

managed by



TO ACHIEVE THE OBJECTIVE OF GENERATING A POSITIVE RETURN AND LONG TERM CAPITAL APPRECIATION, THE FUND CAN INVEST IN EQUITY SECURITIES OR DEBT INSTRUMENTS IN A RANGE OF 0-100% FOR EACH CATEGORY, BASED ON A NUMBER

OF FACTORS INCLUDING (BUT NOT LIMITED TO) ECONOMIC OUTLOOK, MARKET CONDITIONS, INTEREST RATE MOVEMENTS, SECTOR/STOCK FUNDAMENTALS ETC.

# KASBASSET ALLOCATION FUND

(formerly KASB Balanced Fund)

**ANNUAL REPORT**  
June 30, 2014

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## FUND INFORMATION

In hr comitee Muzaffar Ali Shah bukhari is chairman

### Management Company

KASB Funds Limited

#### Registered Office:

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

#### Principal Office

5th 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

### Audit Committee

Mr. Qaiser P. Mufti (Chairman)  
Mr. Robert John Richard Owen  
Mr. Muzaffar Ali Shah Bukhari

### Board of Directors of KASB Funds Limited

Mr. Robert John Richard Owen - Chairman  
Mr. Khuldoon Bin Latif - Chief Executive  
Mr. Qaiser P. Mufti  
Mr. Muzaffar Ali Shah Bukhari

### Chief Financial Officer / Company Secretary

Syed Adnan Abdali

### Human Resorces and Remmuneration Committee

Mr. Muzaffar Ali Shah Bukhari (Chairman)  
Mr. Qaiser P. Mufti  
Mr. Robert John Richard Owen

### Trustee

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

### Fund Ranking

1 Star by PACRA Short Term  
3 Star by Long Term

### Bankers to the Fund

KASB Bank Limited  
ABL Bank Limited  
Burj 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

KASB Funds Limited  
5th Floor, Trade Centre, I.I. Chundrigar  
Road, Karachi-74200, Paksitan

### Distributors

KASB Funds Limited  
KASB Bank Limited  
KASB Securities Limited  
IGI Investment Bank Limited  
Standard Chartered Bank (Pakistan) Limited

### Management Company Rating

Rated AM3

## MISSION STATEMENT

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The Fund aims to generate a positive return and long term capital appreciation for unit holders by investing in both the Equity and Debt markets.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the year ended June 30, 2014

The Board of Directors of KASB Funds Limited (KFL), the Management Company of KASB Asset Allocation Fund (KAAF, the Fund), is pleased to present the Annual Report, together with the audited financial statements of the Fund for the year ended June 30, 2014.

### Financial Highlights

	FY 2014	FY 2013	Increase / (Decrease) (%)
Net Income (Rs. in million)	118.691	68.174	50.52
Net Assets as at June 30 (Rs. in million)	314.781	337.120	(22.34)
NAV per Unit as on June 30 (Rs.)**	40.29*	47.67*	(7.38)
Return (%)	40.18	25.21	14.97

\* Ex-NAV after final distribution.

\*\* Par value of each unit is Rs. 50.

### Economic Environment

On macroeconomic view, Pakistan's inflation remained on a higher side with Consumer Price Index (CPI) stood at 8.62% for the FY 2014 against 7.36% for FY 2013. The rise in inflation attributed to additional tax levies and sharp increase in food prices. During the period under review the current account deficit increased to more than USD 2.1Bn as compared USD 1.2Bn in FY 2013. Pakistan's overall Balance of Payment recorded a surplus of USD 3.843Bn on the back of USD 2Bn received through Eurobonds auction, USD1.5Bn through international aid and partial payment received from 3G/4G auction. Real GDP growth picked up to 4.14% in FY2014 as compared to 3.7% during FY2013. Pakistan's Large Scale Manufacturing (LSM) sector recorded a growth of 3.95% over its preceding year.

With increase in energy shortage, the industrial sector productivity moved downwards, hampering exports and increasing imports.

The forex reserves showed a handsome increase of 37.45% from USD 10.286Bn to USD 14.139Bn during the period ending FY 2014.

### Money Market Review

With topline inflation stood at 8.62% for the year ending 2014 the State Bank of Pakistan (SBP) decided to raise the discount rate by 100Bps from 9% to 10%. During the period under review, the Government of Pakistan (GOP) borrowed PKR 6.46Tn through Tbill auctions with last cut off yield standing at 9.9564%, 9.9685%, 9.99% for 3 Months, 6 Months and 12 Months respectively. Furthermore GOP also borrowed a total of PKR 1.91Tn through PIB auctions with last cut off yield standing at 12.0970%, 12.5505%, 12.9980% and 13.007% for 3 Year, 5 Year, 10 Year and 20 Year respectively.

### Capital Markets

The equity market ended the year with an impressive 41% return mainly due to better political environment, economic recovery and improved corporate results. During the period under review foreign investors were net buyers amounting to USD 262mn. With corporate earnings showing a growth of 16% YoY the stock market looked attractive for year ending FY 2014.

### Investment Strategy

KAAF seeks to generate long term capital appreciation and income, from portfolio that is substantially constituted of equity and equity related securities. The fund aims to maximize total returns and outperform the benchmark.

The Fund strives to invest in fundamentally undervalued stocks that have business growth prospects corresponding with good earnings growth while also considering qualitative factors such as the quality of the management.

### Fund Performance

For the year ended June 30, 2014 the Fund earned a return of 40.18% as against the benchmark return of 16.20% and the Net Asset Value per unit of the fund at the close of the period stood at Rs. 40.29 The net income for the year ended June 30, 2014 is Rs 118.691 million.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the year ended June 30, 2014

### Income Distribution

The Board of Directors of KASB Funds Limited approved the dividend distribution of Rs. 98.369 million to the unit holders of the Fund for the year ended June 30, 2014.

As the Fund has distributed among the unit holders not less than ninety per cent of its accounting income for the period ended June 30, 2014, as reduced by capital gains whether realized or unrealized, therefore, its income will not be subject to income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

### Sale and redemption of units

The fund size of KAAF was Rs. 337.120 million on June 30, 2013. During the year, units worth Rs. 59.617 million were issued and units with a value of Rs. 43.643 million were redeemed. As on June 30, 2014, the total number of outstanding units was 7,813,637 with a value of Rs. 314.781 million.

### Code of Corporate Governance

The Board of Directors states that:

- a) 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.
- b) Proper books of accounts of the Fund have been maintained.
- c) Appropriate accounting policies have been adopted for preparation of financial statements of the Fund and accounting estimates are based on reasonable and prudent judgments.
- d) 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 Regulations 2008 and the said directives shall prevail.
- 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, 2014 is disclosed in note 20.3 of the financial statements.

During the year, no trades were carried out in the units of the Fund by the Directors, CEO, Company Secretary & CFO, and their spouses and minor children, of the Management Company.

### Pattern of Holding

The pattern of holdings (units) presents a diversified investor base. As on June 30, 2014, individuals held 7.21% out of the total units; associated companies held 90.35% units; Retirement Funds held 2.44% units and Nil % units held by other entities. Detailed pattern is also annexed.

### Future Outlook

Lowered subsidies, appreciated Pak Rupee, and stable CPI outlook are expected to lead the country towards positive direction. The outlook of external account for FY 2015 seems stable as inflows will add to the foreign reserves. However, almost \$ 2Bn is scheduled to be repaid to IMF in FY 2014-15. Therefore a close watch on the foreign reserves will be important.

Going forward the Government of Pakistan in view of the fiscal side should plan and implement a strategy which will enable them to fulfill their tax targets.

The equity market returns is expected to remain in double digits as corporate earnings growth is likely to maintain its ongoing momentum due to structural reforms on macro level. However political and natural risks will be key elements to keep an eye on.

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

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*For the year ended June 30, 2014*

### **Auditors**

The Board of Directors, on recommendation of Board Audit Committee approved re-appointment of M/s KPMG Taseer Hadi & Co. - Chartered Accountants as auditors of KASB Asset Allocation Fund for the financial year ending June 30, 2015.

### **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 13, 2014**  
**Karachi**

**Khaldoon Bin Latif**  
**Chief Executive**



## PERFORMANCE TABLE

	FY 2014	FY 2013	FY 2012	FY 2011
Net Asset <i>as of June 30</i>	314,781,429	344,818,957	375,163,341	378,000,000
net asset value per share or certificate <i>as of June 30</i>	40.2862	48.7549	38.97	38.07
Selling price for units <i>as of June 30</i>	41.11	49.75	39.77	38.87
Repurchase price for units <i>as of June 30</i>	40.2862	48.7549	38.97	38.07
highest selling price	54.19	51.17	40.89	45.77
highest repurchase price	53.099	50.14	40.7	44.97
lowest selling price	38.5	39.76	34.29	38.87
lowest repurchase price	37.726	38.96	33.6	38.07
<b>Distributions:</b>				
<i>Interim</i>				
1st	13.15	Nil	Nil	Nil
2nd	Nil	Nil	Nil	Nil
Final	Nil	10.5	0.035	Nil
<b>Average annual return of the Collective Investment Scheme:</b>				
For the period of one year	40.18%	25.21%	5.25%	-5.72%
For the period of two years	75.52%	28.17%	-3.49%	-5.76%
For the period of three years	79.67%	20.84%	-3.54%	-18.46%
Since Inception <i>(date of launch)</i>	46.11%	4.23%	-16.75%	-18.67%
<b>Weighted average portfolio duration ( in case of income and money market fund)</b>				
		-	-	-
<b>total return of the Collective Investment Scheme, breakdown into:</b>				
Capital growth	4.17%	25.20%	2.36%	-5.36%
Income distributions	36.01%	0.01%	2.89%	-0.36%

**Disclaimer:**

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



## ANNUAL FUND MANAGERS' REPORT

### 1. Type & Category of Fund

Open-End Asset Allocation

### 2. Inception Date

December 31, 2007

### 3. Investment objective

The Fund seeks to generate regular income together with long term capital appreciation by investing in both the income and debt markets.

