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THE INVESTMENT OBJECTIVE OF THE PORTFOLIO IS TO PROVIDE AN EFFICIENT INVESTMENT MEDIUM WHEREBY INVESTORS CAN PARTICIPATE IN A PORTFOLIO THAT WILL SEEK TO GENERATE HIGH LEVEL OF CURRENT INCOME, AS WELL AS THE POTENTIAL FOR CAPITAL GROWTH.

THE STRATEGY WILL INCLUDE TAKING POSITIONS BOTH IN SHORT AND LONG TERM AGENCIES BY TAKING ACTIVE TRADING AS WELL AS PASSIVE HOLD APPROACHES.

# KASB INCOME OPPORTUNITY FUND

(formerly KASB Liquid Fund)

ANNUAL REPORT  
June 30, 2013

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## FUND INFORMATION

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### **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](http://www.kasbfunds.com)

### **Board of Directors of KASB Funds Limited**

Mr. Robert John Richard Owen - Chairman

Mr. Amer Maqbool - Chief Executive

Mr. Qaiser P. Mufti

Mr. Muzaffar Ali Shah Bukhari

### **Chief Financial Officer**

Syed Adnan Abdali

### **Company Secretary**

Syed Adnan Abdali

### **Audit Committee**

Mr. Qaiser P. Mufti

Mr. Robert John Richard Owen

Mr. Muzaffar Ali Shah Bukhari

### **Trustee**

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

### **Fund Rating**

**BBB (f) By PACRA**

### **Bankers to the Fund**

KASB Bank Limited

Burj Bank Limited

ABL 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, Pakistan

### **Distributors**

KASB Funds Limited

KASB Bank Limited

KASB Securities Limited

IGI Investment Bank Limited

Standard Chartered Bank (Pakistan) Limited

### **Management Company Rating**

**Rated AM3 by JCR-VIS**

## MISSION STATEMENT

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The Funds aims to provide an efficient investment medium whereby investors can participate in portfolio that will seek to generate high level of current income, as well as the potential for capital growth.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the year ended June 30, 2013

The Board of Directors of KASB Funds Limited (KFL), the Management Company of KASB Income Opportunity Fund (KIOF, the Fund), is pleased to present the Annual Report, together with the audited financial statements of the Fund for the year ended June 30, 2013.

### Financial Highlights

	FY 2013	FY 2012
Net Income (Rs. in million)	70,506	57,516
Net Assets as at June 30 (Rs. in million)	558,695	379,979
NAV per Unit as on June 30 (Rs.)**	80.449*	67.8793
Return (%)	19.04	27.95

\* Ex-NAV after final distribution.

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

### Economic Environment

Pakistan's economical woes continued to trouble its economic managers who struggled unsuccessfully to contain its fiscal deficit within the target and exceeded to 8.8% of GDP backed by continued high subsidies, discretionary developmental expenditures and increasing cost of domestic debt servicing. Almost all macro fiscal targets such as tax revenue, subsidies were missed and reached to new highs. Current Account Deficit, however, was relatively tamed at around 1% of GDP.

The country has yet been unable to craft its way out of the quagmire of electricity and gas shortages which have bogged economic growth for some time now. Energy shortages are increasing leading to lower production and consequently hampering exports and increasing imports, while rising unemployment and rapid deterioration in the overall quality of life is giving way to wide spread social unrest. As per some opinions, the continued electricity shortage has affected GDP growth by 2% in FY13.

During the year, mammoth IMF repayment of over kept pressuring the Rupee against the Dollar forcing Central Bank to time and again intrude in the market to contain the depreciation. The central bank, as on June 30th 2012, was USD 10.6bn which came down by 45% to USD 6bn by June 30th, 2013. This decline together with some optimism in US economy led Rupee to depreciate by more than 6% against the green back.

CPI inflation was perhaps the most comforting figure with 7.4% in FY13 as against 11% in FY12. This significant decline helped central bank to focus on growth and consequently to decrease the discount rate by 3% (from 12% in FY12 to 9% in FY13)

### Capital Markets

The domestic equity market ended the year with an attractive return of 52%, after recording a modest gain of 10.4% in last year. The drastic change in fortunes was caused by attractive stock valuations, foreign investor's entry into the market and optimistic expectations from upcoming elected setup. The average daily volume also remained healthy in FY13 with 201m shares as against 130m shares last year. Foreign investors poured USD 569m in the outgoing year as compared to an outflow of USD 169m in the previous year.

### Investment Strategy

The primary objective of the Fund is to provide an efficient investment medium whereby investors can participate in a portfolio that will seek to generate high level of current income, as well as the potential for capital growth. The Fund invests in fixed income transactions in the capital market. Over all asset allocation of the Fund stood at 67.6 % for TFCs / Sukuks; 18.4% for placements; 4.1 % for government securities and cash balance percentage is 9.9%.

### Fund Performance

For the year ended June 30, 2013 the Fund earned a return of 19.04% as against the benchmark return of 9.90% and the Net Asset Value per unit of the fund at the close of the period stood at Rs. 80.449. The net income for the year ended June 30, 2013 is Rs 70,506 million.

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

*For the year ended June 30, 2013*

### **Income Distribution**

The Board of Directors of KASB Funds Limited approved the dividend distribution of Rs. 10 per unit to the unit holders of the Fund for the year ended June 30, 2013.

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, 2013, 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 KIOF was Rs. 379,979 million on June 30, 2012. During the year, units worth Rs. 401,723 million were issued and units with a value of Rs. 302,471 million were redeemed. As on June 30, 2013, the total number of outstanding units was 6,944,710 with a value of Rs. 658,695 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 disclosed in note 29.1.

### **Meetings of the Directors**

Statement showing attendance of the directors in the meetings of the Board of Directors for the year ended June 30, 2012 is disclosed in note 29.3 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 other than those disclosed in note 25 of these financial statements.

### **Pattern of Holding**

As on June 30, 2013 the pattern of holdings (units) presents a diversified investor base. Detailed pattern is disclosed in note 29.1 of the financial statements.

### **Future Outlook**

Going forward, fate of issuance of 3G license, a much needed and awaited Etisalat payment, further reimbursement of Coalition Support Fund, conditions behind IMF loan and further aid from other international development banks will likely decide the future course of market.

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

*For the year ended June 30, 2013*

### **Auditors**

The Board of Directors on recommendation of Audit Committee re-appointed M/s KPMG Taseer Hadi & Co. Chartered Accountants as Auditors of the Fund for the year ended June 30, 2014.

### **Acknowledgement**

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

**For and on behalf of the Board**

August 27, 2013  
Karachi

**Amer Maqbool**  
Chief Executive



## PERFORMANCE TABLE

	FY 2013	FY 2012	FY 2011
Net Asset as of June 30	558,695,595	379,979,485	363,876,271
net asset value per share or certificate as of June 30	80.4491	67.8793	52.9664
Selling price for units as of June 30	80.4491	67.8793	56.5754
Repurchase price for units as of June 30	80.4491	67.8793	52.9664
highest selling price	80.4491	67.8793	87.03
highest repurchase price	80.4491	67.8793	87.03
lowest selling price	66.7825	51.8691	56.08
lowest repurchase price	66.7825	51.8691	52.97
<i>Distributions:</i>			
<i>Interim</i>			
1st	NIL	NIL	NIL
2nd	NIL	NIL	NIL
Final	10	0.3	NIL
<i>Average annual return of the Collective Investment Scheme:</i>			
For the period of one year	19.04%	27.95%	-38.11%
For the period of two years	52.56%	-20.69%	-45.74%
For the period of three years	-5.58%	-30.81%	-44.79%
Since Inception (date of launch)	4.16%	-12.50%	-31.73%
Weighted average portfolio duration ( in case of income and money market fund)	109 days	602 days	43 days
<i>total return of the Collective Investment Scheme, breakdown into:</i>			
Capital growth			
Income distributions			



## ANNUAL FUND MANAGERS' REPORT

### 1. Type & Category of Fund

Open-end Income

### 2. Inception Date

May 09, 2006

### 3. Investment objective

The investment objective of the portfolio is to provide an efficient investment medium whereby investors can participate in a portfolio that will seek to generate high level of current income, as well as the potential for capital growth.

### 4. Accomplishment of objective

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

### 5. Benchmark

6 Month KIBOR

### 6. Performance Return

	KIOF Return	Benchmark return
Since inception	0.58%	12.49%
1 Year	19.04%	9.90%
Last 6 months	22.43%	9.48%
Last 3 months	23.76%	9.52%
For the month	60.47%	9.36%

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

Due to continued liquidity pressure in the markets and risk aversion by the participants, the corporate debt market remained highly depressed resulting in trades mainly concentrated towards govt. backed TFCs/Sukuks and top rated banking instruments. In the presence of very few buyers, the prices of majority of TFCs declined significantly during the year, however, on paper, it remained stable due to the pricing mechanism used by mutual funds. The fund remained focused in offloading TFCs and to restructure non-performing corporate debt. As a result most of instruments held in the fund with credit concerns have been restructured during the year.

### 8. Weighted Asset allocation (June 30, 2013)

Asset Allocation	June 30, 2013	June 30, 2012
TFCs & Sukuks	20.02%	64.43%
Cash	51.44%	9.43%
Placement with NBFCs	2.75%	3.49%
Equities	12.00%	Nil
Margin Trading System	8.77%	Nil
T-Bills	Nil	3.88%
Others/(Payable)	5.02%	18.77%

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

As compared to the last year the fund's overall exposure towards TFCs / Sukuk investments declined to 20.02% from 64.43% mainly due to outperformance of some cement sector TFCs/Sukuks resulting in major prepayments, full provision of defaulted TFCs/Sukuks and recoveries from some Non performing TFCs/Sukuk. Further, during the year the Fund has started to place funds under Margin Trading System (MTS) to achieve good return for its unit holders. Further, some equity scripts received by the fund (KIOF) as a result of its merger with AMZ Plus Income Fund during the Fund and one of the script against restructuring of one of the debt instrument. Cash and near cash instruments also improved to 51.44% against 9.43% last year as the Fund get net sales of PKR 99.386 million during the year ended June 30, 2013 as compare to net redemption of PKR 88.996 million for the last year.

