54 (Par Rs. 50).

Future Outlook

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

The equity market looks to be shaky at this point given a change in monetary policy by the State Bank. A rising interest rate environment is generally not conducive to equities as they increase the required rate of return and thus reduce valuations. At the same time, some of the high dividend paying stocks becomes unattractive and investors begin to demand even higher yields from them resulting in lower prices. A trigger for an upward move by the market, even in this macro environment, could be the long impending leverage introduction which would enable players to take greater positions thereby increasing liquidity resulting in higher prices.

Acknowledgement

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

For and on behalf of the Board

October 28, 2010
Karachi

Muhammad Imran Khalil
Chief Executive

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
As at September 30, 2010

Note	(Un-audited)	(Audited)
	September 30	June 30
	2010	2010
	(Rupees in '000)	
ASSETS		
	61,409	20,737
6	4,846	30
	146,696	197,746
7	2,066	297
	2,783	2,753
	765	896
	218,565	222,459
LIABILITIES		
	2,839	1,416
	-	6
	434	370
	59	62
	52	252
	2,172	2,507
	5,556	4,613
	213,009	217,846
	213,009	217,846
Net assets		
	213,009	217,846
Unit holders' funds		
	213,009	217,846
(Number of units)		
	8,339,446	5,963,905
(Rupees)		
	25.54	36.53

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
For the quarter ended September 30, 2010

	Quarter ended September 30		
	Note	2010	2009
		(Rupees in '000)	
Income			
Capital gain on sale of investments		6,682	56,128
Dividend income		1,500	3,656
Income from sukuk certificates		-	1,282
Profit on bank deposits		1,259	1,006
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'	7.5	(2,012)	20,176
Total income		7,429	82,248
Expenses			
Remuneration of KASB Funds Limited - Management Company		1,657	2,214
Remuneration of Central Depository Company of Pakistan Limited - Trustee		176	178
Annual fee - The Securities and Exchange Commission of Pakistan		52	76
Transaction costs on securities		417	1,219
Settlement and bank charges		70	58
Legal and professional charges		115	21
Fees and subscription		35	34
Auditors' remuneration		140	209
Amortisation of preliminary expenses and floatation costs		131	131
Printing expenses		30	30
Provision for doubtful income receivable		-	1,282
Total expenses		2,823	5,452
		4,606	76,796
Net realised element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		(59,635)	26,291
Net (loss) / income for the period		(55,029)	103,087

(Loss) / earnings per unit

9

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

 For KASB Funds Limited
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UN-AUDITED)**
For the quarter ended September 30, 2010

	Quarter ended September 30	
	2010	2009
	(Rupees in '000)	
Net (loss) / income for the period	(55,029)	103,087
Other comprehensive (loss) / income:		
Net unrealised diminution in fair value of investments classified as 'available for sale' at end of the period	-	(16,153)
Net unrealised diminution in fair value of investments classified as 'available for sale' at beginning of the period	-	16,153
Other comprehensive (loss) / income for the period	-	-
Total comprehensive (loss) / income for the period	(55,029)	103,087

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

 For KASB Funds Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
For the quarter ended September 30, 2010

	Quarter ended September 30	
	2010	2009
	(Rupees in '000)	
Accumulated losses brought forward	(80,676)	(154,961)
Final Distribution @ Rs. 11.50 per unit for the year ended June 30, 2010 (2009: Nil)	(68,585)	-
Net (loss) / income for the period	(55,029) (123,614)	103,087 103,087
Accumulated losses carried forward	(204,290)	(51,874)

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN
UNIT HOLDERS' FUNDS (UN-AUDITED)**
For the quarter ended September 30, 2010