### 4. Accomplishment of objective

The fund is achieving its objective of generating regular income by investing in the fixed income instruments within the SECP rules. The fund continues to target long-term capital appreciation through investment in equities within the governing rules.

### 5. Benchmark

50% 6 month KIBOR + 50% KSE 30 Index

### 6. Performance Return (please insert the return comparison chart, if necessary)

	<b>KAAF Return</b>	<b>Benchmark return</b>
Since inception	46.11%	79.84%
FY 2014	40.18%	16.20%
CY 2014	15.88%	6.04%
For June 14	4.05%	0.45%

### 7. Strategies and policies employed during the period

With easing of liquidity pressure in cement sector, TFCs/Sukuks pertaining to the sector showed outperformance resulting in major prepayments. However trades mainly concentrated towards govt. backed TFCs/Sukuks and top rated banking instruments. The fund remained focused on restructuring non-performing corporate debt. As a result most of instruments held in the fund with credit concerns have been restructured during the year. On the equity side, The Fund invested in fundamentally undervalued stocks that had business growth prospects corresponding with good earnings growth while also considering qualitative factors such as the quality of the management.

### 8. Weighted Asset allocation

<b>Asset Allocation</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Other Equity Investments	11.91%	36.80%
Construction And Materials(Cement)	15.49%	-
Chemicals	10.03%	7.35%
Commercial Banks	12.53%	-
Oil & Gas	19.05%	22.71%
Personal Goods	12.25%	-
Placements	7.83%	8.69%
TFCs & Sukuks	8.31%	9.72%
Cash & Other Assets	2.6%	14.73%

### 9. Significant changes in asset allocation during the period

The Fund's exposure to TFC & Sukuks was slightly decreased. Asset allocation of the equity portion changes dynamically as per sector outlook.

### 10. Fund Performance

Returns on the Fund remained on higher side as compare to last years. KAAF has posted return of 40.18% against benchmark return of 16.20% for the year ended June 30, 2014. It has recorded a return of 15.88% in CY14 against benchmark return of 6.04% for the period.

The AUM of the fund were PKR 364.837 million (NAV per unit: Rs 38.97) on June 30, 2013 and at the end of the period the AUM of the fund stood at PKR 337.120 million (NAV per unit: Rs 47.67)

## ANNUAL FUND MANAGERS' REPORT

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### 11. Review of the market(s) invested in during the period

On macroeconomic view, Pakistan's inflation remained on a higher side with Consumer Price Index (CPI) stood at 8.62% for the FY 2014 against 7.36% for FY 2013. During the period under review the current account deficit increased to more than USD 2.1Bn as compared USD 1.2Bn in FY 2013. Pakistan's overall Balance of Payment recorded a surplus of USD 3.843Bn on the back of USD 2Bn received through Eurobonds auction, USD1.5Bn through international aid and partial payment received from 3G/4G auction.

Real GDP growth picked up to 4.14% in FY2014 as compared to 3.7% during FY2013. Pakistan's Large Scale Manufacturing (LSM) sector recorded a growth of 3.95% over its preceding year.

With increase in energy shortage, the industrial sector productivity moved downwards consequently hampering exports and increasing imports.

The forex reserves showed a handsome increase of 37.45% from USD 10.286Bn to USD 14.139Bn for the period ending FY 2014.

### 12. Fund performance by market(s) and by instruments

For details, please refer to the full yearly accounts.

### 13 . Distribution

The Fund distributed PKR 13.15 per unit (Par Value of PKR 50) for the year ended June 30, 2014.

### 14 . Significant changes in the state of affairs

No significant changes in affairs were witnessed.

### 15. Breakdown of unit holdings by size

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

### 16. Unit Splits

There were no unit splits during the period.

### 18. 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.

## **TRUSTEE REPORT TO THE UNIT HOLDERS OF KASB ASSET ALLOCATION FUND**

**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**

We, Central Depository Company of Pakistan Limited, being the Trustee of KASB Asset Allocation Fund (the Fund) are of the opinion that KASB Funds Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2014 in accordance with the provisions of the following:

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

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

**Karachi, October 21, 2014**



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2014

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 Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The Board of Directors (the Board) of KASB Funds Limited (the Management Company), an unlisted public company, manages the affairs of KASB Asset Allocation Fund (the Fund). The Fund being a unit trust open end scheme does not have its own Board of Directors. The Management Company has applied the principles contained in the Code to the Fund, whose units are listed as a security on the Exchange, in the following manner:

- The Management Company encourages representation of independent non-executive directors. At present, the Board includes:

Category	Names
Independent Directors	Mr. Qaisar P. Mufti Mr. Robert C. Richard Owen
Non-Executive Directors	Mr. Muzaffar Ali Shah Bukhari
Executive Directors	Mr. Khaldoon Bin Latif

The independent directors meet the criteria of independence under clause i (b) of the Code.

- The directors have confirmed that none of them are serving as a director in more than seven listed companies, including KASB Funds Limited (excluding the listed subsidiaries of listed holding companies where applicable).
- All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
- During the year Mr. Amer Maqbool resigned as Chief Executive Officer of the Company and appointment of Mr. Khaldoon Bin Latif as Chief Executive Officer in compliance of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, and Non-Banking Finance Companies and Notified Entities Regulations, 2008.
- The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors have been taken by the Board.
- The meetings of the Board were presided over by the Chairman and 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.
- The Management Company has conducted an orientation course for its directors to apprise them of their duties and responsibilities.
- During the year, there was no change of the Company Secretary and Chief Financial Officer (CFO).
- During the year, there was no change of Internal Auditors of the Company which is outsourced to firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
- The Directors' report relating to the Fund for the year ended June 30, 2014 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 the 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 those disclose in pattern of unit holders of the Fund.
- The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
- The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the Chairman of the Committee who is an independent director.
- The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference have been approved in the meeting of the Board and the Committee has been advised to ensure compliance with those terms of reference.
- The Board has formed a Human Resource and Remuneration committee. It comprises of three members including the Chairman of the Committee who is a non-executive director.
- The board has set up an effective internal audit function which comprises of personnel who are considered suitably qualified and experienced for the purpose and are conversant with policies and procedures of the company.
- 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 (ICAP), 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 the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- The statutory auditors 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 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to directors, employees and stock exchange(s).
- Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- We confirm that all other material principles enshrined in the the Code have been complied with.

For and on behalf of Board of Directors

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("Statement of Compliance") prepared by the Board of Directors of KASB Funds Limited ("the Management Company") of the Fund to comply with the Listing Regulations no.35 (the listing regulations) of Karachi Stock Exchange Limited, 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 of the Fund. 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 Fund'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 Management Company's 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. The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not. Management Company has not place related party transactions before Audit Committee.

Following instances of non-compliance with the requirements of the Code were observed which are not stated in the Statement of Compliance:

- i. Regulation 35 (v) (a) requires the board of directors of a listed company shall ensure that professional standards and corporate values are put in place that promote integrity for the board, senior management and other employees in the form of a Code of Conduct, defining therein acceptable and unacceptable behaviours. The board shall take appropriate steps to disseminate Code of Conduct throughout the company along with supporting policies and procedures and these shall be put on the company's website. However, the Management Company has not placed Code of Conduct on its website.
- ii. Regulation 35 (v) (e) requires board of directors to put in place a mechanism for an annual evaluation of the board's own performance. However, the Board of Directors has not put in place mechanism for its annual performance evaluation.
- iii. Regulation 35 (v) (g) requires the board of directors to define the level of materiality, keeping in view the specific circumstances of the company and the recommendations of any technical or executive subcommittee of the board that may be set up for the purpose. However, the Board of Directors has not defined materiality level.
- iv. Regulation 35 (xxvi) requires the names of members of the committees of the board shall be disclosed in annual report. However, we noted that name of members of Human Resource and Remuneration Committee is not disclosed in annual report.

Based on our review, except for the above instances of non-compliance, 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 2014.