### 10. Fund Performance

The Fund managed to give a return of 19.04% per annum against benchmark return of 9.90% per annum mainly due to restructuring of some of the Non Performing assets. The focus on restructuring finally paid off as the fund, through restructuring, received considerable cash to ease its liquidity woes. Going forward, in the longer term the returns look to benefit from performance of a few troubled debt instruments which have been restructured.

The AUM of the fund were PKR 379.979 million (NAV per unit: Rs 67.8793) on June 30, 2012 and at the end of the period the AUM of the fund stood at PKR 556.723 million (NAV per unit: Rs 80.1650).

## ANNUAL FUND MANAGERS' REPORT

For the year ended June 30, 2013

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

Pakistan's economic performance proved to be a mixture of sorts during the period under review. GDP growth was recorded at 3.7%, while fiscal deficit stood at 8.5% of GDP (including a one off subsidy amounting to 1.9% of GDP). The current account ran into a deficit of 1.9% of GDP, as against a surplus of 0.11% last year, even though foreign remittances continued on their growth trajectory and attained a high level of \$13 billion during the year.

On the positive side, CPI inflation was recorded at an average of 7.4% during the year, remaining well within the government's inflation target. Keeping in view these trends in inflation, the central bank reduced the policy rate by 300 basis points to boost the private credit off take amidst high fiscal deficit and resulting printing of money. However, the private sector continues to be crowded out due to the high government borrowing needs, liquidity constraints in the market, and risk aversion by lenders amid high propensity of banks to lend to the government.

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

For details, please refer to the full yearly accounts.

### 13. Distribution

The fund distribute the following for the year ended June 30, 2013:

Date of Distribution	Amount of Distribution (PKR)	NAV (PKR)	Ex-NAV of Fund (PKR)
July 04, 2013	10 per unit	80.1650	70.1650

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

During the year, AMZ Plus Income Fund (also managed by KASB Funds Ltd.) was merged into KASB Income Opportunity Fund with the view to combine the synergies of the two identical Funds under management of the Management Company and to reduce operational redundancies, thereby benefitting investors of both the Funds.

### 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 INCOME OPPORTUNITY 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, 2006**

We, Central Depository Company of Pakistan Limited, being the Trustee of KASB Income Opportunity 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, 2013 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, 2006 and the constitutive documents of the Fund.

We would like to draw unit holders' attention towards the fact that the Fund has recognized provision amounting to Rs. 1.972 million against DHA Golf Club Platinum Membership Cards retrospectively on June 30, 2013 without obtaining prior approval of SECP as required under SECP directive. Further, we are of the view that Management Company has made excess provision against these Cards which has been communicated to the SECP and the Management Company.

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

Karachi, October 25, 2013



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2013

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.

KASB Funds Limited (the Management Company), an unlisted public company, manages the affairs of KASB Islamic Income opportunity 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:

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

Category	Names
Independent Non-Executive	Mr. Qaisar P. Mufti
Independent Non-Executive	Mr. Robert C. Richard Owen
Chief Executive Officer Non-independent	Mr. Amer Maqbool
Non-Executive Directors Non-independent	Mr. Muzaffar Ali Shah Bukhari

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

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. 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.
4. There was no casual vacancy occurred in the Board during the year.
5. 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.
6. 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.
7. 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.
8. 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.
9. The Management Company has conducted an orientation course for its directors to apprise them of their duties and responsibilities.
10. During the year, there was no change of the Company Secretary and Chief Financial Officer (CFO).
11. During the year the Board has outsourced the internal audit function 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.
12. The Directors' report relating to the Fund for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
14. 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.
15. The Fun has complied with all the applicable corporate and financial reporting requirements of the Code.
16. 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 related party transaction were placed before the Audit Committee meeting held to approve annual accounts and were approved by the Board with necessary justification for non arm's length transaction (if any) and pricing methods for transaction that were made to terms equivalent to those that prevail in the arm's length transaction only if such terms can be substantiated.
17. 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.
18. 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.
19. 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.
20. 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.
21. 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.
22. 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).
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
24. 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 THE STATEMENT OF COMPLIANCE WITH THE 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 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 the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2013.

**Date: 27 August 2013**

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

Karachi



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

We have audited the accompanying financial statements of KASB Income Opportunity Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2013, and the related income statement, statement of comprehensive income, 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 errors.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the 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 state of the Fund's affairs as at 30 June 2013, 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.

### **Emphasis of Matter**

We draw attention to the following matters:

- as more fully explained in note 8 to the accompanying financial statements, Securities and Exchange Commission of Pakistan (SECP) had directed the Fund via its letter SCD/AMCW/KAAF/417/2013 dated 19 February 2013 to dispose off its investment in DHA Gulf Club Platinum Membership Cards till 19 May 2013. However, such investment has not yet been disposed. Further, the Fund has recognized a provision of Rs. 1,972 million there against based on negotiation with buyers and prior approval of SECP for the same as required by the said letter was not obtained. Management has informed SECP about the provision and sought their guidance. As a consequence to such provision the distribution made by the Fund exceeds the profit for the year ended 30 June 2013; and
- as more fully explained in note 16 to the accompanying financial statements there is an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers' Welfare Fund which is currently pending for adjudication at the Honorable High Court of Sindh.

Our opinion is not qualified in respect of above matters.

### **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, 2006.

**Date: 27 August 2013**

**Karachi**

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

**KASB Income Opportunity Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2013*

	<i>Note</i>	<b>2013</b>	2012
		<b>(Rupees in '000)</b>	
<b>Assets</b>			
Balances with banks - saving accounts	4	<b>291,177</b>	36,338
Lending under Margin Trading System	5	<b>38,096</b>	-
Income receivable	6	<b>34,260</b>	18,239
Investments	7	<b>181,213</b>	263,204
Certificate of Investment		-	13,448
DHA Golf Club Platinum Membership Cards	8	<b>5,601</b>	-
Placements	9	-	-
Term Finance Facility	10	-	53,837
Receivable against loan	11	<b>7,942</b>	-
Receivable against lease facility	12	-	-
Deposits, prepayments and other receivables	13	<b>5,751</b>	225
<b>Total assets</b>		<b>564,040</b>	385,291
<b>Liabilities</b>			
Payable to Management Company of the Fund	14	<b>1,149</b>	731
Payable to Trustee of the Fund	15	<b>76</b>	59
Payable to Securities and Exchange Commission of Pakistan	16	<b>335</b>	294
Accrued expenses and other liabilities	17	<b>5,757</b>	4,228
<b>Total liabilities</b>		<b>7,317</b>	5,312
<b>Net assets</b>		<b>556,723</b>	379,979
<b>Unit holders' funds</b>		<b>556,723</b>	379,979
<b>Contingencies and commitments</b>	18		
		<b>(Number of units)</b>	
<b>Number of units in issue</b>	19	<b>6,944,710</b>	5,597,872
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<b>80.1650</b>	67.8793

The annexed notes 1 to 30 form an integral part of these financial statements.

**For KASB Funds Limited**  
**(Management Company)**

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

\_\_\_\_\_  
**Director**

# KASB Income Opportunity Fund

## Income Statement

For the year ended June 30, 2013

	Note	2013 (Rupees in '000)	2012
<b>Income</b>			
Income from term finance and sukuk certificates		37,692	55,895
Income from government securities		655	2,472
Income from certificates of investment		-	3,578
Income from term deposit receipts		1,346	-
Income from certificates of musharaka		3,996	-
Income from Margin Trading System		185	-
Profit on bank deposits		9,478	6,559
Capital gain / (loss) on sale of investments		11,518	(21,387)
Receipt of profit against non-performing exposures	7.5.8 & 7.5.9	24,140	-
Reversal of provision of principal against non-performing exposures	7.5.6	13,623	-
Reversal of provision against non-performing placements	7.5.7 & 10	26,500	59,915
Gain on partial settlement of term finance certificates	7.4	41,867	-
Receipt on sale of non-performing exposures	7.5.4	5,553	-
Liabilities written back	20	1,630	-
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'	7.3	-	2,172
<b>Total income</b>		<b>178,183</b>	<b>109,204</b>
<b>Expenses</b>			
Remuneration of Management Company of the Fund	14	10,481	9,105
Remuneration of Trustee of the Fund	15	755	672
Annual fee - Securities and Exchange Commission of Pakistan	16	335	294
Transaction cost on securities		175	37
Settlement and bank charges		30	200
Legal and professional charges		374	737
Fees and subscription		280	240
Auditors' remuneration	21	593	455
Printing and other expenses		193	313
Provision against DHA Golf Club Platinum Membership Cards	8	2,698	-
Provision against non-performing certificate of investments		-	10,922
Provision against non-performing investments classified as 'at fair value through profit or loss'	7.3.1	17,609	-
Provision against non-performing investment classified as 'available for sale'	7.5.1	30,973	-
Provision against term finance facility	10	45,787	-
Provision for Workers' Welfare Fund	18	1,150	-
Impairment of equity securities classified as 'available for sale'	7.4	1,700	-
Provision for doubtful income receivable		-	10,124
<b>Total expenses</b>		<b>113,133</b>	<b>33,099</b>
		<b>65,050</b>	<b>76,105</b>
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		<b>3,484</b>	<b>(18,589)</b>
<b>Net income for the year</b>		<b>68,534</b>	<b>57,516</b>
<b>Earnings per unit</b>	22		

The annexed notes 1 to 30 form an integral part of these financial statements.

**For KASB Funds Limited  
(Management Company)**

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

\_\_\_\_\_  
Director



**KASB Income Opportunity Fund**  
**Statement of Comprehensive Income**  
*For the year ended June 30, 2013*

	<b>2013</b>	2012
	<b>(Rupees in '000)</b>	
Net income for the year	<b>68,534</b>	57,516
<b>Other comprehensive income</b>		
Net unrealised appreciation in fair value of investments classified as 'available for sale' during the year	7.10 <b>15,687</b>	28,994
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation / (diminution)	<b>5,970</b>	4,185
Impairment of equity investment classified as 'available for sale'	7.4 <b>(1,700)</b>	-
Other comprehensive income for the year	<b>19,957</b>	33,179
<b>Total comprehensive income for the year</b>	<b><u>88,491</u></b>	<b><u>90,695</u></b>

The annexed notes 1 to 30 form an integral part of these financial statements.