	Quarter ended September 30	
	2010	2009
	(Rupees in '000)	
Net assets at beginning of the period	217,846	299,277
Issue of 57,976 units (2009: 598,125 units)	1,487	22,899
Issue of 2,739,701 units (2009: Nil units)	68,575	-
Redemption of 422,136 units (2009: 3,567,983 units)	(10,920)	(145,101)
	59,142	(122,202)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:		
- amount representing accrued loss / (income) and realised capital losses / (gains) - transferred to the Income Statement	59,635	(26,291)
Net unrealised diminution in carrying value of investments classified as 'available for sale' at end of the period	-	(16,153)
Net unrealised diminution in carrying value of investments classified as 'available for sale' at beginning of the period	-	16,153
Net unrealised diminution in carrying value of investments classified as 'available for sale' during the period	-	-
Distribution during the period:		
- Issue of bonus units	(68,575)	-
- Dividend	(10)	-
	(68,585)	-
Net (loss) / income for the period (excluding unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gains)	(59,699)	26,783
Capital gain on sale of investments	6,682	56,128
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'	(2,012)	20,176
Net (loss) / income	(55,029)	103,087
Net assets as at end of the period	213,009	253,871

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

For KASB Funds Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
For the quarter ended September 30, 2010

	Quarter ended September 30	
	2010	2009
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the period	(55,029)	103,087
Adjustments for:		
Dividend income	(1,500)	(3,656)
Profit on bank deposits	(1,259)	(1,006)
Amortisation of preliminary expenses and floatation costs	131	131
Unrealised diminution / (appreciation) in fair value of investments classified as 'at fair value through profit or loss'	2,012	(20,176)
Net realised element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	59,635	(26,291)
	59,019	(50,998)
Decrease / (increase) in assets		
Receivable against sale of investments	(4,816)	1,243
Investments	49,036	75,964
Advances, deposits, prepayments and other receivables	(30)	(1,263)
	44,190	75,944
Increase / (decrease) in liabilities		
Payable against purchase of investments	1,424	1,026
Payable to KASB Funds Limited - Management Company	64	(14)
Payable to Central Depository Company of Pakistan Limited - Trustee	(3)	1
Payable to The Securities and Exchange Commission of Pakistan	(200)	(227)
Accrued expenses and other liabilities	(335)	5,046
	950	5,832
	49,130	133,865
Dividend received	250	3,370
Profit on bank deposits received	741	846
Net cash generated from operating activities	50,121	138,081
CASH FLOWS FROM FINANCING ACTIVITIES		
Payable on redemption of units	(6)	(1,465)
Net payments against sale and redemption of units	(9,443)	(122,202)
Net cash used in financing activities	(9,449)	(123,667)
Net increase in cash and cash equivalents during the period	40,672	14,414
Cash and cash equivalents at beginning of the period	20,737	22,605
Cash and cash equivalents at end of the period	61,409	37,019

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)**
For the quarter ended September 30, 2010
1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Stock Market 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 January 9, 2007 and the Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 23, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). In conformity with circular 7 of 2009 dated March 6, 2009 issued by the SECP, certain amendments have been made in the Trust Deed of the Fund duly approved by the SECP, whereby the Fund has been assigned "Equity" category.

The Management Company of the Fund has been licensed to undertake asset management and investment advisory services as non-banking finance company under the 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. The JCR-VIS has assigned management quality rating of AM3+ to the Management Company and Pakistan Credit Rating Agency Limited (PACRA) has assigned a 4 star rating to the Fund.

The Fund is an open end stock market fund and is listed on the Karachi Stock Exchange (Guarantee) Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder. The details of non-compliant investments with the investment criterion of assigned category as at September 30, 2010 is disclosed in note 7.4 of this condensed interim financial information.

The primary objective of the scheme is to seek to generate long term capital appreciation and income, from a portfolio that is substantially constituted of equity and equity related securities. The scheme may also invest a certain portion of its corpus in short term government securities in order to meet liquidity requirements from time to time.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as a trustee of the Fund.

2. BASIS OF PREPARATION

This financial information has been prepared in condensed form in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting as required under regulation 38 (g) of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 (NBFC Regulations). This does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended June 30, 2010.

Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the said directives shall prevail.

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

For the quarter ended September 30, 2010

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

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

This condensed interim financial information is unaudited and is presented in Pak Rupees, which is the Fund's functional and presentation currency and has been rounded off to the nearest thousand rupees.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended June 30, 2010.