**Date: August 13, 2014**

**Karachi**

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

## **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

We have audited the accompanying financial statements of KASB Asset Allocation Fund ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2014, and the related income statement, distribution statement, statement of movement in Unit Holders' Fund, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Management Company's responsibility for the financial statements**

The 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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 about 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 statement of financial position as at 30 June 2014, and of its financial performance, its cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### **Other matters**

The financial statements of the Fund for the year ended 30 June 2013 were audited by another firm of auditors who vide their report dated 18 September 2013 expressed unmodified opinion thereon with an emphasis of matter paragraph with respect to below matters:

- Uncertainty relating to future outcome of the litigation regarding contribution to Workers' Welfare Fund pending adjudication in Honourable High Court of Sindh;
- Distribution made by the Fund during the year ended 30 June 2013 exceeded the profit for the year then ended.

### **Report on Other Legal and Regulatory Requirements**

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: 13 August 2014**

**Karachi**

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Moneeza Usman Butt**

## STATEMENT OF ASSETS AND LIABILITIES

As at June 30, 2014

	Note	2014 ----- (Rupees in '000)-----	2013
<b>ASSETS</b>			
Balances with banks - saving accounts	4	3,493	57,906
Lending under Margin Trading System		-	21
Certificates of Musharika	5	25,000	-
Dividend and income receivable	6	1,908	1,266
Investments	7	285,955	286,886
Placements	8	-	-
Deposits, prepayments and other receivables	9	2,950	5,881
<b>Total assets</b>		<b>319,306</b>	<b>351,960</b>
<b>LIABILITIES</b>			
Payable against purchase of investments		62	12,201
Payable to Management Company of the Fund	10	1,965	732
Payable to Central Depository Company of Pakistan Limited - Trustee	11	106	59
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	12	300	352
Accrued expenses and other liabilities	13	2,092	1,496
<b>Total liabilities</b>		<b>4,525</b>	<b>14,840</b>
<b>Net assets</b>		<b>314,781</b>	<b>337,120</b>
<b>Unit holders' fund</b>		<b>314,781</b>	<b>337,120</b>
<b>Number of units in issue</b>		<b>7,813,637</b>	<b>7,072,493</b>
<b>Net asset value per unit</b>		<b>40.2861</b>	<b>47.6664</b>

The annexed notes 1 to 22 form an integral part of these financial statements

For KASB Funds Limited  
(Management Company)

Chief Executive

Director

## INCOME STATEMENT

For the year ended June 30, 2014

	Note	2014	2013
----- (Rupees in '000)-----			
<b>Income</b>			
Income from term finance and sukuk certificates		11,866	5,258
Income from government securities		57	46
Income from lending under Margin Trading System		-	2,995
Dividend income		11,866	9,982
Income from certificates of Musharika		1,558	-
Income from certificates of investments		-	2,849
Profit on bank deposits		6,387	6,226
Capital gain on sale of investments - net		64,336	80,065
Reversal of provision against non-performing placements	8	3,375	15,180
Unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' - held for trading		26,626	(16,590)
Reversal against doubtful income receivables		-	4,168
		<b>126,071</b>	<b>110,179</b>
<b>Expenses</b>			
Remuneration of Management Company of the Fund - including taxes and duties thereon	10	<b>8,491</b>	10,892
Remuneration of Central Depository Company of Pakistan Limited - Trustee	11	711	748
Annual fee - The Securities and Exchange Commission of Pakistan		300	352
Provision for Workers' Welfare Fund	13.1	713	-
Transaction cost on securities		1,274	2,994
Settlement and bank charges		93	200
Legal and professional charges		168	111
Fees and subscription		337	365
Auditors' remuneration	14	568	548
Amortisation of preliminary expenses and floatation costs		-	321
Printing and other expenses		103	122
Impairment against equity securities classified as 'available for sale'	7.5	1,933	-
Provision against non-performing debt securities classified as 'available for sale'		-	4,511
Provision against DHA Golf Club Platinum Membership Cards		-	7,578
<b>Total expenses</b>		<b>14,691</b>	28,742
		<b>111,380</b>	81,437
Net realised element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		7,311	(13,263)
<b>Net income for the year before taxation</b>		<b>118,691</b>	68,174
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<b>118,691</b>	68,174
<b>Earnings per unit</b>	16		

The annexed notes 1 to 22 form an integral part of these financial statements

For KASB Funds Limited  
(Management Company)

Chief Executive

Director



## STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2014

	Note	2014	2013
		----- (Rupees in '000)-----	
Net income for the year after taxation		118,691	68,174
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to income statement</i>			
Net unrealized appreciation / (diminution) in fair value of investments classified as 'available for sale'		5,339	(3,710)
Impairment against equity securities classified as 'available for sale'	7.5	(1,933)	-
Other comprehensive income for the year		3,406	(3,710)
<b>Total comprehensive income for the year</b>		<u>122,097</u>	<u>64,464</u>

The annexed notes 1 to 22 form an integral part of these financial statements

Chief Executive

For KASB Funds Limited  
(Management Company)

Director

## DISTRIBUTION STATEMENT

For the year ended June 30, 2014

	2014	2013
	----- (Rupees in '000) -----	
Accumulated losses brought forward		
- Realised	(41,700)	(129,162)
- Unrealised	(16,590)	5,693
	<u>(58,290)</u>	<u>(123,469)</u>
Net income for the year after taxation	118,691	68,174
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	(393)	(2,667)
<b>Distributions to the unit holders of the Fund</b>		
Final distribution at the rate of Rs. 10.5 per unit for the year ended June 30, 2013 (2012: 0.035 per unit) [Date of Distribution: July 4, 2013]		
- Issue of 164,415 bonus units (2012: 2,598 bonus units)	(6,289)	(101)
- Cash distribution	(67,972)	(227)
	<u>(74,261)</u>	<u>(328)</u>
Interim distribution at the rate of Rs. 13.15 per unit (2013: Nil per unit) [Date of Distribution: June 26, 2014]		
- Issue of 333,121 bonus units (2013: Nil bonus units)	(13,242)	-
- Cash distribution	(85,127)	-
	<u>(98,369)</u>	<u>-</u>
Accumulated losses carried forward	<u>(112,622)</u>	<u>(58,290)</u>
Accumulated losses carried forward		
- Realised	(139,248)	(41,700)
- Unrealised	26,626	(16,590)
	<u>(112,622)</u>	<u>(58,290)</u>

The annexed notes 1 to 22 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, 2014

Note	2014	2013
	----- (Rupees in '000) -----	
Net assets at beginning of the year	337,120	364,837
Issue of 1,262,420 units (2013: 113,656 units)	59,617	5,687
Issue of 497,537 bonus units (2013: 2,598 units)	19,531	101
Redemption of 1,018,812 units (2013: 2,406,913 units)	(43,643)	(110,904)
	35,505	(105,116)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:		
- amount representing accrued (income) / loss and realised capital (gains) / losses - transferred to the income statement	(7,311)	13,263
- amount representing unrealised capital (gains) / losses - transferred directly to other comprehensive income	393	2,667
	(6,918)	15,930
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	(393)	(2,667)
Net income (excluding net unrealized appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gains on sale of investment)	27,729	4,699
Capital gain on sale of investments - net	64,336	80,065
Net unrealized appreciation / diminution in fair value of investments classified as 'at fair value through profit or loss'	26,626	(16,590)
	118,691	68,174
Unrealised appreciation / (diminution) in fair value of investments classified as 'available for sale' during the year	5,339	(3,710)
Impairment against equity securities classified as 'available for sale'	7.5 (1,933)	-
<b>Distributions to the unit holders of the Fund:</b>		
Final distribution at the rate of Rs. 10.5 per unit for the year ended June 30, 2013 (2012: 0.035 per unit) [Date of Distribution: July 4, 2013]		
- Issue of 164,415 bonus units (2012: 2,598 bonus units)	(6,289)	(101)
- Cash distribution	(67,972)	(227)
	(74,261)	(328)
Interim distribution at the rate of Rs. 13.15 per unit (2013: Nil per unit) [Date of Distribution: June 26, 2014]		
- Issue of 333,121 bonus units (2013: Nil bonus units)	(13,242)	-
- Cash distribution	(85,127)	-
	(98,369)	-
Net assets as at end of the year	314,781	337,120
	(Rupees)	
Net asset value per unit as at beginning of the year	47.67	38.97
Net asset value per unit as at end of the year	40.29	47.67

The annexed notes 1 to 22 form an integral part of these financial statements

For KASB Funds Limited  
(Management Company)