**For KASB Funds Limited**  
**(Management Company)**

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

\_\_\_\_\_  
**Director**

**KASB Income Opportunity Fund**  
**Distribution Statement**  
*For the year ended June 30, 2013*

	<i>Note</i>	<b>2013</b>	2012
		<b>(Rupees in '000)</b>	
Accumulated losses brought forward	23	<b>(301,632)</b>	<b>(363,333)</b>
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		<b>5,970</b>	4,185
Net income for the year		<b>68,534</b>	57,516
		<b>74,504</b>	61,701
Final Distribution at the rate of Re. 0.3 per unit for the year ended June 30, 2012 <i>[Date of Distribution: July 5, 2012]</i>			
- Issue of 1,982 bonus units (2012: Nil)		<b>(134)</b>	-
- Cash distribution		<b>(1,545)</b>	-
		<b>(1,679)</b>	-
Accumulated losses carried forward	23	<b>(228,807)</b>	<b>(301,632)</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

**For KASB Funds Limited**  
**(Management Company)**

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

\_\_\_\_\_  
**Director**

**KASB Income Opportunity Fund**  
**Statement of Movement in Unit Holders' Funds**  
*For the year ended June 30, 2013*

	Note	2013 (Rupees in '000)	2012
Net assets at the beginning of the year		379,979	363,876
Issue of 5,575,349 units (2012: 1,145,971 units)		401,723	65,494
Issue of 1,982 bonus units (2012: Nil units)		134	
Redemption of 4,230,493 units (2012: 2,418,038 units)		(302,471)	(154,490)
		99,386	(88,996)
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		(3,484)	18,589
- amount representing unrealised capital (gains) / losses - transferred to Distribution Statement		(5,970)	(4,185)
		(9,454)	14,404
Net income for the year (excluding net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gain / (loss))		57,016	76,731
Capital gain / (loss) for the year		11,518	(21,387)
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'		-	2,172
Net unrealised appreciation in fair value of investments classified as 'available for sale' during the year	7.10	15,687	28,994
Impairment of equity investment classified as 'available for sale'	7.4	(1,700)	-
Net income for the year (including net unrealized appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gain / (loss))		82,521	86,510
Net unrealised element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amounts representing unrealised appreciation / (diminution)		5,970	4,185
Final Distribution at the rate of Re. 0.3 per unit for the year ended June 30, 2012 [Date of Distribution: July 5, 2012]			
- Issue of 1,982 bonus units (2012: Nil)		(134)	-
- Cash distribution		(1,545)	-
		(1,679)	-
Net assets as at the end of the year		556,723	379,979
		<b>(Rupees)</b>	
<b>Net asset value per unit as at the beginning of the year</b>		67.8793	52.9665
<b>Net asset value per unit as at the end of the year</b>		80.1650	67.8793

The annexed notes 1 to 30 form an integral part of these financial statements.

**For KASB Funds Limited**  
**(Management Company)**

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

\_\_\_\_\_  
**Director**

# KASB Income Opportunity Fund

## Cash Flow Statement

For the year ended June 30, 2013

	2013	2012
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	68,534	57,516
<i>Adjustments for non cash and other items:</i>		
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'	-	(2,172)
Provision against DHA Golf Club Platinum Membership Cards	2,698	-
Provision against non-performing certificate of investments	-	10,922
Provision against non-performing investments classified as 'at fair value through profit or loss'	17,609	-
Provision against non-performing investment classified as 'available for sale'	30,973	-
Provision against term finance facility	45,787	-
Impairment of equity securities classified as 'available for sale'	1,700	-
Provision for doubtful income receivable	-	10,124
Liabilities written back	(1,630)	-
Gain on partial settlement of term finance certificates	(41,867)	-
Reversal of provision against non-performing placements	(26,500)	(59,915)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	<u>(3,484)</u>	<u>18,589</u>
	<b>93,820</b>	<b>35,064</b>
<b>Decrease / (increase) in assets</b>		
Lending under Margin Trading System	(38,096)	-
Income receivable	(16,021)	21,532
Investments	87,563	99,558
Certificate of Investment	13,448	(5,149)
DHA Golf Club Platinum Membership Cards	(8,299)	-
Placements	26,500	-
Term Finance Facility	8,050	(53,837)
Receivable against loan	(7,942)	-
Deposits, prepayments and other receivables	(5,526)	188
	<b>59,677</b>	<b>62,292</b>
<b>Increase / (decrease) increase in liabilities</b>		
Payable to Management Company of the Fund	418	688
Payable to Trustee of the Fund	17	4
Payable to Securities and Exchange Commission of Pakistan	41	(242)
Accrued expenses and other liabilities:	<b>3,159</b>	<b>(700)</b>
	<b>3,635</b>	<b>(250)</b>
<b>Net cash generated from operating activities</b>	<b>157,132</b>	<b>97,106</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(1,545)	-
Net receipts / (payments) from sale and redemption of units	99,252	(88,996)
<b>Net cash generated from / (used in) financing activities</b>	<b>97,707</b>	<b>(88,996)</b>
Net increase in cash and cash equivalents during the year	<b>254,839</b>	<b>8,110</b>
Cash and cash equivalents at beginning of the year	<b>36,338</b>	<b>28,228</b>
Cash and cash equivalents at end of the year	<b>291,177</b>	<b>36,338</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

**For KASB Funds Limited  
(Management Company)**

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

\_\_\_\_\_  
Director

# KASB Income Opportunity Fund

## Notes to the Financial Statements

*For the year ended June 30, 2013*

### 1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Income Opportunity Fund ("the Fund" or "KIOF") was established under a Trust Deed executed between KASB Funds Limited ("KFL") as Management Company and Central Depository Company of Pakistan Limited ("CDC") as Trustee. The Trust Deed was executed on February 20, 2006 and the Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) on March 17, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Fund has been assigned 'Aggressive Fixed Income' 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 SECP vide letter no. SCD/PR&DD/AMCW/CAML& KFL/333/2010 dated July 15, 2011 has sanctioned the Scheme of Arrangement of acquisition and simultaneous merger of Crosby Asset Management (Pakistan) Limited ("CAMPL") with and into KASB Funds Limited ("KFL") in terms of Section 282L of the Companies Ordinance, 1984 and the rights to manage Crosby Dragon Fund, Crosby Phoenix Fund and AMZ Plus Income Fund have been transferred to KFL with effect from July 20, 2011.

During the year, the Fund has engaged JCR-VIS as its new credit rating agency to carry out the Fund stability rating and has disengaged PACRA as rating agency of the Fund. The JCR-VIS has assigned management quality rating of AM3 to the Management Company and BBB-(f) stability rating to the Fund.

The Fund is an open end fund and is listed on the Karachi Stock Exchange Limited. The objective of the Fund is to provide an efficient investment medium whereby levels of risk and high liquidity by investors can participate in a portfolio that will seek to generate high level of current income, as well as the potential for capital growth.

On April 27, 2012, the Board of Directors of the Management Company has approved the merger of AMZ Plus Income Fund (APIF) with and into KASB Income Opportunity Fund (KIOF). The merger was approved by the majority of unit holders representing three-fourth in value of total outstanding units of respective Funds in their meeting held on August 16, 2012 convened by the Management Company. The Trustee of the Fund also gave consent to the merger vide its letter no. CDC/T&C-U1/DH/0206/2012 dated August 30, 2012. The merger was also sanctioned by the Securities and Exchange Commission of Pakistan vide its letter no. SCD/AMCW/KASB/340/2012 dated November 20, 2012 in terms of Regulation 58(1) (m) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The Management Company has decided November 30, 2012 to be the effective date of merger and the respective Funds have been merged accordingly with KASB Income Opportunity Fund to be the surviving Fund. On and after the merger, assets and liabilities of AMZ Plus Income Fund have been transferred to the Fund. Under the sanctioned merger:

- a) the entire undertaking of AMZ Plus Income Fund (APIF) including all properties, assets, receivables, liabilities and all rights and obligations have been transferred into and vested in KASB Income Opportunity Fund (KIOF) as on the effective date.
- b) under the arrangement / merger, the Fund has issued and allotted 512,666 units of Rs. 71.9540 each in lieu of 363,351 units of Rs. 101.5217 each, held previously by the registered unit holders of APIF in the swap ratio of 1.410938 units of KIOF for every 100 units of APIF, and
- c) upon the merger of APIF and issuance of units to its unit holders, the APIF stood dissolved without winding up on the date of allotment of units.
- d) The Net Asset Value of APIF on the effective date is as follows:

		<b>(Rupees in '000)</b>
<b>Assets</b>		
Balances with banks		888
Advance, deposits, prepayments and other receivables		100
Investments		37,830
<b>Total Assets</b>		<b>38,818</b>
<b>Liabilities</b>		
Accrued expenses and other liabilities		1,930
<b>Net assets</b>		<b>36,888</b>
Number of Units in issue	<i>Number</i>	<u>363,351</u>
Net Asset Value per unit	<i>Rupees</i>	<u>101.5217</u>

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as a trustee of the Fund except as detailed in note 7.5.11. However, currently the change of title to the assets pertaining to AMZ Plus Income Fund is in progress.

## **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, 2013. 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).
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 1, 2013).
- 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).

### **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.

### **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 such upon initial recognition. 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.

*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 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 Circular 1 of 2009, Circular 33 of 2012 and Circular 35 of 2012. 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 1 of 2009.

#### ***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.

### ***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.

### **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.

### *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, term finance facilities 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.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

### **3.10 Expenses**

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

### **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 saving account carries mark-up at the rate of 5% to 9% per annum (2012: 10% to 11% per annum).