4. ESTIMATES AND JUDGEMENTS

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

5. FINANCIAL RISK MANAGEMENT

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

6. BANK BALANCES

		(Un-audited) September 30 2010	(Audited) June 30 2010
		(Rupees in '000)	
In current accounts		14	14
In deposit accounts	6.1	<u>61,395</u>	<u>20,723</u>
		<u>61,409</u>	<u>20,737</u>

6.1 These deposit accounts carry mark-up at the rate of 5% to 12% per annum (June 30, 2010: 5% to 12% per annum).

7. INVESTMENTS

'At fair value through profit or loss'
'Held for trading'

- Quoted equity securities 7.2 146,696 197,746

'Available for sale'

- Fixed income and other debt securities 7.3 - -

146,696 197,746

7.1 The cost of the above investments as at September 30, 2010 amounted to Rs. 160.98 million (June 30, 2010: Rs. 216.02 million).

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

For the quarter ended September 30, 2010

7.2 Quoted equity securities - 'at fair value through profit or loss' - 'held for trading'

Name of the investee company	----- Number of shares -----				Market value as at September 30, 2010	Market value as a percentage of net assets	Par value as percentage of issued capital of investee company
	As at July 01, 2010	Purchases during the period	Bonus issue during the period	Sales during the period			
				As at September 30, 2010			

(Rupees in '000)

SHARES OF LISTED COMPANIES

- Fully paid up ordinary shares of Rs. 10 each unless otherwise stated

BANKS

Allied Bank Limited	-	19,250	-	19,250	-	-	-
Bank Alfalah Limited	-	125,000	-	125,000	-	-	-
MCB Bank Limited	55,513	98,500	-	138,000	16,013	3,015	1.42
NIB Bank Limited	455,000	-	-	122,552	332,448	884	0.42
National Bank of Pakistan	170,000	211,819	-	329,073	52,746	3,344	1.57
United Bank Limited	307,703	219,439	-	168,905	358,237	18,417	8.65

OIL AND GAS

Attock Petroleum Limited	11,135	2,500	-	13,000	635	216	0.10
Oil & Gas Development Company Limited	7.2.1	85,255	80,453	-	48,606	117,102	17,063
Pakistan Oilfields Limited	7.2.1	32,958	80,000	-	67,480	45,478	10,784
Pakistan Petroleum Limited		85,680	4,394	8,436	47,894	50,616	8,727
Pakistan State Oil Company Limited	7.2.1	72,074	-	-	20,920	51,154	13,745
National Refinery Limited		-	20,000	-	-	20,000	4,041

FINANCIAL SERVICES

Arif Habib Securities Limited	-	130,000	-	130,000	-	-	-
Jahangir Siddiqui & Co. Limited	245,000	-	-	-	245,000	2,443	1.15

ELECTRICITY

Hub Power Company Limited	7.2.1	358,192	92,500	-	380,932	169,780	5,651
Nishat Chunian Power Limited		100,000	-	-	-	100,000	1,092

CONSTRUCTION AND MATERIALS

D.G. Khan Cement Company Limited	130,000	85,000	-	215,000	-	-	-
Lucky Cement Limited	107,500	10,000	-	117,500	-	-	-

PERSONAL GOODS

Nishat Mills Limited	74,655	115,000	-	45,000	144,655	6,654	3.12
Nishat Chunian Limited	-	110,000	-	50,000	60,000	964	0.45
Ibrahim Fibres Limited	635,607	90,350	-	125,282	600,675	21,997	10.33

NON LIFE INSURANCE

Adamjee Insurance Company Limited	7.2.1	205,250	119,009	-	98,510	225,749	14,694
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FIXED LINE TELECOMMUNICATION

Pakistan Telecommunication Company Limited 'A'	25,000	683,557	-	649,157	59,400	1,117	0.52
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CHEMICALS