Chief Executive

Director

## CASH FLOW STATEMENT

For the year ended June 30, 2014

	2014	2013
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year after taxation	118,691	68,174
<b>Adjustments for non cash and other items:</b>		
Unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss' - held for trading	(26,626)	16,590
Reversal of provision against non-performing placements	(3,375)	(15,180)
Provision for Workers' Welfare Fund	713	-
Impairment against equity securities classified as 'available for sale'	1,933	-
Provision against non-performing debt securities classified as 'available for sale'	-	4,511
Provision against non-performing placements written off	-	(2,653)
Provision against DHA Golf Club Platinum Membership Cards	-	7,578
Provision against non-performing certificates of investment written off	-	(10,763)
Reversal against doubtful income receivable	-	(4,168)
Net realised element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(7,311)	13,263
Amortisation of preliminary expenses and floatation costs	-	321
	(34,666)	9,499
<b>Decrease / (increase) in assets</b>		
Certificates of Investment	-	39,608
Certificates of Musharika	(25,000)	-
Investments - net	32,405	(46,042)
Lending under Margin Trading System	21	3,611
Placements	-	17,833
Dividend and income receivable	(642)	4,581
Deposits, prepayments and other receivables	2,931	(2,413)
Other assets	-	(28,845)
	9,715	(11,667)
<b>(Decrease) / increase in liabilities</b>		
Payable against purchase of investments	(12,139)	(17,410)
Payable to Management Company of the Fund	1,233	(237)
Payable to Central Depository Company of Pakistan Limited - Trustee	47	(4)
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	(52)	26
Accrued expenses and other liabilities	(117)	(774)
	(11,028)	(18,399)
<b>Net cash generated from operating activities</b>	82,712	47,607
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(153,099)	(227)
Receipts from issuance of units	59,617	5,687
Payments on redemption of units	(43,643)	(110,904)
<b>Net cash used in financing activities</b>	(137,125)	(105,444)
Net decrease in cash and cash equivalents during the year	(54,413)	(57,837)
Cash and cash equivalents at beginning of the year	57,906	115,743
<b>Cash and cash equivalents at end of the year</b>	3,493	57,906

The annexed notes 1 to 22 form an integral part of these financial statements

For KASB Funds Limited  
(Management Company)

Chief Executive

Director

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Asset Allocation 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 October 25, 2007 and was approved by The Securities and Exchange Commission of Pakistan (SECP) on November 26, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Fund has been assigned 'Asset Allocation' category under the categorization criteria issued by SECP.

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 ranking of 2 star to the fund. During the year license issued by the SECP to management company to undertake asset management services expired for which management has applied for its renewal. The renewal is pending for approval by SECP. Management considers that irrespective of renewal of license, the Fund's net assets value remain unaffected.

The Fund is an open end 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 objective of the Fund is to generate a positive return and long term capital appreciation for unit holders by investing in both the Equity and Debt markets.

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 SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, 2003, 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 New Standards, amendments to standards or interpretations which became effective during the year

During the year certain amendments to Standards or new Interpretations became effective. However, the amendments or interpretations did not have any material effect on the financial statements of the Fund.

#### Standards, interpretations and amendments to published approved accounting standards that are not yet effective

A number of new Standards, amendments to Standards and interpretations are effective for annual periods beginning on or after July 1, 2014. None of these are expected to have a significant effect on the financial statements of the Fund except the following set out below:

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 1, 2014).
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after January 1, 2014).
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014).

#### 2.3 Basis of measurement

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 2.4 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.

### 2.5 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 judgments about the carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates.

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 judgments 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 & derivative financial instruments*

The management company has determined fair value of certain investments by using quotations from active market valuation done by Mutual Fund Association of Pakistan and Financial Markets Association of Pakistan or using quotation from stock exchange. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore can not be determined with precision.

#### *Other assets*

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except stated otherwise.

#### 3.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

##### a) '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 'at fair value through profit or loss' at inception. Financial instruments are designated as '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 as 'at fair value through profit or loss' are measured at fair value, and changes therein are recognised in the 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

*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'. This includes receivable against sale of investments, placements, certificates of investment and other receivables and are carried at amortised cost using effective yield method, less impairment losses, if any.

*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.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are 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. The financial instruments classified as loans and receivables are subsequently measured at amortized cost less provision for impairment, if any.

### **Fair value measurement principles**

#### *Basis of valuation of Quoted equity securities*

The fair value of a security listed on a stock exchange, local or foreign as the case may be, and derivatives is valued at its last sale price on such exchange on the date on which it is valued or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

#### *Basis of valuation of Term Finance / 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 circulars. The Circulars also specify 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 issued by SECP.

#### *Basis of valuation of Government Securities*

The fair value of the investments in government securities is determined by reference to the quotations obtained from active market valuation done by Financial Markets Association of Pakistan.

The fair value of the investments in GoP Ijarah sukuk certificates is determined by using the market rates from Reuters page.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### **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.

### **Lending under margin trading system**

Transactions of purchase under Margin Trading System (MTS) of marketable securities are entered into contracted rates for specified periods of time. Securities purchased under MTS are not recognized in the Statement of Assets and Liabilities. However, the amount paid under the agreements are recognized as receivable / lending under MTS. Profit is recognized on accrual basis using the effective interest rate method. Cash releases are adjusted against the receivable as reduction in the amount of receivables / lending under MTS.

The maximum maturity of a MTS contract is 60 days out of which 25% exposure will be automatically released at expiry of every 15th day from the date of contract.

### **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. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of asset and that loss events had an impact on the future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In case of an investment in an equity security, a significant or prolonged decline in fair value below its cost is objective evidence of impairment. Impairment losses are recognised in Income Statement. Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

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 rights to the cash flows from the financial assets expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred on in which the Fund neither transfers nor retain substantially all the risks and rewards of ownership and does not retain control of the financial assets.

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 asset 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.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 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) included in prices of units sold 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 element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognized in income statement and to the extent that it is represented by unrealized appreciation / (diminution) arising during the year on 'available for sale securities' is included in distribution statement.

### 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 years commencing from the last day after the close 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.

### 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.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV to the Second Schedule of the Income Tax Ordinance, 2001.

#### *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 unutilised tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund intends to avail 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 deferred tax asset or liability and current 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 reverse repurchase transactions, lending under margin trading system, market treasury bills and debt securities 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.
- Dividend income is recognised when the right to receive the dividend is established.

### 3.10 Expenses

All expenses including Management fee, Trustee fee and SECP annual fee are recognized in the Income Statement on an accrual basis.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 3.11 Cash and cash equivalents

Cash and cash equivalents comprise of deposits accounts maintained with banks. 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 investments 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. BALANCES WITH BANKS - SAVING ACCOUNTS

This represents saving accounts carrying mark-up at the rate ranging from 9.75% per annum (2013: 8.5% per annum).

### 5. CERTIFICATES OF MUSHARIKA

This represents Certificates of Musharika purchased from KASB Modaraba, carrying profit at the rate of 10% "per annum with maturity of 9 days."

### 6. DIVIDEND AND INCOME RECEIVABLE

	2014	2013
	----- (Rupees in '000)-----	
Dividend receivable	574	173
Income accrued on bank deposits	422	741
Income accrued on certificate of musharika	541	-
Income accrued on term finance and sukuk certificates	371	352
	<u>1,908</u>	<u>1,266</u>

### 7. INVESTMENTS

	2014	2013
	----- (Rupees in '000)-----	
<b>'At fair value through profit or loss' - held for trading</b>		
- Quoted equity securities	7.2 250,673	221,239
- Fixed income and other debt securities	7.3 15,463	13,422
	<u>266,136</u>	<u>234,661</u>
<b>'Available for sale'</b>		
- Fixed income and other debt securities	7.4 11,072	20,278
- Unquoted equity securities	7.5 8,747	10,680
	<u>19,819</u>	<u>30,958</u>
- Advance against Pre Initial Public Offer Investments	7.6 -	-
- DHA Golf Club Platinum Membership Cards	-	21,267
	<u>285,955</u>	<u>286,886</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

7.1 The cost of the above investments as at June 30, 2014 amounted to Rs. 477.56 million (June 30, 2013: Rs. 424.881 million).