### 5. LENDING UNDER MARGIN TRADING SYSTEM

This represents receivable against Margin Trading System and carries the profit rate ranging from 11.99% to 17% and will mature at the option of financee subject to maximum of 60 days.

### 6. INCOME RECEIVABLE

	2013	2012
	(Rupees in '000)	
Income accrued on bank deposits	1,793	413
Income accrued on Certificates of Investment	-	214
Income accrued on term finance and sukuk certificates	32,321	17,612
Income accrued on Margin Trading System	146	-
	<u>34,260</u>	<u>18,239</u>

### 7. INVESTMENTS

#### 'At fair value through profit or loss'

- Government securities	7.2	-	14,941
- Fixed income and other debt securities	7.3	-	17,609
		<u>-</u>	<u>32,550</u>

#### 'Available for sale'

- Quoted Equity Securities	7.4.1	41,544	-
- Unquoted Equity Securities	7.4.2	21,800	-
- Fixed income and other debt securities	7.5	113,302	230,654
- Unquoted Preference Shares	7.6	4,567	-
		<u>181,213</u>	<u>230,654</u>

- Advance against Pre Initial Public Offer investments	7.7	-	-
		<u>181,213</u>	<u>263,204</u>

7.1 The cost of the above investments as at June 30, 2013 amounted to Rs. 630.858 million (2012: Rs. 830.114 million).

7.2 Government securities - 'at fair value through profit or loss'

Tenor	Face value				Balance as at June 30, 2013				
	As at July 1, 2012	Purchases during the year	Sales during the year	Maturities during the year	As at June 30, 2013	Carrying value	Market value	Appreciation/ (Diminution)	Market value as a percentage of total investments
----- (Rupees in '000) -----									
<b>Treasury Bills</b>									
6 Months - Treasury Bills	15,000	30,000	45,000	-	-	-	-	-	0.00%
3 Months - Treasury Bills	-	120,000	40,000	80,000	-	-	-	-	0.00%

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

Certificates have a face value of Rs. 5,000 each unless stated otherwise:

Name of the Investee Company	Number of certificates				Balances as at June 30, 2013			Market value as a percentage of net assets	Outstanding principal value as a percentage of total debt issue	
	As at July 01, 2012	Purchases during the year	Sales during the year	As at June 30, 2013	Carrying value	Market value	Appreciation/ (Diminution)			
----- (Rupees in '000) -----										
<b>Term Finance Certificates - Listed</b>										
Pace Pakistan Limited	7.3.1	1,000	-	-	1,000	-	-	-	0.00%	0.33%
Trust Investment Bank Limited - III	7.3.1	10,000	-	-	10,000	-	-	-	0.00%	8.33%

7.3.1 Securities listed below have been classified as non-performing in accordance with the provisioning Circulars issued by the Securities and Exchange of Pakistan and the Fund's provisioning policy for non-performing exposure. Accordingly, the market values stated above have been arrived at after taking into account provisions as under:

		Outstanding balance	Provision recognized during the year	As at June 30, 2013	
				Provision held	Net carrying value
----- (Rupees in '000) -----					
Pace Pakistan Limited	7.3.2	4,993	-	(4,993)	-
Trust Investment Bank Limited - III	7.3.3	18,742	(17,609)	(18,742)	-

7.3.2 On August 14, 2011, Pace Pakistan Limited has defaulted on account of payment of profit and principal due amounting to Rs. 0.391 million and Rs. 0.001 million respectively. However, the amount of principal has been subsequently paid by the borrower. The Fund has recognized full provision against the outstanding principal amounting to Rs. 4.993 million and accrued profit amounting to Rs. 0.391 million. Moreover, the Fund has suspended further accrual of profit there against in accordance with the provisioning policy of the Fund 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.

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

**7.3.3** On October 2, 2012, Trust Investment Bank Limited has defaulted on account of payment of profit and principal due amounting to Rs. 1.280 million and Rs. 6.247 million respectively. The security has been classified as non-performing by the Mutual Funds Association of Pakistan on October 18, 2012. The Fund has recognized full provision against the outstanding principal amounting to Rs. 18.742 million and has suspended further accrual of mark-up there against in accordance with the provisioning policy of the Fund 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.

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

**7.4 Equity Securities - (Face value of Rs. 10 per share) - 'Available for sale'**

Name of the Investee Company	Number of shares				As at June 30, 2013	Balances as at June 30, 2013				Carrying value as a percentage of net assets	
	As at July 01, 2012	Transferred from APIF (Refer Note 1)	Received in settlement during the year	Sales during the year		Carrying cost	Market value	Impairment	Appreciation/ (Diminution)		
----- (Rupees in '000) -----											
<b>Quoted Equity Securities</b>											
Agritech Limited	7.4.1	-	-	3,587,600	-	3,587,600	41,867	41,544	-	(323)	7.46%
<b>Unquoted Equity Securities</b>											
Tricon Developers Limited	7.4.2	-	2,000,000	-	-	2,000,000	23,500	21,800	(1,700)	-	3.92%

**7.4.1** As more fully explained in note 7.5.2, this represent shares received in partial settlement of outstanding payment / redemption obligation by Azgard Nine Limited (ANL). As per Circular 7 of 2009 issued by the Securities and Exchange Commission of Pakistan (SECP) an "aggressive fixed income scheme" shall not invest / hold equity securities. However, SECP vide its letter no. SCD/AMCW/DD-ZRK/KFL/137 /2012 dated May 16, 2012 has granted exemption to the Fund from holding such equity securities received in settlement of such exposures. Currently these shares are held by Pak Brunei Investment Company Limited as beneficial owner on behalf of the Fund in terms of Shareholder's Investment Agreement dated July 26, 2012.

The above ordinary shares of Agritech Limited are subject to sale lock-in for a period of 5 years in terms of the Share Purchase Agreement (SPA) between the ANL and various lenders including the Fund. However, as per the SPA, the sales restriction is not applicable to transactions between the lenders of ANL.

**7.4.2** These represents ordinary shares of Tricon Developers Limited (TDL) received from Trust Investment Bank Limited in settlement of its Preference Shares in terms of the settlement deed executed on November 20, 2012. These shares were transferred into the Fund from AMZ Plus Income Fund following the merger of the Funds as detailed in note 1 to these financial statements at carrying value of Rs 23.5 million as on the effective date of the merger. As per Circular 7 of 2009 issued by the SECP an "aggressive fixed income scheme" shall not invest or hold equity securities. Further Regulation 55(3) of the NBFC Regulations 2008 prohibits investing in unlisted equity securities. However, the Securities and Exchange Commission of Pakistan vide its letter no. SCD/AMCW/MF/DD-ZRK/APIF/333/2012 dated November 12, 2012 has granted exemption to the Fund for holding such shares in its portfolio. In the absence of quoted price, the management has adopted a policy to value such shares at break-up value as per the latest audited financial statements of the investee company. However, since the latest audited financial statements of Tricon Developers Limited for the year ended 30 June 2012 are not available with the management, the Investment Committee in their meeting held on June 27, 2013 has decided to value such shares at Rs. 10.9 per shares after applying provision of Re.0.85 per share to break-up value of Rs. 11.75 per share determined in accordance with audited financial statements for the year ended June 30, 2011. As per Regulation 66 (J) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 a security not listed or quoted on a stock exchange, other than Government Securities or debt security, shall be valued at investment price or its break-up value as per last audited accounts, whichever is lower. The Investment Committee considers appropriate to create a provision of Re.0.85 per share amounting to Rs. 1.7 million there against as they expect a decline in net assets of the Investee Company. The dilution has been recognised as impairment in income statement.

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

Term Finance Certificates and Sukuk Certificates

Name of the Investee Company	Number of certificates				Balances as at June 30, 2013			Market value as a percentage of net assets	Outstanding principal value as a percentage of total debt issue	
	As at July 01, 2012	Transferred from APIF (Refer Note 1)	Purchased / received in settlement during the year	Sales / Matured during the year	As at June 30, 2013	Carrying cost	Market value			Appreciation/ (Diminution)
----- (Rupees in 000) -----										
<b>Term Finance Certificates - Unlisted</b>										
Avari Hotels Limited	19,760	-	-	-	19,760	34,535	38,024	3,489	6.83%	2.63%
Azgard Nine Limited	44,400	-	-	-	44,400	-	-	-	0.00%	8.88%
Azgard Nine Limited - Issue - V	-	-	14,595	-	14,595	-	-	-	0.00%	2.09%
Gharibwal Cement Limited(7.5.4)	3,000	-	-	3,000	-	-	-	-	0.00%	0.00%
Jahangir Siddiqui Company Limited	7,500	-	-	-	7,500	18,653	18,718	65	3.36%	3.00%
Orix Leasing Pakistan Limited	40	-	-	40	-	-	-	-	0.00%	0.00%
New Allied Electronics Industries (Private) Limited	13,000	-	-	-	13,000	-	-	-	0.00%	7.22%
Al - Zamin Leasing Modaraba(7.5.6)	14,000	-	-	14,000	-	-	-	-	0.00%	0.00%
Flying Board and Papers Limited(7.5.7)	-	-	8,000	8,000	-	-	-	-	0.00%	0.00%
Saudi Pak Leasing Company Limited	-	-	5,999	-	5,999	9,824	9,102	(722)	1.63%	4.00%
Agritech Limited - 5th Issue	-	-	1,452	-	1,452	-	-	-	0.00%	1.21%
						63,012	65,844	2,832		
<b>Sukuk Certificates - Unlisted</b>										
Eden Builders Limited	7,200	-	-	-	7,200	6,680	6,765	85	1.22%	1.44%
Eden Housing Limited	5,185	-	-	-	5,185	-	-	-	0.00%	3.55%
Maple Leaf Cement Factory Limited - I	26,600	-	-	6,500	20,100	28,876	28,876	-	5.19%	1.26%
New Allied Electronics Industries (Private) Limited -I	32,000	-	-	-	32,000	-	-	-	0.00%	1.33%
New Allied Electronics Industries (Private) Limited -I	-	256,000	-	-	256,000	-	-	-	0.00%	10.67%
New Allied Electronics Industries (Private) Limited -II	8,600	-	-	-	8,600	-	-	-	0.00%	5.73%
Security Leasing Corporation Limited	500	-	-	-	500	503	450	(53)	0.08%	0.33%
Kohat Cement Company Limited(7.5.13)	17,500	-	2,500	-	20,000	8,120	11,367	3,247	2.04%	4.00%
Agritech Limited - Issue - V	8,470	-	-	-	8,470	-	-	-	0.00%	2.65%
						44,179	47,458	3,279		
						<b>107,191</b>	<b>113,302</b>	<b>6,111</b>		