Engro Corporation Limited	53,022	55,000	-	96,348	11,674	2,034	0.95
Fauji Fertilizer Company Limited	7.2.1	98,212	2,500	-	96,995	3,717	390
ICI Pakistan	12,042	96,057	-	47,500	60,599	7,096	3.33
Lotte Pakistan PTA	60,000	160,000	-	195,000	25,000	210	0.10
Descon Oxychem Limited	88,783	-	-	49,293	39,490	175	0.08

GENERAL INDUSTRIES

Packages Limited	46,500	29,000	-	75,500	-	-	-
Ecopack Limited	1,071,541	54,300	-	124,442	1,001,399	1,943	0.91
Tri-Pack Films Limited	43,731	760	-	44,491	-	-	-

SOFTWARE AND COMPUTER SERVICES

Netsoft Technologies Limited	961	-	-	961	-	-	-
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146,696

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)**
For the quarter ended September 30, 2010

7.2.1 Investments include quoted equity securities with market value as at September 30, 2010 aggregating to Rs. 16.841 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

7.3 Fixed income and other debt securities - available for sale

Name of the investee company	Profit rate (%)	----- Number of certificates -----				Carrying value as at September 30, 2010	Carrying value as a percentage of net assets	Outstanding principal value as a percentage of total debt issue
		As at July 01, 2010	Purchases during the period	Sales during the period	As at September 30, 2010			
(Rupees in '000)								
New Allied Electronics Industries (Private) Limited - II	7.31	15.90	6,400	-	-	6,400	-	4.27

New Allied Electronics Industries (Private) Limited - II

7.3.1 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 profit amounting to Rs. 2.42 million. On February 11, 2009 and March 20, 2009, the Fund received a partial payment amounting to Rs. 1.17 million and Rs. 0.63 million respectively against the outstanding profit. The Fund has recognised full provision against the said investment and outstanding profit receivable accordingly. Moreover, the Fund suspended further accrual of profit there against. Therefore, the investment is fully provided as at September 30, 2010.

The above provision against said investment and related profit 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 profit and other charges etc.

7.4 Details of non-compliant investments with the investment criterion of assigned category

Name of non-compliant investment	Type of instrument	Value of investment before provision	Provision held (if any)	Value of investment after provision	% age of net asset	% age of gross assets
----- (Rupees in '000) -----						
New Allied Electronics Industries (Private) Limited - II	Sukuk	32,000	32,000	-	-	-

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)**
For the quarter ended September 30, 2010

(Un-audited)
Quarter ended
September 30

7.5 Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'	2010	2009
	(Rupees in '000)	
Fair value of investments	146,696	200,832
Less: Cost of investments	(160,978)	(180,452)
	(14,282)	20,380
Less: Net unrealised diminution / (appreciation) in fair value of investments at beginning of the period	18,272	742
Add: Realised on disposal during the period	(6,002)	(946)
	12,270	(204)
	(2,012)	20,176

7.6 Unrealised diminution in carrying value of investments classified as 'available for sale'	2010	2009
	Carrying value of investments	-
Less: Cost of investments	(32,153)	(32,153)
	(32,153)	(16,153)
Less: Unrealised diminution in carrying value of investments at beginning of the period	32,153	16,153
	-	-

8. 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, 2010 amounting to Rs. 1.486 million. However, during the period under review, Ministry of Labor has issued certain clarifications regarding applicability of WWF on mutual funds. Moreover, Federal Board of Revenue has also circulated the clarification issued by the Ministry of Labor to its members and the matter is currently under review and discussion.

9. (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.

10. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include KASB Funds Limited being the Management Company, KASB Bank Limited being the Holding Company of the Management Company, KASB Securities Limited, KASB Modaraba, KASB Technology Services Limited, KASB Modaraba Management (Private) Limited being the subsidiary companies of KASB Bank Limited, Shakarganj Food Products Limited, New Horizon Exploration and Production Limited and KASB International Limited being the associated companies of KASB Bank Limited, Central Depository Company of Pakistan Limited being the Trustee of the Fund, other Funds managed by the management company (including KASB Income Opportunity Fund (formerly KASB Liquid Fund), KASB Asset Allocation Fund (formerly KASB Balanced Fund), KASB Islamic Income Opportunity Fund (formerly KASB Islamic Income Fund), KASB Cash Fund and KASB Capital Protected Gold Fund) and directors, key management personnel and officers of the Management Company.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)**
For the quarter ended September 30, 2010

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

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

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

	(Un-audited) Quarter ended September 30	
	2010	2009
10.1 Transactions:	(Rupees in '000)	
KASB Funds Limited - Management Company		
Remuneration	1,657	2,214
Sales load	10	500
Redemption from the Fund: Nil units (2009: 44,850 units)	-	1,864
Conversion out of the Fund: 65,483 units (2009: Nil units)	1,686	-
Bonus: 20,615 units (2009: Nil units)	516	-
KASB Securities Limited - Brokerage house		
Brokerage ^{10.3}	75	111
Additional units: 4,488 units (2009: 4,114 units)	116	154
Bonus: 841,082 units (2009: Nil units)	21,052	-
KASB Securities Limited Employees' Provident Fund		
Bonus: 35,418 units (2009: Nil units)	887	-
KASB Bank Limited		
Profit accrued on bank deposits	1,259	1,006
Bank charges	2	1
Additional units: 5,485 units (2009: 5,028 units)	141	188
Bonus: 1,132,551 units (2009: Nil units)	28,348	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	176	178
CDS charges	13	31

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)**
For the quarter ended September 30, 2010

(Un-audited)
Quarter ended
September 30

	2010	2009
		(Rupees in '000)
Directors and Officers of the Management Company		
Investment in the Fund: 1,301 units (2009: 899 units)	35	38
Redemption from the Fund: 382 units (2009: 8,432 units)	10	305
Conversion in the Fund: Nil units (2009: 164,217 units)	-	6,350
Conversion out of the Fund: 51,779 units (2009: 120,601 units)	1,329	4,666
Switching in the Fund: Nil units (2009: 18,863 units)	-	695
Switching out of the Fund: Nil units (2009: 66,665 units)	-	2,595
Transfer in the Fund: Nil units (2009: 3,084 units)	-	106
Transfer out of the Fund: Nil units (2009: 3,084 units)	-	106
Bonus: 17,399 units (2009: Nil units)	435	-
	(Un-audited) September 30	(Audited) June 30
10.2 Balances:	2010	2010
	(Rupees in '000)	
KASB Funds Limited - Management Company		
Payable to the Management Company	434	370
Units held: Nil units (June 30, 2010: 44,868 units)	-	1,639
KASB Securities Limited - Brokerage house		
Brokerage payable	30	10
Units held: 2,676,203 units (June 30, 2010: 1,830,633 units)	68,350	66,873
KASB Securities Limited Employees' Provident Fund		
Units held: 112,507 units (June 30, 2010: 77,089 units)	2,873	2,816

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

For the quarter ended September 30, 2010

	(Un-audited) September 30 <u>2010</u>	(Audited) June 30 <u>2010</u>
(Rupees in '000)		
KASB Bank Limited		
Profit receivable on bank deposits	10.4 <u>653</u>	<u>135</u>
Bank balance	<u>60,862</u>	<u>20,421</u>
Units held: 3,603,058 units (June 30, 2010: 2,465,022 units)	<u>92,022</u>	<u>90,047</u>
Central Depository Company of Pakistan Limited - Trustee		
Payable to the Trustee	<u>59</u>	<u>62</u>
Security Deposit	<u>100</u>	<u>100</u>
Directors and Officers of the Management Company		
Units held: 4,408 units (June 30, 2010: 40,165 units)	<u>113</u>	<u>1,467</u>

10.3 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.

10.4 The rate of return on this deposit account is 12% per annum (June 30, 2010: 12% per annum).

11. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 28, 2010 by the Board of Directors of the Management Company.

For KASB Funds Limited
(Management Company)

Chief Executive

Director