7.2 Quoted Equity Securities - 'at fair value through profit or loss' - held for trading

Name of the investee company	Number of shares				As at June 30, 2014	Balance as at June 30, 2014			Market value		Paid up value of shares held as a percentage of total paid up capital of the investee company
	As at July 1, 2013	Purchases during the year	Bonus / Right issue during the year	Sales during the year		Carrying value	Market value	Appreciation/ (Diminution)	As a percentage of total investments	As a percentage of net assets	
----- (Rupees in '000) -----											
<b>Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise</b>											
<b>Commercial Banks</b>											
Allied Bank Limited	-	36,500	5,650	55,000	37,150	2,779	5,105	2,326	1.79	1.62	0.00
Askari Bank Limited	-	133,000	-	133,000	-	-	-	-	-	-	-
Bank Alfalah Limited	-	489,000	-	489,000	-	-	-	-	-	-	-
Bank Al-Habib Limited	-	228,500	-	161,000	65,500	2,559	2,946	387	1.03	0.94	0.01
Hayat Bank Limited	-	71,500	4,760	25,900	50,360	7,245	9,759	2,514	3.41	3.10	0.00
JS Bank Limited	-	296,000	-	-	236,000	966	1,284	298	0.46	0.41	0.02
MCB Bank Limited	-	32,600	-	32,600	-	-	-	-	-	-	-
National Bank of Pakistan	110,000	126,000	-	236,000	-	-	-	-	-	-	-
Sonari Bank Limited	-	254,000	25,400	133,000	148,400	1,114	1,858	754	0.65	0.59	0.01
United Bank Limited	-	128,380	-	57,700	70,680	11,341	11,914	573	4.17	3.78	0.01
						<u>26,024</u>	<u>32,576</u>	<u>6,852</u>			
<b>Construction and Materials</b>											
Chenab Cement Company Limited	168,500	238,000	14,700	316,500	104,700	8,731	8,853	122	2.40	2.18	0.10
D.G Khan Cement Company Limited	-	90,000	-	38,000	92,000	4,532	4,574	42	1.60	1.45	0.01
Fauji Cement Company Limited	-	612,500	-	409,000	212,500	2,770	4,089	1,319	1.43	1.30	0.02
Fedco Cement Limited	206,500	178,500	-	312,000	73,000	3,276	3,650	372	1.20	1.16	0.15
Kohat Cement Limited	285,000	233,000	28,400	359,000	187,400	18,071	23,353	5,882	8.33	7.61	0.12
Maple Leaf Cement Factory Limited	150,000	523,000	-	334,000	338,000	9,049	10,187	1,138	3.56	3.24	0.06
Pioneer Cement Limited	-	324,000	-	324,000	-	-	-	-	-	-	-
						<u>44,431</u>	<u>53,206</u>	<u>8,875</u>			
<b>Chemicals</b>											
Engro Corporation Limited	75,000	154,000	-	151,000	78,000	14,370	13,924	(446)	4.87	4.42	0.02
Falima Fertilizer Company Limited	-	27,500	-	27,500	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	208,000	-	65,000	141,000	5,728	5,808	(118)	1.96	1.78	0.02
Engro Fertilizer Limited	-	-	5,400	5,400	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	152,700	158,000	-	208,800	101,900	11,267	11,438	171	4.00	3.63	0.01
						<u>31,365</u>	<u>30,970</u>	<u>(393)</u>			
<b>Leasing Companies</b>											
SME Leasing Limited	604,575	-	-	-	604,575	3,930	3,023	(907)	1.06	0.96	1.89
						<u>3,930</u>	<u>3,023</u>	<u>(907)</u>			
<b>Oil and Gas</b>											
Attock Refinery Limited	87,400	8,000	-	93,400	-	-	-	-	-	-	-
Mari Petroleum Company Limited	34,000	8,000	-	42,000	-	-	-	-	-	-	-
Oil and Gas Development Company Limited (Note 7.2.1)	113,000	151,600	-	148,600	116,000	29,456	30,303	852	10.60	9.63	0.00
Pakistan Oilfields Limited (Note 7.2.1)	34,500	24,200	-	48,950	9,750	4,685	5,599	914	1.96	1.78	0.00
Pakistan Petroleum Limited (Note 7.2.1)	40,000	184,600	7,780	171,500	60,880	12,970	13,858	888	4.78	4.34	0.00
Pakistan State Oil Company Limited (Note 7.2.1)	24,000	92,600	1,510	63,000	55,110	20,458	21,430	972	7.49	6.81	0.02
						<u>67,579</u>	<u>70,996</u>	<u>3,416</u>			
<b>Personal Goods</b>											
Azgard Mills Limited	480,000	312,500	-	80,000	712,500	4,710	4,247	(463)	1.49	1.36	0.16
Kohinoor Textile Mills Limited	609,500	378,500	-	565,500	421,500	9,802	10,006	204	3.50	3.18	0.83
Nishat (Chunian) Limited	-	223,500	2,300	44,000	181,700	8,660	7,702	(958)	2.69	2.45	0.09
Nishat Mills Limited	-	228,200	-	88,900	138,400	17,082	15,802	(1,480)	5.46	4.96	0.04
						<u>40,254</u>	<u>37,557</u>	<u>(2,697)</u>			
<b>Electricity</b>											
Huzen Power Company Limited	-	30,000	-	6,500	23,500	1,303	1,399	(15)	0.48	0.44	0.00
Kot Addu Power Company Limited	-	149,500	-	6,500	143,000	8,745	8,443	(302)	2.95	2.68	0.02
Nishat Chunian Power Limited	261,000	65,000	-	261,000	66,000	2,255	2,466	211	0.96	0.78	0.02
Nishat Power Limited	-	328,500	-	113,500	215,000	7,071	7,650	579	2.68	2.43	0.06
						<u>19,484</u>	<u>19,958</u>	<u>475</u>			
<b>Equity Investment Instruments</b>											
First Orchard Mutual Fund (Note 7.2.2)	1,388,500	-	-	-	1,388,500	-	-	-	-	-	2.39
						<u>-</u>	<u>-</u>	<u>-</u>			
<b>Financial Services</b>											
JS Investments Limited	-	1,230,500	-	1,230,500	-	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>			
<b>Fixed Line Telecommunication</b>											
Pakistan Telecommunication Company Limited	1,035,500	-	-	1,035,500	-	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>			
<b>Insurance</b>											
Adamsjee Insurance Company Limited	-	15,800	28,354	-	43,854	1,157	2,007	850	0.70	0.64	0.01
						<u>1,157</u>	<u>2,007</u>	<u>850</u>			
<b>Total as at June 30, 2014</b>						<b>294,202</b>	<b>296,673</b>	<b>16,471</b>	( )		
<b>Total as at June 30, 2013</b>						<b>231,016</b>	<b>221,239</b>	<b>(8,777)</b>			

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

- 7.2.1** Investments include quoted equity securities with market value as at June 30, 2014 aggregating to Rs. 38.74 million which have been pledged with National Clearing Company of

Pakistan Limited for guaranteeing settlement of Fund trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

- 7.2.2** These units were de-listed vide Securities and Exchange Commission of Pakistan (SECP) letter SMD/SE2(244)2013 dated March 25, 2013 and Karachi Stock Exchange Limited letter

KSE/N-1780 dated March 25, 2013 and traded at Rs. 7 per certificate prior to de-listing. Subsequently, the Fund has received Rs 9.32 million against the said investment i.e. Rs 6.72 per

share. The remaining Re. 0.28 per share remain payable to the Fund. Management taking a conservative view has not recorded a receivable of Rs 0.39 million representing the outstanding amount and will recognise on receipt basis.

- 7.3 Fixed income and other debt securities - 'at fair value through profit or loss' - held for trading**

Name of the Investee Company	Number of certificates			As at June 30, 2014	Balances as at June 30, 2014			Market value as a percentage of net assets	Outstanding principal value as a percentage of total
	As at July 01, 2013	Purchases during the year	Sales/ matured during the year		Carrying value	Market value	Appreciation/ (Diminution)		
----- (Rupees in '000) -----									
<b>Term Finance Certificates</b>									
Agritech Limited - II	7.3.1	1,000	-	1,000	-	-	-	-	0.00
Agritech Limited - V	7.3.1	148	-	148	-	-	-	-	0.00
Jahangir Siddiqui Company Limited - V		2,500	-	2,500	-	-	-	-	-
<b>Sukuk Certificates</b>									
New Allied Electronics Industries (Private) Limited - I	7.3.2	160,000	-	160,000	5,308	15,463	10,155	4.91	0.07
Maple Leaf Cement Factory Limited - I	7.3.3	5,000	-	5,000					0.00
					<b>5,308</b>	<b>15,463</b>	<b>10,155</b>		

- 7.3.1** This represents term finance certificates of Agritech Limited (AL). The investment in AL is secured against collaterals. On July 14, 2010, owing to financial difficulties, AL only paid profit amounting to Rs. 2.462 million and defaulted on payment of principal amounting to Rs. 3.497 million. The Fund had recognised full provision against this investment in light of the provisioning policy of the Fund duly approved by the Board of Directors of the Management Company and applicable SECP circulars. Management is continuously monitoring the Fund's exposure to this investment and is making necessary efforts for the recovery of the amount. On January 9, 2012, AL has issued term finance certificates carrying profit at the rate of 11% per annum against its defaulted coupon. The Fund has carried such term finance certificates at Nil value.

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.

- 7.3.2** This represents sukuk certificates of New Allied Electronics Industries (Private) Limited (NAEIL). The investment in NAEIL is secured against collaterals. On October 25, 2008, owing to financial difficulties, NAEIL only paid profit amounting to Rs. 2.113 million and defaulted on repayment of principal amounting to Rs. 3.125 million. The Fund has recognised full

provision and has suspended accruals of profit thereagainst in light of the provisioning policy of the Fund duly approved by the Board of Directors of the Management Company and applicable SECP circulars. During the year, different asset management companies, including the management company of the Fund has filed a legal suit for recovery of exposure against the borrower. 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.