7.5.1 Securities listed below have been classified as non-performing in accordance with the provisioning Circulars of the SECP and the Fund's provisioning policy for non-performing exposure. Accordingly, the market values stated above have been arrived at after taking into account provisions as under:

				<b>As at June 30, 2013</b>			
				<b>Outstanding balance</b>	<b>Provision recognized during the year</b>	<b>Provision held</b>	<b>Net carrying value</b>
				----- (Rupees in '000) -----			
Azgard Nine Limited	TFC	<i>Refer Note</i>	7.5.2	177,458	-	(177,458)	-
Azgard Nine Limited - Issue - V	TFC	<i>Refer Note</i>	7.5.3	72,975	-	(72,975)	-
New Allied Electronics Industries (Private) Limited	TFC	<i>Refer Note</i>	7.5.5	27,479	-	(27,479)	-
Eden Housing Limited	Sukuk	<i>Refer Note</i>	7.5.8	9,722	(5,055)	(9,722)	-
Maple Leaf Cement Factory Limited - I	Sukuk	<i>Refer Note</i>	7.5.9	90,237	(25,555)	(61,361)	28,876
New Allied Electronics Industries (Private) Limited -I	Sukuk	<i>Refer Note</i>	7.5.10	10,000	-	(10,000)	-
New Allied Electronics Industries (Private) Limited -I	Sukuk	<i>Refer Note</i>	7.5.11	80,000	-	(80,000)	-
New Allied Electronics Industries (Private) Limited -II	Sukuk	<i>Refer Note</i>	7.5.12	42,183	-	(42,183)	-
Agritech Limited	Sukuk	<i>Refer Note</i>	7.5.14	38,115	-	(38,115)	-
Agritech Limited - 5th Issue	TFC	<i>Refer Note</i>	7.5.15	7,260	(363)	(7,260)	-
				<b><u>(30,973)</u></b>			

7.5.2 On June 4, 2010, Azgard Nine Limited (ANL) has defaulted on account of payment of principal and profit amounting to Rs. 22.18 million and Rs. 16.22 million respectively. The Fund has recognized full provision against its investment and accrued profit in terms of provisioning policy of the Fund and applicable SECP Circulars.

During the year, the Fund along with other lenders, entered into Share Transfer and Debt Swap Agreement dated April 12, 2012 as amended by the First Supplemental Share Transfer and Debt Swap Agreement dated July 26, 2012 with Azgard Nine Limited (ANL) whereby ANL has agreed to transfer its shareholding in Agritech Limited (AGL) to existing lenders / creditors in partial settlement of outstanding payment / redemption obligations. Accordingly, ANL has transferred 3,587,600 ordinary shares of AGL, in partial settlement of its obligations towards the Fund, to Pak Brunei Investment Company Limited who holds these shares as beneficial owner on behalf of the Fund. Pak Brunei Investment Company Limited holds such shares in terms of Shareholders' Investment Agreement dated July 26, 2012. The Fund has recognized those shares at prevailing market rate and recognized Rs 41.867 million as gain on partial settlement. Further, on June 28, 2012, ANL has further issued term finance certificates amounting to Rs. 72.975 million in settlement of its outstanding obligation. The Fund has carried those certificates at Nil value as explained in note 7.5.3.

7.5.3 As more fully explained in note 7.5.2, this represent term finance certificates amounting to Rs. 72.975 million received in partial settlement of outstanding payments / redemptions by Azgard Nine Limited (ANL) in terms of Investment Agreement dated June 28, 2012. The Fund has carried this certificates at Nil value. This certificates are interest free and repayment will commence from March 31, 2014.

**7.5.4** On July 18, 2009, Gharibwal Cement Limited (GCL) has defaulted on account of payment of profit and principal due amounting to Rs. 3.67 million and Rs. 0.008 million respectively. However, the amount of principal has been subsequently paid by GCL on August 11, 2009. The Fund has recognized full provision against its investment and accrued profit in terms of provisioning policy of the Fund and applicable SECP Circulars. On March 01, 2013, the Fund has disposed these certificates at an agreed price of Rs.38 per certificate (amounting to Rs. 5.553 million) and recognized resulting proceeds as gain in these financial statements.

**7.5.5** On November 15, 2008, New Allied Electronics Industries (Private) Limited (NAEIL) defaulted on account of payment of mark-up and principal due amounting to Rs. 2.41 million and Rs. 5.42 million respectively. However, subsequently the Fund received partial payments against the outstanding mark-up. The Fund has recognized full provision against its investment and accrued profit in terms of provisioning policy of the Fund 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.

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

**7.5.6** On August 12, 2010 the Invest Capital Investment Bank Limited (ICIBL) (formerly known as Al Zamin Leasing Modaraba) has defaulted on repayment of principal and profit amounting to Rs 1.46 million and Rs 0.71 million respectively. The Fund has recognized full provision there against. On August 13, 2012, the Fund entered into an agreement with ICIBL whereby it was mutually agreed that the whole outstanding liability of the Fund i.e. profit and principal due amounting to Rs. 13.871 mil and Rs. 54.493 million respectively shall be settled against a sum of Rs. 13.623 million. The settled amount is duly received by the Fund and has recognized Rs 13.623 million as recovery against non-performing exposure.

**7.5.7** These represent term finance certificates of Flying Board and Papers Limited received in settlement of Letter of Placement with Saudi Pak Leasing Company Limited. The Fund has carried this certificates at Nil value. During the year the Fund has disposed these certificates to the Management Company at an agreed price of Rs. 2,750 per certificate (amounting to Rs. 22 million) and has recognized resulting proceeds as gain in these financial statements.

**7.5.8** On December 29, 2011, Eden Housing Limited (EHL) has defaulted on account of payment of mark-up and principal amounting to Rs. 0.69 million and Rs. 1.22 million respectively. However, both principal and profit due was subsequently paid by EHL. The Fund has recognized full provision against its investment and has suspended further accrual of mark-up there against such term finance certificates. During the year, the Fund has received all amounts from EHL and reversed the provision amounting to Rs. 6.294 million against the outstanding principle in accordance with the provisioning policy of the Fund 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.

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

**7.5.9** 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 all the amount as per restructured agreement from MLCFL and has reversed the provision amounting to Rs. 17.846 million thus maintained the provision of Rs. 61.361 million in aggregate against the outstanding principal in accordance with the provisioning policy of the Fund 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.

The above is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognized markup and other charges etc.

**7.5.10** On October 25, 2008, New Allied Electronics Industries (Private) Limited (NAEIL) had paid full mark-up amounting to Rs. 0.42 million, however, no payment was made against the principal due amounting to Rs. 0.63 million. The Fund has recognized full provision against its investment and has suspended further accrual of mark-up there against in accordance with the provisioning policy of the Fund 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.

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

- 7.5.11** This represents the term finance certificates of New Allied Electronics Industries (Private) Limited (NAEIL) which were transferred from AMZ Plus Income Fund (APIF) to the Fund on effective date of the merger. These certificates were held by APIF at Nil value. On November 20, 2012, APIF has received 64,000 certificates from Trust Investment Bank Limited (TIBL) in settlement of its Preference Shares. These certificates are also carried at Nil value and has been transferred to the Fund on the effective date of the merger.

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

- 7.5.12** On December 3, 2008, New Allied Electronics Industries (Private) Limited (NAEIL) had defaulted on payment of mark-up amounting to Rs. 3.25 million. However, subsequently the Fund had received partial payments against the accrued mark-up. The Fund has recognized full provision against its investment and accrued profit in terms of provisioning policy of the Fund 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. The above is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognized mark-up and other charges etc.

- 7.5.13** On September 14, 2011, Kohat Cement Company Limited has entered into a restructuring agreement according to which the payment of interest for first four quarters commencing September 20, 2011 will be deferred and retired through payments made from quarter beginning September 20, 2014 to the quarter ending June 20, 2016. The investment has been classified as performing by Mutual Fund Association of Pakistan (MUFAP).

- 7.5.14** On May 3, 2011 the Fund acquired 8,470 sukuks of Agritech Limited from KASB Islamic Income Opportunity Fund, a related party. Agritech Limited had defaulted in payment of mark up due on August 6, 2010 and was classified as non-performing at the time of acquisition by the Fund. The amount of investment has been fully provided by the Fund in accordance with the provisioning policy of the Fund and applicable SECP Circulars. 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 unrecognized mark-up and other charges etc.

- 7.5.15** On March 22, 2013 the Fund acquired 1,452 Term Finance Certificates of Agritech Limited from KASB Islamic Income Opportunity Fund, a related party. Agritech Limited had defaulted in payment of mark up and was classified as non-performing on January 17, 2011. The amount of investment has been fully provided by the Fund in accordance with the provisioning policy of the Fund and applicable SECP Circulars. 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 unrecognized mark-up and other charges etc.

