

KASB BALANCED FUND

ANNUAL REPORT
JUNE 30, 2008

MANAGED BY



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Fund Information

Management Company
KASB Funds Limited

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

Principal Office:
11th Floor, Trade Centre, I. I. Chundrigar Road,
Karachi-74200, Pakistan
UAN: (92-21) 111 535 535
Fax: (92-21) 263 9188
URL: www.kasb.com

Board of Directors of KASB Funds Limited
Mr. Robert Owen – *Chairman*
Ms. Naz Khan – *Director & Chief Executive*
Mr. Farid Arshad Masood – *Director*
Mr. Syed Muhammad Rehmanullah – *Director*

Chief Financial Officer
Mr. Muhammad Imran Khalil

Company Secretary
Mr. Irfan Saleem Awan

Audit Committee
Mr. Farid Arshad Masood – *Chairman*
Mr. Robert Owen – *Member*
Mr. Syed Muhammad Rehmanullah – *Member*

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

Bankers to the Fund
KASB Bank Limited

Auditors
KPMG Taseer Hadi & Co. - Chartered Accountants
First Floor, Shiekh Sultan Trust Building No.2,
Beaumont Road, P.O.Box 8517, Karachi

Legal Advisor
Bawaney & Partners
Room No. 404, 4th Floor, Beaumont Plaza, 6-cl-10,
Beaumont Road, Civil Lines, Karachi-75530

Registrar
Noble Computer Services (Pvt.) Limited
2nd Floor, Sohni Centre, BS 5 & 6, Main Karimabad,
Block-4, Federal B. Area, Karachi-75950, Pakistan

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

Management Company Rating -
Rated AM2- by JCR-VIS
Rated AM3 + by PACRA

Mission Statement

KASB Balanced Fund seeks to generate regular income together with long term capital appreciation by investing in income bearing securities as well as equities.

Report Of The Directors Of The Management Company For KASB Balanced Fund

The Board of Directors of KASB Funds Limited (KFL), the Management Company of KASB Balanced Fund (KBF, the Fund), is pleased to present the first Annual Report, together with the audited financial statements of the Fund for the period from December 10, 2007 to June 30, 2008.

Financial Highlights

	From December 10, 2007 to June 30, 2008
Net loss (Rs. in Million)	3.12
Net Assets as at June 30 (Rs. in Million)	1,124
NAV per Unit as on June 30 (Rs.) *	49.87
Return	-0.26%

* Par value of each unit is Rs. 50.

Economic Environment

A global economic slowdown led by a spike in food and oil prices as well as the US sub-prime issue affected most economies including Pakistan's. The rising commodity prices posed a challenging economic environment for FY08, resulting in double digit inflation, the widening of the current and fiscal deficits, depletion of FX reserves and depreciation of the currency. The Central Bank moved aggressively by hiking interest rates twice during the year taking the discount rate up from 10% to 12% and squeezing liquidity from the system through increase in reserve requirements. At the same time, the Ministry of Finance reduced its growth outlook for FY09 to 5.5% after achieving a growth rate of 5.8% for FY08.

Capital Market

The KSE 100 was one of the only indices to post a positive return for CY 08 in the region until April, whilst other regional markets took a severe downturn. FY08 also saw the KSE 100 make its all time high of 15,676 pts on April 18. However, as the macroeconomic issues came to the forefront and the Central Bank took tightening measures, the market reacted sharply bringing the sustained rally to an end. In addition, an uncertain political environment added to bearish outlook and the market closed at 12,289 points (-10.77% YoY), the first negative YoY performance of the KSE in the last 5 years.

The negative outlook on the economy was witnessed in the poor performance of the banking sector in the KSE 30 Index, where the banking sector has the heaviest weight. The KSE 30 ended the fiscal year with -15.70% YoY growth. While the oil and gas E & P sector's attractiveness increased with the rising oil prices, the banking, cement, textile and auto sectors' downturn kept the sentiment negative. In addition, slowdown in regional and global markets saw a net outflow in foreign investment, resulting in a further decline in Pakistani equities.

Investment Strategy

KBF aims to achieve the objective of generating regular income together with capital appreciation. The Fund invests a maximum of 70% and a minimum of 60% in fixed income together with a maximum of 40% and a minimum of 30% in equities. On the income side, the fund invests both in shorter duration and longer duration debt instruments as well as fixed income transactions in the capital market to achieve consistent income for Unit Holders keeping in view capital preservation. On the equity side, the Fund invests in fundamentally undervalued stocks that have business growth prospects corresponding with good earnings growth while also considering qualitative factors such as the quality of the management.

The income portion of KBF was invested in floating rate instruments and short tenor placements to benefit from the rising interest rate scenario. While the equity market is at attractive levels in fundamental terms, the sentiment and political/ economic developments remain discouraging. We continue to follow stock-specific, fundamentals driven strategy to outperform the benchmark.

Fund Performance

The Fund has earned a return of -0.26% for the period under review against the benchmark (65% 1 Month KIBOR + 35% KSE-30) return of -1.57% resulting in into an out performance of 1.31%. The positive alpha has been a result of a research driven strategy for both equity and fixed income markets. The Net Asset Value per unit of the Fund at the close of the period stood at Rs. 49.87. The net loss before distribution for the period from December 10, 2007 to June 30, 2008 was Rs. 3.12 million. Term Finance Certificates and Sukuk Certificates contributed Rs. 7.69 million, Placements with financial institutions contributed Rs. 11.53 million towards the income, dividend income was Rs. 3.11 million, profit on bank deposits was Rs. 10.09 million and income from Continuous Funding System (CFS) was Rs. 8.03 million.

Income Distribution

As the Fund has incurred a net loss for the year, therefore no dividend was declared by the Board of Directors of KASB Funds Limited for the financial year ended June 30, 2008.