- 7.3.3** Owing to financial difficulties, Maple Leaf Cement Factory Limited (MLCFL) has defaulted in payment of interest due on September 3, 2011, December 3, 2011, March 3, 2011 and June 3, 2012. On June 13, 2012 MLCFL has entered into restructuring agreement with its lender and according to the agreement MLCFL will pay quarterly payments starting from September 3, 2012. During the year, the Fund has received an amount of Rs. 2.5 million in line with restructure agreement and has been adjusted against carrying amount. Further on June 23, 2014, the Mutual Fund Association of Pakistan (MUFAP) has classified MLCFL as performing debt securities, accordingly the Fund has carried this investment as performing debt securities in its portfolio.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 7.4 Fixed income and other debt securities - 'Available for sale'

#### Term Finance Certificates and Sukuk Certificates

Name of the investee Company	Number of certificates			As at June 30, 2014	As at June 30, 2014			Carrying / Market value as a percentage of	Outstanding principal value as a percentage of
	As at July 01, 2013	Purchases during the year	Sales during the year		Carrying Cost	Market value	Appreciation/ (Diminution)		
----- (Rupees in '000) -----									
<b>Term Finance Certificates</b>									
AgriTech Limited - II	7.3.1	6,000	-	6,000	-	-	-	-	0.01
AgriTech Limited - V	7.3.1	887	-	887	-	-	-	-	0.00
<b>Sukuk Certificates</b>									
Security Leasing Corporation Limited		9,500	-	9,500	7,262	4,268	(2,994)	1.36	0.00
Maple Leaf Cement Factory Limited - I	7.4.1	8,200	-	2,200	2,336	6,804	4,468	2.16	0.00
					<b>9,598</b>	<b>11,072</b>	<b>1,474</b>		
					<b>9,598</b>	<b>11,072</b>	<b>1,474</b>		

7.4.1 Owing to financial difficulties, Maple Leaf Cement Factory Limited (MLCFL) has defaulted in payment of interest due on September 3, 2011, December 3, 2011, March 3, 2011 and June 3, 2012. On June 13, 2012 MLCFL has entered into restructuring agreement with its lender and according to the agreement MLCFL will pay quarterly payments starting from September 3, 2012. During the year, the Fund has received an amount of Rs. 2.35 million in line with restructure agreement and has been adjusted against carrying amount. Further on June 23, 2014, the Mutual Fund Association of Pakistan (MUFAP) has classified MLCFL as performing debt securities, accordingly the Fund has carried this investment as performing debt securities in its portfolio.

### 7.5 Unquoted equity securities - 'Available for sale'

		2014	2013
----- (Rupees in '000) -----			
Burj Bank Limited	7.5.1	<b>8,747</b>	10,680

7.5.1 The Fund has received 1,333,333 shares of Burj Bank Limited in settlement of the amount due against placement with Saudi Pak Leasing Company Limited (SPLC). Central Depository Company of Pakistan Limited (CDC), Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP) have granted 'No Objection Certificate' to the Fund. As per regulation 66(j) of the Non-Banking Finance Companies and Notified Entities Regulations (NBFC), 2008, these have been recorded at the break-up value as per the latest audited financial statements of the bank. During the year, the Fund has valued its shares at Rs. 6.56 per share as per the requirement of NBFC 2008, recognising Rs. 1.933 million as impairment loss against equity securities in Income Statement.

### 7.6 ADVANCE AGAINST PRE INITIAL PUBLIC OFFER INVESTMENTS

Name of the Investee Company	Number of certificates			As at June 30, 2014	As at June 30, 2014			Carrying value as a percentage of net	Outstanding principal value as a percentage
	As at July 01, 2013	Purchases during the year	Sales during the year		Carrying Cost	Market value	Appreciation/ (Diminution)		
----- (Rupees in 000) -----									
Dewan Cement Limited	7.6.1	10,000	-	10,000	-	-	-	-	1.00

7.6.1 This represents investment of Rs. 50 million as advance against issue of term finance certificates of Dewan Cement Limited (DCL). The investment in DCL is secured against collaterals. In view of default by the borrower, the Fund has recognised full provision against the said investment and has suspended accrual of markup thereagainst in light of the 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 this investment and is making necessary efforts for recovery of the amount. The above is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognised markup and other charges etc.

### 7.7 Non-Compliance with the Investment Criteria as specified by the Securities and Exchange Commission of Pakistan

As at June 30, 2014, the Fund is non-compliant in respect of the following investments:

Name of Non-Compliant Investment	Type of Investment	Value of Investment before provision	Provision Held If any	Value of Investment after Provision	% of Net assets based on carrying value	% of Gross assets
----- (Rupees in 000) -----						
Burj Bank Limited	Unquoted equity securities	10,680	1,933	8,747	2.78%	3.06%

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

7.7.1 The Securities and Exchange Commission of Pakistan vide its letter SCD/AMCW/MF/DD-ZRK/KLF/340/2011 dated July 26, 2011 has granted exemption from holding such shares in Fund's portfolio.

### 7.8 SIGNIFICANT TERMS AND CONDITIONS OF TERM FINANCE AND SUKUK CERTIFICATES

Significant terms and conditions of Term Finance and Sukuk Certificates outstanding as at June 30, 2014 are as follows:

Name of security	Remaining principal (Per TFC/ Sukuk)	Mark-up rate (per annum)	Issue date	Maturity date
Agritech Limited - II	4,996.80	6 months KIBOR + 1.75%	January 14, 2008	
Agritech Limited - V	5,000.00	11.00%	July 1, 2011	July 1, 2017
Maple Leaf Cement Factory Limited - I	3,989.40	3 months KIBOR + 1%	December 3, 2007	December 3, 2018
New Allied Electronics Industries (Private) Limited - I	312.50	3 months KIBOR + 2.2%	July 27, 2007	July 27, 2012
Security Leasing Corporation Limited	1,283.64	1 months KIBOR + 2%	June 1, 2007	January 19, 2022

### 9. PLACEMENTS

On August 26, 2008, the Fund had invested an amount of Rs. 50 million in letter of placement with Saudi Pak Leasing Company Limited (SPLCL) out of which Rs. 19 million has been paid by borrower on various dates. Owing to continuous default in repayment of remaining principal by SPLCL, the Fund had recognised full provision against the outstanding principal amounting to Rs. 31 million in light of the provision policy of the Fund. On December 28, 2011, the Fund has entered into settlement agreement with SPLCL. As per the settlement agreement SPLCL will discharge its liability to the extent of Rs. 127.536 million representing amount due to the Fund and KASB Income Opportunity Fund, a related party. Consequently, the Fund has received shares of Silk Bank Limited, NIB Bank Limited, SME Leasing Limited and Burj Bank Limited. Further, as per the aforementioned agreement the Fund was entitled to received Rs. 4.085 million in aggregate on various dates and remaining balance to be paid at monthly installment of Rs. 0.375 million commencing from March 31, 2012 till February 28, 2014. During the year, the Fund has received Rs. 3.375 million against the aforesaid exposure and has reversed the earlier provision recognised there against

### 9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposit with National Clearing Company of Pakistan Limited	9.1	2,750	2,750
Deposit with Central Depository Company of Pakistan Limited	9.2	100	100
Prepaid expense		-	233
Receivable against sale of investment	9.3	100	2,798
		<u>2,950</u>	<u>5,881</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

- 9.1 This represents deposit with National Clearing Company of Pakistan Limited in respect of trading of listed securities.
- 9.2 This represents deposit with Central Depository Company of Pakistan Limited on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.
- 9.3 During the year, the Fund disposed off its entire investment in DHA Golf Club Membership Cards and has received Rs. 25.62 million there against. However, one such Membership Card were sold and transferred in the name of prospective buyer against which the Fund has received post dated cheques amounting to Rs. 0.1 million recognized as receivable in these financial statements with corresponding gain of Rs. 0.25 million.

### 10. PAYABLE TO MANAGEMENT COMPANY OF THE FUND

Under the provisions of Non Banking Finance Companies and Notified Entities 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 the Management Company has charged its remuneration at the rate of 2 percent per annum of the average annual net assets of the Fund and also includes Sindh Sales Tax and Federal Excise Duty levied at the rate of 16% on management fees .

The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% on the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain Collective Investment Schemes (CISs) through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the passage of eighteenth amendment. The SHC in its short order dated September 4, 2013 directed the Federal Board of Revenue (FBR) not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED in these financial statements . In case, the suit is decided against the Fund it would be paid to management company, who will be responsible for submitting the same to taxation authorities.

### 11. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF

#### PAKISTAN LIMITED - TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The fee is paid on a monthly basis in arrears.

#### Net Assets of the Fund (Average NAV)

Up to Rs. 1,000 million

On an amount exceeding 1,000 million

#### Tariff per annum

Rs. 0.7 million or 0.2% p.a. of NAV, whichever is higher

Rs. 2.0 million plus 0.1% p.a. of NAV exceeding Rs. 1,000 million

### 12. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, 2008, 'asset allocation' fund is required to pay an amount equal to 0.095% of the average annual net assets of the Fund, as annual fee to the SECP.

### 13. ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration payable  
Provision for Workers' Welfare Fund  
Credit rating fee payable  
Legal and professional charges payable  
Others

13.1

	2014	2013
	----- (Rupees in '000)-----	
	448	382
	1,339	627
	208	107
	-	221
	97	159
	<u>2,092</u>	<u>1,496</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

- 13.1** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for an adjudication. The Board of Directors of the management company in their meeting held on March 12, 2014 have decided that the cumulative unrecognized portion of WWF charge till February 28, 2014 will be borne by the management company subject to court decision. The aggregate unrecognized amount of WWF as at February 28, 2014 amounted to Rs. 1.41 million (2013:Rs. 0.92 million). Further from March 1, 2014 and onwards the Fund has recognised the WWF charge amounting to Rs. 0.713 million in its books of accounts.