**7.6 Unquoted Preference Shares - (Face value of Rs. 10 per share) - 'Available for sale'**

Name of the Investee Company	Number of shares				Balance as at June 30, 2013			Market value as a percentage of net assets
	As at July 01, 2012	Transferred from APIF (Refer to Note 1)	Sales during the year	As at June 30, 2013	Carrying cost	Market value	Appreciation/ (Diminution)	
					----- (Rupees in '000) -----			
First Dawood Investment Bank Limited	7.6.1	-	3,044,380	-	4,567	4,567	-	0.82%

**7.6.1** These are 5 years convertible, cumulative, non-voting, non participatory, callable preference shares carrying fixed dividend of 4% per annum on a cumulative basis payable annually. Call option for redemption of preference shares can be exercised by the borrower after two years from the date of issuance of preference shares at par value. A conversion option is also available to the Fund for conversion of preference shares into ordinary shares of First Dawood Investment Bank Limited (FDIBL) at par value exercisable at any time after the date of issuance of preference shares until the exercise of call option. Furthermore, the issuer, upon receiving the conversion notice from the investor, has an option to call the preference shares along with cumulative dividend. The Fund has received these preference shares in settlement of defaulted amount by the borrower amounting to Rs. 30.44 million against initial investment in unsecured placement with FDIBL. These preference shares are non performing and were transferred into the Fund from AMZ Plus Income Fund following the merger of the two Funds as detailed in note 1 to these financial statements at carrying value of Rs. 4.567 million as on the effective date of the merger.

These preference shares have been valued at break-up value of Rs.1.50 per share of FDIBL as per the audited accounts for the year ended June 30, 2012 in line with Regulation 66(j) of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and as per the discussion of the management of the Fund with SECP.

**7.7 Advance against Pre Initial Public Offer Investments**

Name of the Investee Company	Number of certificates				As at June 30, 2013			Carrying value as a percentage of net assets	Outstanding principal value as a percentage of total debt issue	
	As at July 01, 2012	Transferred from APIF (Refer Note 1)	Sales during the year	As at June 30, 2013	Carrying Cost	Market value	Appreciation/ (Diminution)			
					----- (Rupees in 000) -----					
Dewan Cement Limited	7.7.1	30,000	-	-	30,000	-	-	-	0.00%	3.00%
Dewan Cement Limited	7.7.2	-	10,000	-	10,000	-	-	-	0.00%	1.00%
					-	-	-			

**7.7.1** This represents investment in advance against 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 recognized full provision against its investment and has suspended accrual of markup there against in light of provisioning policy of the fund duly approved by the Board of Directors of the Management. Company.

Management is continuously monitoring the Fund's exposure to 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 unrecognized mark-up and other charges etc.

**7.7.2** On November 20, 2012, AMZ Plus Income Fund (APIF) has entered into settlement agreement with Trust Investment Bank Limited (TIBL) whereby TIBL has transferred its investment in Pre - IPO of Dewan Cement Limited to APIF in settlement against its Preference Shares. APIF has carried it at Nil value and has transferred it to the Fund on the effective date of the merger.

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

As at June 30, 2013, 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) -----				
Tricon Developers Limited	7.8.1	Unquoted ordinary shares	23,500	1,700	21,800	3.92%	3.86%
Agritech Limited	7.8.2	Quoted ordinary shares	41,544	-	41,544	7.46%	7.37%
First Dawood Investment Bank Limited	7.8.3	Preference Shares	4,567	-	4,567	0.82%	0.81%
Trust Investment Bank Limited	7.8.1	Receivable against lease facility	41,099	41,099	-	0.00%	0.00%
InvestCap Investment Bank Limited	7.8.4	DHA Golf Club Platinum Membership Cards	10,374	2,801	7,573	1.36%	1.34%
New Allied Electronics Industries (Private) Limited -I	7.8.5	Term Finance Certificate	90,000	90,000	-	0.00%	0.00%
KASB Modaraba	7.8.6	Certificate of Musharaka	-	-	-	0.00%	0.00%

**7.8.1** The SECP vide its letter no. SCD/AMCW/MF/DD-ZRK/APIF/333/2012 dated November 12, 2012 has granted exemption from holding such shares and lease portfolio in the Fund's portfolio.

**7.8.2** The SECP vide its letter no. SCD/AMCW/DD-ZRK/KFL/137/2012 dated May 16, 2012 has granted exemption from holding such shares in the Fund's portfolio.

**7.8.3** The SECP vide its letter no. SCD/AMCW/KASB/340/2012 has granted exemption for merger which includes transfer of First Dawood from AMZ Plus Income Fund.

**7.8.4** The SECP vide its letter no. SCD/AMCW/KAAF/417/2013 dated February 19, 2013 has granted exemption from holding such cards in the Fund's portfolio for three months. (Refe Note 8)

**7.8.5** This Term Finance Certificate (TFC) has been fully provided by the Fund, therefore, as per management the said the TFC is not violation of Regulation 55 of Non-Banking Finance Companies 2008.

**7.8.6** During the year, the Fund has invested in Certificate of Musharaka of KASB Modaraba (connected person) without Board approval and has taken exposure of said certificates more than 10% of the net assets, resulted in non-compliance with Regulations 59(1) and 55(5) of Non-Banking Finance Companies, 2008.

## 7.9 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, 2013 are as follows:

Name of security	Remaining principal (Per TFC/ Sukuk)	Mark-up rate (per annum)	Issue date	Maturity date
Pace Pakistan Limited	4,493	6 months KIBOR + 2%	February 15, 2008	February 15, 2017
Trust Investment Bank Limited	1,874	6 months KIBOR + 1.85%	July 04, 2008	July 04, 2013
Agritech Limited - TFC V Issue	5,000	11.00%	July 1, 2011	July 1, 2017
Avani Hotels Limited	1,861	1 year KIBOR + 2.5%	April 30, 2009	October 30, 2014
Kohat Cement Limited	758	6 months KIBOR + 2.5%	December 20, 2007	December 20, 2015
Security Leasing Corporation Limited	1,453	-	June 01, 2007	January 19, 2022
Eden Builders Limited	938	3 month KIBOR + 2.3%	September 08, 2008	March 08, 2014
Jahangir Siddiqui and Company Limited	2,495	6 month KIBOR + 1.7%	July 04, 2007	July 04, 2013
New Allied Electronics Industries Limited TFC	2,114	3 month KIBOR + 3%	May 15, 2007	May 15, 2011
New Allied Electronics Industries Limited Sukuk I	313	3 month KIBOR + 2.2%	July 27, 2007	July 27, 2012
New Allied Electronics Industries Limited Sukuk II	4,905	6 month KIBOR + 2.2%	December 03, 2007	December 03, 2012
Azgard Nine Limited	3,997	6 month KIBOR + 2.25%	December 04, 2007	4 December 2014
Agritech Limited	4,500	6 month KIBOR + 2%	August 06, 2008	August 06, 2015
Maple Leaf Cement Factory Limited - I	4,489	3 months KIBOR + 1%	December 03, 2007	December 03, 2018
Eden Housing Limited	1,875	6 month KIBOR + 2.5%	March 31, 2008	September 29, 2014
Saudi Pak Leasing Company Ltd.	3,035	-	March 13, 2008	March 13, 2017

### 7.10 Net unrealised appreciation in fair value of investments classified as 'available for sale'

	2013	2012
	(Rupees in '000)	
Fair value of investments	181,213	230,308
Less: cost of investments	(607,623)	(641,432)
	<b>(426,410)</b>	(411,124)
Net unrealised diminution in fair value of investments classified as 'available for sale' at beginning of the year	<b>411,124</b>	430,802
Provision against non-performing classified as 'available for sale' investments	<b>30,973</b>	9,316
	<b>442,097</b>	440,118
	<b>15,687</b>	28,994

### 7.11 Impairment against debt securities classified as 'available for sale'

Opening balance	472,638	466,710
Add: charge for the year	<b>30,973</b>	35,269
less: reversal for the year	<b>(65,316)</b>	(29,341)
	<b>(34,343)</b>	5,928
Closing balance	<b>438,295</b>	472,638

## 8. DHA GOLF CLUB PLATINUM MEMBERSHIP CARDS

On September 30, 2008 the Fund had invested in unsecured placements with InvestCap Investment Bank Limited (formerly Al-Zamin Leasing Corporation Limited) amounting to Rs. 50 million for a period of thirteen days. However, on respective maturity dates principal amounting to Rs. 30 million in aggregate was paid by the borrower and the remaining principal amounting to Rs. 20 million was rolled over several times with principal repayment of Rs. 9.6 million only. Due to delays in payments by the respective counter party, the Fund has recognised provision amounting to Rs. 2.075 million against such placements till 30 June 2012 and has suspended accrual of mark-up thereagainst in line with provisioning policy of the Fund duly approved by the Board of Directors of the Management Company.

On November 27, 2012, the Fund entered into settlement agreement with the counter party whereby it was agreed by the borrower to settle its total outstanding balance towards the Fund and KASB Asset Allocation Fund (fund under common management) against transfer of 27 Defence Housing Authority (DHA) Golf Club Platinum Membership Cards at an agreed price of Rs. 1.851 million for each card. On November 30, 2012, the Trustee received the agreed Platinum DHA Golf Club Membership Cards. On January 21, 2013 The Trustee of the Fund granted consent on above settlement subject to the approval of SECP. The SECP vide letter no. SCD/AMCW/KAAF/417/2013 dated February 19, 2013 approved such settlements subject to the following conditions:

- i) DHA Golf Club Membership cards shall not be valued at the price more than the gold price published / disclosed on the website of Defense Housing Authority or any other price / criteria that the SECP may allow.
- ii) Any change in the valuation or provisioning on those membership cards will be first approved by the SECP.
- iii) The management company shall made active efforts to sell the membership cards at earliest and in the best interest of the unit holders.
- iv) The management company shall disclose the book and market value of the membership cards in the published accounts of the Fund.

Accordingly, the Fund has recognized such Cards at value of Rs. 1.35 million per Card based on the price of Gold Card available on DHA GOLF Club's website and has recognized further provision amounting to Rs. 0.726 million thereagainst. The above approval from SECP expired on May 19, 2013 against which the management company requested an extension vide letter dated May 17, 2013, to which SECP has not acceded through its letter SCD/AMCW/KAAF/569/2013 dated June 3, 2013. The SECP has further advised management to immediately sell the Cards through transparent and fair process with the approval of Trustee of the Fund under intimation to SECP.