**14. AUDITORS' REMUNERATION**

(Rupees in '000)

Audit fee	375	300
Half yearly review	110	110
Other certifications and services	50	85
Out of pocket expense	33	53
	<b>568</b>	<b>548</b>

**15. TAXATION**

The Fund's income is exempt from Income Tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realized or unrealized is distributed amongst the unit holders. Furthermore, as per regulation 63 of the NBFC Regulations, 2008 and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management distributes at least 90% of the income earned by the Fund to the unit holders in the manner explained above. Consequently, no provision for taxation has been made in these financial statements.

**16. EARNINGS PER UNIT**

Due to the specific nature of open ended collective investment schemes in respect of daily issuance and redemptions of units, determination of weighted average number of units for calculation of earnings per unit is not practical.

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

Related parties / connected persons include KASB Funds Limited being the Management Company, its related entities, Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other Funds managed by the Management Company and directors, key management personnel, officers of the Management Company, other associate companies and unit holders having more than 10% holding in the Fund.

Transactions with related parties / connected persons 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 related parties / connected persons and balances with them at year end are as follows:



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 17.1 Transactions with related parties / connected persons:

#### KASB Funds Limited

Remuneration of Management Company of the Fund - including taxes and duties thereon

Issue of 208,768 units (2013: Nil units)

Issue of 69,064 bonus units (2013: Nil units)

#### KASB Bank Limited

Bank charges

Profit on bank deposits

Cash Distribution

#### KASB Securities Limited

Brokerage expense

#### KASB Bank Limited Employees Provident Fund

Investment in the Fund of 231,267 units (2013: Nil units)

Issue of 76,507 bonus units (2013: Nil units)

#### Crosby Phoenix Fund

Purchase of JSCL TFCs: Nil units (2013: 2,500 units)

#### KASB Modaraba

Purchase of certificate of musharika: 750,000 units (2013: 900,000 units)

Maturities of certificate of musharika 500,000 units (2013: 900,000 units)

Profit on certificate of musharaka

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

Remuneration

CDS charges

Sale of DHA Golf Club Platinum Membership Cards to  
employee of trustee

#### Directors and officers of management company

Sale of DHA Golf Club Platinum Membership Cards

Issue of 1,462 units (2013: Nil units)

Issue of 69 bonus units (2013: Nil units)

Redemption of 1,253 units (2013: Nil units)

2014                      2013  
----- (Rupees in '000)-----

	8,491	10,892
	10,000	-
	2,745	-

	11	5
19.4	6,386	5,395
	153,099	226

	126	218
17.3	126	218

	10,000	-
	3,041	-

	-	12,517
	-	12,517

	75,000	90,000
	50,000	90,000
	1,558	2,275

2014                      2013  
----- (Rupees in '000)-----

	711	748
11	66	69
	1,100	-

	1,100	-
	70	-
	3	-
	64	-

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 17.2 Balances with related parties / connected persons at year end:

#### KASB Funds Limited

Payable to Management Company of the Fund  
Units held: 277,832 (2013: Nil units)

10	<u>1,965</u>	<u>732</u>
	<u>11,193</u>	<u>-</u>

#### KASB Bank Limited

Bank balance  
Profit receivable on bank deposits  
Units held: 6,473,552 (2013: 6,473,552 units)

17.4	<u>3,478</u>	<u>57,891</u>
	<u>422</u>	<u>742</u>
	<u>260,794</u>	<u>315,506</u>

#### KASB Bank Limited Employees Provident Fund

Units held: 307,775 (2013: Nil units)

	<u>12,399</u>	<u>-</u>
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#### KASB Modaraba

Certificates of musharika

	<u>25,000</u>	<u>-</u>
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#### KASB Securities Limited

Brokerage payable

17.3	<u>10</u>	<u>30</u>
------	-----------	-----------

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

Remuneration payable  
Security deposit

11	<u>106</u>	<u>59</u>
9.2	<u>100</u>	<u>100</u>

#### Directors and officers of management company

Units held: 278 units (2013: Nil units)

	<u>11</u>	<u>-</u>
--	-----------	----------

17.3 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.

17.4 The rate of return on this deposit account is 9.75% per annum (2013: 8.5% per annum).

### 18. 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 the Board of Directors.

The Fund primarily invests in money market instrument and government securities with an objective of optimizing the return to unit holders. The Fund has exposure to the following risks from financial instruments:

- Market risk
- Credit risk and
- Liquidity risk

#### 18.1 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 prices, such as interest rates, equity prices and foreign exchange rate. The objective of market risk management is to manage market risk exposure within acceptable parameters, while optimising the return.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### *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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund holds fixed and floating rate debt securities that expose the fund to cash flow and fair value interest rate risk due to fluctuations in prevailing levels of market interest rates .

As at June 30, 2014, the investment in debt securities exposed to interest rate risk is detailed in notes 7.3, 7.4, and 8 to these financial statements.

#### *a) Sensitivity analysis for variable rate instruments*

In case of 100 basis points increase / decrease in KIBOR on June 30, 2014, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 0.005 million (2013: Rs. 0.04 million).

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, 2014 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates. The fluctuation in interest of 100 basis points is reasonably possible in current economic environment.

#### *b) Sensitivity analysis for fixed rate instruments*

In case of 100 basis points increase / decrease in rates announced by Financial Markets Association of Pakistan on June 30, 2014, with all other variables held constant, the net income for the year and net assets would be lower / higher by Rs. 0.287 million (2013: Rs. Nil). The fluctuation in interest of 100 basis points is reasonably possible in current economic environment.

The composition of the Fund's investment portfolio and rates announced by Financial Markets Association of Pakistan and Mutual Funds Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis

prepared as of June 30, 2014 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Investments in placements and certificates of musharaka which are carried at amortised cost and not exposed the Fund to fair value and cash flow interest rate risk.

### *Other price risk*

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. As at June 30, 2014, the Fund has investment in quoted equity securities exposed to price risk.

In case of 5% increase / decrease in KSE 100 index on June 30, 2014, net income and net assets of the Fund would increase / decrease by Rs. 13.98 million (2012: 12.57 million) as a result of gains/losses on equity securities at fair value through profit or loss.

## 18.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It principally arises from balances with banks, Lending under MTS, Income receivable, Investments, Certificate of Musharaka, Placements and Deposits and other receivables. The credit exposures arises from investment in debt securities (before impairment) as defined in Notes 6.3 and 6.4 to these financial statements.

### *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. However, for testing an investment for impairment the management does not consider the value of collaterals or other credit enhancements and follow the guidelines provided by the SECP via circular and other clarification circulars issued by the SECP and provisioning policy of the Fund duly approved by the Board of Directors of the Management Company. 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, 2014

### *Exposure to credit risk*

The Fund's maximum credit exposure, without taking into account collateral and other credit enhancement, at the balance sheet date is represented by the respective carrying amount of relevant financial asset i.e. balances with banks, Lending under MTS, Income receivable, Investments, Certificate of Musharaka, Placements, and Deposits and other receivables in Statement of Assets and Liabilities. The credit exposure arises from investment in debt securities is detailed in note 6.3 and 6.4 to these financial statements.

### *Settlement risk*

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. 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.

### *Lending under Marginal Trading System*

Management does not consider that it has material exposure under the arrangement as the settlement are done via Central Clearing System and underlying security is held as collateral.

### *Balances with bank*

As at June 30, 2014, the Fund kept surplus liquidity with bank having credit rating of BBB. The rating to respective banks are assigned by reputable credit rating agencies. The rating of the banks is monitored by the Fund Manager and Investment Committee.

### **Bank balance by rating category**

	2013	2012
	----- (Rupees in '000)-----	
AA+	0.12	0.01
A	0.33	0.02
BBB	99.55	99.97
	<u>100</u>	<u>100</u>

### *Investment in fixed income securities*

Investment in treasury bills does not expose the Fund to credit risk as the counter party to the investment is the Government of Pakistan and the management does not expect to incur any credit loss on such investments.

### *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 criteria specified in circulars 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. The management does not take into account the collateral value while considering investment for impairment testing. Hence the collateral held is assumed to have zero financial effect in mitigating credit risk. The management regards the credit worthiness of the borrower more important than the value of collateral and would be used as force majeure in extremely difficult situation where recovery is appeared to be unlikely from customary measures like restructuring or negotiations.

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

### **Debt Securities by rating category**

	2013	2012
	----- (Rupees in '000)-----	
AA-	-	43.81
BBB	39.19	-
Non rated	8.90	-
Non-performing	51.91	56.19
	<u>100.00</u>	<u>100.00</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### Deposits and other receivables

Deposits are placed with National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transaction and settlement of listed securities. It is expected that all securities deposited with NCCPL and CDC will be clearly identified as being assets of the Fund, hence management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

### Past due and impaired assets

None of the above financial assets were considered to be past due or impaired in 2014 and 2013 except for the exposures and the provisions there against as provided in note 6.3 and 6.4. The management has not quantified the value of collaterals held against debt securities as management does not incorporate collaterals or other credit enhancements into its credit risk management nor it considers the value of collateral while testing investments for impairment and follows the circulars issued by the SECP for the purpose of making provision against non performing exposures and provisioning policy of the Fund duly approved by the Board of Directors of the Management Company.