Subsequent to year end, the management company vide its letter no. KFL/SMN/1307/3 dated July 19, 2013 has apprised the SECP with respect to its efforts for selling such cards and further informed that taking a cautious approach the investment committee has decided to make a provision against the valuation of these cards, valuing them at Rs. 1 million each. The said provision has been recognised amounting to Rs. 1.972 million as at June 30, 2013. The management company has not obtained prior SECP approval against such provision as required under the SECP letter dated February 19, 2013 and has admitted the said fact in its aforementioned intimation letter to the SECP.

### 8.1 Reconciliation between net assets announced at year end June 30, 2013 and net assets value reported in these financial statements

	Net Assets Value (Rupees in '000)	Net Assets Value per unit (Rupees)
Net Assets Value announced by the Fund at year end June 30, 2013	558,695	80.45
Less: provision against DHA Golf Club Platinum Membership Cards	(1,972)	(0.28)
Net Assets Value as disclosed in these financial statements	<u>556,723</u>	<u>80.17</u>

## 9. PLACEMENTS

Due to continuous defaults in repayment of principal by Saudi Pak Leasing Company (SPLC) and Trust Investment Bank Limited (TIBL), the Fund has recognized full provision against their outstanding principal amounting to Rs. 86 million and Rs. 3.5 million respectively.

On December 28, 2011 the Fund entered into settlement agreement with SPLC whereby term finance facility as detailed in note 10 was received by the Fund. The balance of Rs. 10 million is to be paid in monthly instalments of Rs 0.375 million each till March 31, 2014 and remaining balance of Rs. 10.428 million is still outstanding there against. In view of irregularities in repayments made by SPLC in past, currently the Fund is recognizing those payments on receipt basis. During the year, the Fund has received Rs. 4.5 million (Rs. 10.908 million in aggregate) against the aforesaid exposure.

## 10. TERM FINANCE FACILITY

This represents term finance facilities availed by Wisdom Education System (Private) Limited (WESPL) from Saudi Pak Leasing Company Limited (SPLC). On June 11, 2012, the Fund has entered into novation agreement with SPLC whereby rights of SPLC to term payments from WESPL stand transferred to the Fund. The novation agreement was part of settlement against the Fund's investment in the letter of placement with SPLC. The principal amount will be repaid by WESPL till October 31, 2016 and carrying mark-up at 15% per annum. During the year, the Fund has received Rs. 4.5 million from WESPL as repayment of principal. However, in view of irregularities in payment of outstanding principal by WESPL, the Fund has fully provided the outstanding principal amounting to Rs. 45.787 million in line with the provisioning policy of the Fund duly approved by the Board of Directors of the Management Company and will account for recovery, if any, on receipt basis.

## 11. RECEIVABLE AGAINST LOAN

On August 3, 2012, the Fund has entered into an agreement with Security Leasing Corporation Limited (SLCL) in which it was mutually agreed that the previous agreement to transfer of redeemable preference shares was cancelled and a new arrangement was settled. According to the new arrangement, the Fund is entitled to receive an amount of Rs. 25 million (interest free) through 96 monthly instalments. As at June 30, 2013, the receivable from SLCL has been valued by applying discount rate of 20% to the future receipts in line with the decision of the Investment Committee of the Fund to which Trustee to the Fund has acceded after allowing provision of Rs. 2.5 million there against. The said loan is transferred to the Fund following the merger of AMZ Plus Income Fund into the Fund as detailed in note 1 to these financial statements.

## 12. RECEIVABLE AGAINST LEASE FACILITY

On November 20, 2012, the Fund has entered into settlement agreement with Trust Investment Bank Limited (TIBL) against its Preference Shares. As per the settlement arrangement TIBL has transferred certain lease facilities from its portfolio of leases to APIF. APIF has carried those lease facilities portfolio at Nil value and has transferred to the Fund on the effective date of the merger. The following leases were transferred to APIF from TIBL:

Type of Investment	Name of the Party	Lease receivable	Book value as at June 30, 2013
		------(Rupees)-----	
Lease facility	Ahmed Cold Agency	3,394,597	-
Lease facility	Alvi Transport	3,305,535	-
Lease facility	Anwar Kamal	9,217,428	-
Lease facility	Gul Azam Enterprises	5,143,218	-
Lease facility	Jahangir & Co.	6,996,405	-
Lease facility	Shah Mehmood Khan Transport Company	7,882,968	-
Lease facility	Malik Ahsan Awan Transport Company	3,529,465	-
Lease facility	Shad Muhammad	1,629,790	-
		<b>41,099,406</b>	<b>-</b>

The Securities and Exchange Commission of Pakistan vide its letter no. SCD/AMCW/MF/DD-ZRK/APIF/333/2012 dated November 12, 2012 has provided its consent to hold the lease receivables in the Fund's portfolio. The proceed will be recognized against above facility on receipt basis.

## 13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposit with National Clearing Company of Pakistan Limited	13.1	5,375	125
Deposit with Central Depository Company of Pakistan Limited	13.2	200	100
Prepaid expense		176	-
		<b>5,751</b>	<b>225</b>

13.1 This represents deposit with National Clearing Company of Pakistan Limited in respect of Bond Automated Trading System (BATS).

13.2 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.



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

Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter, of an amount equal to two percent of such assets of the Fund. During the year, remuneration of Management Company is charged at the rate of 2 percent per annum of the average annual net assets of the Fund. This also includes Sindh Sales Tax at the rate of 16% on services rendered by management company, levied by the provisional government of Sindh. The amendment was effective from July 1, 2011. This further includes Federal Excise Duty on the remuneration of the management company, levied by the federal government of Pakistan, at the rate of 16% through enactment of Finance Bill, 2013 effective from June 13, 2013.

#### 15. PAYABLE TO TRUSTEE OF THE FUND

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. The following tariff structure as amended by the Trustee of the Fund vide letter no. CDC/T&C-UI/DH/328/2010 dated December 18, 2010 is applicable based on net assets of the Fund.

Net Assets of the Fund (Average NAV)	Tariff per annum
Up to Rs. 1,000 million	Rs. 0.6 million or 0.17% p.a. of NAV, whichever is higher
Rs. 1,000 million to 5,000 million	Rs. 1.7 million plus 0.085% p.a. of NAV exceeding Rs. 1,000 million
On an amount exceeding 5,000 million	Rs. 5.1 million plus 0.07% p.a. of NAV exceeding Rs. 5,000 million

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

Under the provisions of the NBFC Regulations, 2008, income fund is required to pay an amount equal to 0.075% of the average annual net assets of the Fund, as annual fee to the SECP.

#### 17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2013	2012
	(Rupees in '000)	
Auditors' remuneration payable	678	335
Legal and professional charges payable	220	210
Provision for Workers' Welfare Fund	18	4,522
Others	337	311
	<u>5,757</u>	<u>4,228</u>

## 18. CONTINGENCIES AND COMMITMENTS

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 adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 8, 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

Subsequent to the year ended June 30, 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However constitutional petition filed by the CISs are still pending for adjudication. During the year, the Fund has recognized WWF amounting to Rs.1.15 million representing charge pertaining to period from November 25, 2010 to November 30, 2012 in order to effect merger of the Fund in to AMZ Plus Income Fund. Subsequent to merger the Fund has discontinued accrual of WWF charge amounting to Rs.1.41 million pertaining to period from December 1, 2012 to June 30, 2013 in view of uncertainty on applicability of WWF on mutual funds and impending decision of the Court. Had the Fund has recognized WWF charge the net assets of the Fund and net income of the Fund would have been lower by Rs.1.41 million.

## 19. NUMBER OF UNITS IN ISSUE

	2013	2012
	(Units)	
Total outstanding at the beginning of the year	5,597,872	6,869,939
Sales during the year	5,575,349	1,145,971
Redemption during the year	(4,230,493)	(2,418,038)
Bonus units issued	1,982	-
Total units in issue at the end of the year	<u>6,944,710</u>	<u>5,597,872</u>

Face value of the unit is Rs. 100 each.

## 20. LIABILITIES WRITTEN BACK

This represent unclaimed liabilities appearing in the books of Fund pertaining to period 2010. The liability was appearing in the books of AMZ Plus Income Fund (APIF) and was transferred to the Fund on the effective date of merger. Based on legal advise, the management has reversed the amount as they consider it as time barred.

**21. AUDITORS' REMUNERATION****2013**      **2012**  
**(Rupees in '000)**

Audit fee	<b>350</b>	275
Half yearly review	<b>110</b>	80
Other certifications and services	<b>70</b>	60
Out of pocket expense	<b>63</b>	40
	<b><u>593</u></b>	<b><u>455</u></b>

**22. 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.

**23. ACCUMULATED INCOME / (LOSSES) BROUGHT FORWARD / CARRIED FORWARD**

As per Schedule V to the NBFC Regulations 2008, undistributed income / (losses) brought forward / carried forward needs to be bifurcated in to realized and unrealized gains / (losses). However, it has not been bifurcated as management consider it impracticable to do so.

**24. 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.

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

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 and officers of the Management Company, 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:

<b>25.1 Transactions with related parties / connected persons during the year:</b>	<b>2013</b>	<b>2012</b>
	<b>(Rupees in '000)</b>	
<b>KASB Funds Limited</b>		
Remuneration expense	<u>8,947</u>	<u>7,849</u>
Conversion in the Fund: 542,951 units (2012: 287,699 units)	<u>28,293</u>	<u>15,000</u>
Conversion out of the Fund: 160,757 units (2012: Nil)	<u>12,150</u>	<u>-</u>
Redemption from the Fund: 164,686 units (2012: 287,699 units)	<u>12,451</u>	<u>19,192</u>
Sale of fixed income and other debt securities	<u>22,000</u>	<u>-</u>
	7.5.7	
<b>KASB Bank Limited</b>		
Bank charges	<u>19</u>	<u>14</u>
Profit received on bank deposits	<u>6,895</u>	<u>6,559</u>
Dividend paid	<u>1,008</u>	<u>-</u>
<b>KASB Securities Limited</b>		
Brokerage expense	<u>5</u>	<u>12</u>
Conversion in the Fund: 51,737 units (2012: Nil)	<u>3,723</u>	<u>-</u>
Redemption from the Fund: 51,737 units (2012: Nil)	<u>3,710</u>	<u>-</u>
	25.3	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	<u>755</u>	<u>672</u>
CDS charges	<u>11</u>	<u>6</u>
	15	
<b>KASB Modaraba</b>		
Investment made in certificate of musharaka	<u>80,000</u>	<u>-</u>
<b>KASB Islamic Income Opportunity Fund</b>		
Purchase of fixed income and other debt securities	<u>363</u>	<u>-</u>
	7.5.15	
<b>Sigma Corporation Limited</b>		
Investment in the Fund: 1,497,398 units (2012: Nil)	<u>100,000</u>	<u>-</u>
Redemption from the Fund: 1,262,143 units (2012: Nil)	<u>84,929</u>	<u>-</u>
<b>Mr. Abdul Rashid / Khadija</b>		
Investment in the Fund: 800,219 units (2012: Nil)	<u>60,000</u>	<u>-</u>
Conversion in the Fund: 1,419,007 units (2012: Nil)	<u>104,984</u>	<u>-</u>
Conversion out of the Fund: 800,219 units (2012: Nil)	<u>60,575</u>	<u>-</u>
<b>Directors &amp; officers of the management company</b>		
Conversion in the Fund: 28,900 units (2012: 4,570 units)	<u>2,079</u>	<u>300</u>
Redemption from the Fund: 18,379 Units (2012: Nil)	<u>1,329</u>	<u>-</u>

<b>25.2 Balances with related parties / connected persons at year end:</b>		<b>2013</b>	2012
		<b>(Rupees in '000)</b>	
<b>KASB Funds Limited</b>			
Payable to Management Company of the Fund	14	<u>1,149</u>	731
Units held: 217,508 units (2012: Nil)		<u>17,336</u>	-
<b>KASB Bank Limited</b>			
Bank balance	4	<u>291,161</u>	36,338
Profit receivable on bank deposits	25.4	<u>1,790</u>	413
Units held: 3,361,101 units (2012: 3,361,101 units)		<u>270,398</u>	228,149
<b>KASB Securities Limited</b>			
Brokerage payable	25.3	<u>7</u>	6
<b>Central Depository Company of Pakistan Limited - Trustee</b>			
Payable to Trustee of the Fund	15	<u>76</u>	59
Security deposit	13.2	<u>200</u>	100
<b>Sigma Corporation Limited</b>			
Units held: 235,256 units (2012: Nil)		<u>18,751</u>	-
<b>Mr. Abdul Rashid / Khadija</b>			
Units held: 1,419,007 units (2012: Nil)		<u>114,158</u>	-
<b>Directors &amp; officers of the management company</b>			
Units held: 15,112 units (2012: 4,570 units)		<u>1,204</u>	310

**25.3** 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.

**25.4** The rate of return on this deposit is 8% to 9% per annum (2012: 10% to 11% per annum).

## **26. 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

## 26.1 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.

### *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, 2013, the investment in debt securities exposed to interest rate risk is detailed in Notes 7.3, 7.5 and 7.7 to these financial statements.

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

In case of 100 basis points increase / decrease in KIBOR and MTS Lending rate on June 30, 2013, 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. 0.251 million (2012: Rs. 1.433 million).

The composition of the Fund's investment portfolio and KIBOR / MTS lending rates is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2013 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, 2013, with all other variables held constant, the net income for the year and net assets would be lower / higher by Nil (2012: Rs. 0.023 million). 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, 2013 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 investment 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, 2013, 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, 2013, net income and net assets of the Fund would increase / decrease by Rs. 0.709 million (2012: Nil) as a result of gains/losses on equity securities at fair value through profit or loss.

## **26.2 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 Investment, Placements, Term finance facility, Receivable against loan, Receivable against lease facility and Deposits and other receivables. The credit exposures arises from investment in debt securities (before impairment) as defined in Notes 7.3, 7.5 and 7.7 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 in terms of Circular 1 of 2009 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.

#### *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 Investment, Placements, Term finance facility, Receivable against loan, Receivable against lease facility and Deposits and other receivables in Statement of Assets and Liabilities. The credit exposure arises from investment in debt securities is detailed in note 7.3, 7.5 and 7.7 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.

#### *Balances with bank*

As at June 30, 2013, 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.

#### *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 Circular 1 of 2009, Circular 33 of 2012 and Circular 35 of 2012 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 Investment as at June 30:

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

	<b>2013</b>	<b>2012</b>
	<b>(Percentage)</b>	
AA+	-	0.54
AA	<b>16.52</b>	15.05
AA-	-	-
A	<b>5.97</b>	6.32
A-	<b>33.56</b>	32.89
A1+	-	-
BBB	-	-
BBB-	-	7.09
Non Investment Grade	<b>8.03</b>	2.23
Non rated	<b>10.43</b>	7.98
Non-performing	<b>25.49</b>	27.90

#### *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 2013 and 2012 except for the exposures and the provisions there against as provided in note 7.3, 7.5 and 7.7. 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, 2013 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.

### **26.3 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.

	<b>June 30, 2013</b>			
	<b>Up to three months</b>	<b>More than three months and up to one year</b>	<b>More than one year</b>	<b>Total</b>
	----- <b>(Rupees in '000)</b> -----			
Payable to Management Company of the Fund	<b>1,149</b>	-	-	<b>1,149</b>
Payable to Trustee of the Fund	<b>76</b>	-	-	<b>76</b>
Accrued expenses and other liabilities	<b>1,235</b>	-	-	<b>1,235</b>
	<b>2,460</b>	-	-	<b>2,460</b>

	June 30, 2012			Total
	Up to three months	More than three months and up to one year	More than one year	
	------(Rupees in '000)-----			
Payable to Management Company of the F	731	-	-	731
Payable to Trustee of the Fund	59	-	-	59
Accrued expenses and other liabilities	856	-	-	856
	<u>1,646</u>	<u>-</u>	<u>-</u>	<u>1,646</u>

#### 26.4 Financial instruments by category

As at June 30, 2013, 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, 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	291,177	-	-	291,177
Lending under Margin Trading System	38,096	-	-	38,096
Income receivable	34,260	-	-	34,260
Investments	-	-	181,213	181,213
Receivable against loan	7,942	-	-	7,942
Deposits and other receivables	5,575	-	-	5,575
	<u>377,050</u>	<u>-</u>	<u>181,213</u>	<u>558,263</u>

	June 30, 2013		Total
	Liabilities at fair value through profit or loss	Other financial liabilities	
	------(Rupees in '000)-----		
<b>Liabilities</b>			
Payable to Management Company of the Fund	-	1,149	1,149
Payable to Trustee of the Fund	-	76	76
Accrued expenses and other liabilities	-	1,235	1,235
	<u>-</u>	<u>2,460</u>	<u>2,460</u>

June 30, 2012			
Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
------(Rupees in '000)-----			
<b>Assets</b>			
Balances with banks - saving accounts	36,338	-	36,338
Income receivable	18,239	-	18,239
Investments	-	32,550	230,654
Certificate of Investment	13,448	-	13,448
Term Finance Facility	53,837	-	53,837
Deposits and other receivables	225	-	225
	<u>122,087</u>	<u>32,550</u>	<u>230,654</u>
			<u>385,291</u>

June 30, 2012			
Liabilities at fair value through profit or loss	Other financial liabilities	Total	
------(Rupees in '000)-----			
<b>Liabilities</b>			
Payable to Management Company of the Fund	-	731	731
Payable to Trustee of the Fund	-	59	59
Accrued expenses and other liabilities	-	856	856
	<u>-</u>	<u>1,646</u>	<u>1,646</u>

#### 26.5 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.

#### 27. 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)



**29.2 List of top ten brokers / dealers by percentage of commission paid****2013  
(Percentage)****Broker Name**

JS Global Capital Limited	57.5
Invest & Finance Securities Limited	17.71
KASB Securities Limited	16.23
Alfalah Securities (Pvt.) Limited	5.9
Invest Capital Invest Bank Ltd.	1.51
Invest One Market Ltd.	1.15

**2012  
(Percentage)****Broker Name**

Invest & Finance Securities Limited	33.96
KASB Securities Limited	30.39
JS Global Capital Limited	21.24
BMA Capital Management Limited	9.22
Global Securities Pakistan Limited	2.83
Alfalah Securities (Pvt.) Limited	1.48
Optimus Capital Markets Limited	0.88

**29.3 Meeting of Board of Directors of Management Company**

Name of the person	Designation	Meetings		
		Total	Attended	Leave granted
Mr. Robert John Richard Owen	Chairman	8	6	2
Mr. Muzaffar Ali Shah Bukhari	Director	8	7	1
Mr. Qaisar P. Mufti	Director	8	8	-
Mr. Amer Maqbool	Chief Executive and Director	8	8	-
Adnan Abdali	Chief Financial Officer and Company Secretary	8	8	-

**Dates of the meetings of the Board of Directors**

The 60th, 61st, 62nd, 63rd, 64th, 65th, 66th and 67th Board meetings were held on July 5, 2012, August 29, 2012, September 14, 2012, October 4, 2012, October 24, 2012, February 21, 2013, April 8, 2013 and April 29, 2013 respectively.

**29.4 Details of Members of Investment Committee**

Name	Designation	Qualification	Experience (Years)
Amer Maqbool	Chief Executive Officer	MBA	17
Hussain Jaffer Ali Khoja	Head of Investments	ACCA	10
Mohsin Raza Wasaya	Fund Manager	B.Com	6
Syed Adnan Abdali	Chief Financial Officer	ACMA	9
Adnan Akhtar Mannan	Compliance Manager	ACCA	10

The Board of Directors in its 67th meeting held on April 29, 2013 deferred its decision of composition of Investment Committee.

However, Board of Directors in its 68th meeting held on July 4, 2013 approved composition of Investment Committee and its investment decisions retrospectively.

**29.4.1 Details of other funds managed by the Fund Manager**

KASB Islamic Income Opportunity Fund and KASB Asset Allocation Fund under the management of KASB Funds Limited.

**30. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 27 2013.

**For KASB Funds Limited  
(Management Company)**