### 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. As at June 30, 2014 there is no concentration of credit risk to an individual issuer / counterparty, apart from investment in government securities to which the management believes it has no material credit exposure.

None of the financial assets and financial liabilities is offset in the Statement of Assets and Liabilities except where the settlement is done through central clearing system.

### 18.3 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 Funds. 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 documents and guidelines laid down by the SECP. Hence, unit holders' fund appearing in Statement of Assets and Liabilities represent the continuous obligation of the Fund for redemption by its holders.

### Management of liquidity risk

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 a condition of repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

The Board of Directors of the Management Company is empowered to impose a redemption gate should redemption level exceed 10% of the net assets value of the Fund in any redemption period. The liquidity position of the Fund is monitored by the Fund Manager and Risk and Compliance Department on daily basis. The aim of the review is to ascertain the amount available for investment and also ensure sufficient liquidity is maintained to meet redemption requests by analysing the historical redemption requests received by the Management Company.

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.

	June 30, 2014			Total
	Up to three months	More than three months and up to one year	More than one year	
	----- (Rupees in '000) -----			
Payable against purchase of investments	62	-	-	62
Payable to Management Company of the Fund	1,965	-	-	1,965
Payable to Central Depository Company of Pakistan Limited - Trustee	106	-	-	106
Accrued expenses and other liabilities	738	-	-	738
	<u>2,871</u>	<u>-</u>	<u>-</u>	<u>2,871</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	June 30, 2013			Total
	Up to three months	More than three months and up to one year	More than one year	
	----- (Rupees in '000) -----			
Payable against purchase of investments	12,201	-	-	12,201
Payable to Management Company of the Fund	732	-	-	732
Payable to Central Depository Company of Pakistan Limited - Trustee	59	-	-	59
Accrued expenses and other liabilities	869	-	-	869
	<u>13,861</u>	<u>-</u>	<u>-</u>	<u>13,861</u>

### 18.4 Financial instruments by category

As at June 30, 2014, all the financial assets are carried on the Statement of Assets and Liabilities are categorised either as 'loans and receivables' or financial assets 'at fair value through profit or loss'. All the financial liabilities carried on the Statement of Assets and Liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss'.

	June 30, 2014			Total
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	
	----- (Rupees in '000) -----			
<b>Assets</b>				
Balances with banks - saving accounts	3,493	-	-	3,493
Certificates of Musharika	25,000	-	-	25,000
Investments	-	266,136	19,819	285,955
Lending under Margin Trading System	-	-	-	-
Placements	-	-	-	-
Dividend and income receivable	1,908	-	-	1,908
Deposits and other receivables	2,950	-	-	2,950
	<u>33,351</u>	<u>266,136</u>	<u>19,819</u>	<u>319,306</u>

	June 30, 2014		Total
	Liabilities at fair value through profit or loss	Other financial liabilities	
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable against purchase of investments	-	12,201	12,201
Payable to Management Company of the Fund	-	732	732
Payable to Central Depository Company of Pakistan Limited - Trustee	-	59	59
Accrued expenses and other liabilities	-	738	738
	<u>-</u>	<u>13,730</u>	<u>13,730</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	June 30, 2013			Total
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	
----- (Rupees in '000) -----				
<b>Assets</b>				
Balances with banks - saving accounts	57,906	-	-	57,906
Certificates of Musharika	-	-	-	-
Investments	-	255,928	30,958	286,886
Lending under Margin Trading System	21	-	-	21
Placements	-	-	-	-
Dividend and income receivable	1,266	-	-	1,266
Deposits and other receivables	5,881	-	-	5,881
	<u>65,074</u>	<u>255,928</u>	<u>30,958</u>	<u>351,960</u>

	June 30, 2013		Total
	Liabilities at fair value through profit or loss	Other financial liabilities	
----- (Rupees in '000) -----			
<b>Liabilities</b>			
Payable against purchase of investments	-	12,201	12,201
Payable to Management Company of the Fund	-	732	732
Payable to Central Depository Company of Pakistan Limited - Trustee	-	59	59
Accrued expenses and other liabilities	-	869	869
	<u>-</u>	<u>13,861</u>	<u>13,861</u>

### 18.5 Unit Holders' Funds risk management

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations 2008, to maintain minimum fund size to Rs. 100 million at all time during the life of the Fund. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

The Fund's objective in managing the unit holder's funds are to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

### 19. 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.

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

- 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)
- Level 3: Valuation techniques using significant unobservable inputs.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2013		
	Level 1	Level 2 (Rupees in '000)	Level 3
At fair value through profit or loss' - held for trading			
- Fixed income and other debt securities	-	-	15,463
- Quoted equity securities	250,673	-	-
'Available for sale'			
- Fixed income and other debt securities	-	-	20,278
- Unquoted equity securities	-	8,747	-
	2013		
	Level 1	Level 2 (Rupees in '000)	Level 3
At fair value through profit or loss' - held for trading			
- Fixed income and other debt securities	221,239	-	-
- Quoted equity securities	-	-	13,422
'Available for sale'			
- Fixed income and other debt securities	-	-	20,278
- Unquoted equity securities	-	10,680	-

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.

### 20. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding pattern of unit holding, list of top ten brokers, meetings of the Board of Directors of the management company and members of the Investment Committee are as follows:

#### 20.1 Pattern of unit holding

Category	No. of unit holders		Investment amount		Percentage of total investment	
	2014	2013	2014	2013	2014	2013
	(Numbers)		(Rupees in '000)			
Individuals	17	7	22,707	5,948	7.21	1.76
Associated companies	3	1	284,386	308,569	90.35	91.54
Banks / Financial Institutions	-	-	-	-	-	-
Retirement Funds	1	-	7,688	-	2.44	-
Others	-	1	-	22,603	-	6.70
	<b>21</b>	<b>9</b>	<b>314,781</b>	<b>337,120</b>	<b>100.00</b>	<b>100.01</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 20.2 List of top ten brokers / dealers by percentage of commission paid

<i>Broker Name</i>	2014 (Percentage)
KASB Securities Limited	15.17
Pearl Securities Limited	11.32
Standard Capital Securities (Private) Limited	7.08
M.M. Securities (Private) Limited	6.92
Foundation Securities Limited	6.86
Arif Habib Limited	6.72
Topline Securities	6.15
Taurus Securities	5.85
Habib Metropolitan Financial Services Limited	5.82
Al habib Capital Market (Private) Limited	5.59
<i>Broker Name</i>	2013 (Percentage)
Pearl Securities Limited	11.59
KASB Securities Limited	9.42
Foundation Securities Limited	7.75
Arif Habib Limited	7.63
Standard Capital Securities (Private) Limited	6.46
M.M. Securities (Private) Limited	6.39
Habib Metropolitan Financial Services Limited	6.34
IGI Finex Securities Limited	6.30
Al habib Capital Market (Private) Limited	5.95
Fortune Securities Limited	5.15

### 20.3 Meeting of Board of Directors of Management Company

Name of the person	Designation	Meetings		
		Total	Attended	Leave granted
Mr. Robert John Richard Owen	Chairman	7	7	-
Mr. Muzaffar Ali Shah Bukhari	Director	7	4	3
Mr. Qaisar P. Mufti	Director	7	7	-
Mr. Amer Maqbool	Chief Executive Officer and Director*	7	3	4
Mr. Adnan Abdali	Chief Financial Officer and Company Secretary	7	7	-
Mr. Hussain Jaffer Ali Khoja	Acting Chief Executive Officer*	7	4	3

\* During the year, CEO has resigned from his office and Board of Directors in its meeting held on October 14, 2013 has promoted Hussain Jaffer Ali Khoja as acting CEO. On June 6, 2014 the acting CEO was replaced by appointment of Mr. Khaldoon Bin Latif as CEO by Board of Directors of Management Company through resolution by circulation by Board of Directors of Management Company. However, approval of appointment of new CEO is pending from SECP and subsequent to his appointment, no meeting of BOD has been occurred.

#### Dates of the meetings of the Board of Directors

The 68th, 69th, 70th, 71st, 72nd, 73rd, and 74th Board of Directors meetings were held on July 4, 2013, August 1, 2013, August 27, 2013, October 14, 2013, March 12, 2014, April 3, 2014, and April 28, 2014 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 20.4 Details of Members of Investment Committee

Name	Designation	Qualification	Experience (Years)
Khaldoon Bin Latif	Chief Executive Officer	B.Sc (Hons.)	10
Hussain Jaffer Ali Khoja	Chief Investment Officer	ACCA	11
Irfan Nepal	Fund Manager	B.Com	20
Saqib Shah	Fund Manager	MBA	11
Mohsin Raza Wasaya	Compliance Manager	B.Com	7
Syed Adnan Abdali	Chief Financial Officer and Company Secretary	ACMA	10

#### 20.4.1 Details of other funds managed by the Fund Manager

Mr. Irfan Nepal is the Manager of the Fund. He is also the Fund Manager of Crosby Dragon Fund.

### 21. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary. The effect of which is not material.

### 22. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 13, 2014.

For KASB Funds Limited  
(Management Company)

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director