Sale and redemption of units

KBF was publicly launched on December 31, 2007 with a fund size of Rs. 1,027 million which increased by 9.44% to close at Rs. 1,124 million on June 30, 2008. During the period, units worth Rs. 1,813.93 million were issued and units with a value of Rs. 678.382 million were redeemed. As on June 30, 2008, the total number of outstanding units was 22,540,006 with a value of Rs. 1,124 million.

Code of Corporate Governance

The Board of Directors states that:

- The Financial Statements prepared by the Management Company, present fairly the state of affairs of the Fund and results of its operations, cash flows and movement in unit holders' fund.
- Proper books of accounts of the Fund have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable prudent judgments.
- Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2007, requirements of the Funds' Constitutive Documents and the directives issued by the Securities and Exchange Commission of Pakistan have been followed in the preparation of the Financial Statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the Fund's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Report Of The Directors Of The Management Company For KASB Balanced Fund

- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements;
- i. Key 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 the unit holding, as required by the code of corporate governance is enclosed.

Meetings of the Directors

Statement showing attendance of the directors in the meetings of the Board of Directors from December 10, 2007 to June 30, 2008 is disclosed in note 26 of the financial statements.

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

Pattern of Holding

The pattern of holdings (units) presents a diversified investor base. As on June 30, 2008, banks and financial institutions held 52.27% out of the total units; individuals 24.52% units; insurance companies, modarabas and mutual funds 12.99% units; 10.22% units were held by retirement funds, other corporate sector entities and non profit organisations. Detailed pattern is also annexed.

For and on behalf of the Board

August 20, 2008
Karachi

Future Outlook

The combination of global macro challenges and political uncertainty on the domestic front has put the economy through challenging times. Inflationary pressures are expected to persist through most of the year as oil subsidies will be revoked. The large trade and fiscal deficits leave the government with little fiscal space and will force the government to raise external and domestic debt. Therefore, interest rates are expected to remain firm, which will favourably impact the returns on your fund. At the same time, the economic consolidation and tighter credit conditions will require more prudent credit risk management and investment in quality instruments. The stock market is trading at around 7x forward earnings, 1.7x forward book value and giving a forward dividend yield of about 9%, very attractive levels when seen in Pakistan's historical context as well as in a regional context. As political uncertainty abates and the economic environment improves the market should respond positively.

Auditors

The Audit Committee of the Board of Directors recommended the re-appointment of M/s KPMG Taseer Hadi & Co. – Chartered Accountants as auditors of KASB Balanced Fund for the financial year ending June 30, 2009. The Board has approved the appointment.

Acknowledgement

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

Naz Khan
Chief Executive Officer

Details Of Pattern Of Holding (Units) As At June 30, 2008

	Units Held	Units Held (%)
Associated companies		
KASB Bank Limited	5,012,705	22.24
KASB Capital Limited	1,350,338	5.99
KASB Funds Limited Employees' Provident Fund	7,882	0.03
Director		
Mr. Farid Arshad Masood	14,733	0.07
Banks and Financial Institutions	5,416,920	24.03
Individuals	5,514,960	24.47
Retirement Funds	1,501,860	6.66
Insurance Companies	2,871,257	12.74
Modarabas and Mutual Funds	56,721	0.25
Other Corporate Sector Entities	473,754	2.10
Non Profit Organisations	318,876	1.42
TOTAL	22,540,006	100.00

Performance Table

	2008
Total net asset value as at June 30 (Rs. '000)	1,124,019
Net asset value per unit as at June 30 (Rs.)	49.87
Selling price for units as at June 30 (Rs.)	50.89
Repurchase price for units as at June 30 (Rs.)	49.87
Highest selling price per unit (Rs.)	54.89
Lowest selling price per unit (Rs.)	49.38
Highest repurchase price per unit (Rs.)	53.79
Lowest repurchase price per unit (Rs.)	48.39

Return since inception is -0.26 %

Launch date of the Fund is December 31, 2007

Disclaimer:

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

Annual Fund Managers' Report

Investment Objective

The Fund seeks to generate regular income together with long term capital appreciation by investing in income bearing securities as well as equities.

Inception Date

December 31, 2007

Type & Category of Fund

Open-ended balanced

Benchmark

65% 1 month KIBOR + 35% KSE 30 Index

Fund Size

PKR 1,124 million

Current NAV

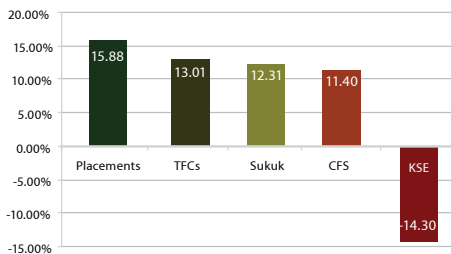
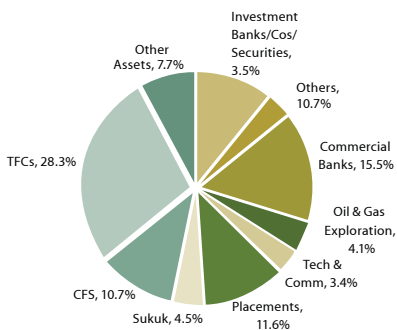
PKR 49.87 (30-06-08)

Load Structure

Front-end 2.0%
Back-end Nil

Performance Return (Absolute)

	KBF	Benchmark
Since inception	-0.26%	-1.57%
For month	0.32%	1.25%
Last 15 days	-1.93%	-1.75%

Average Return on Investments**Asset Allocation as at June 30, 2008****Accomplishment Of Objective**

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

Strategies And Policies Employed During The Period

The fund invested a maximum of 70% and a minimum of 60% in fixed income together with a maximum of 40% and a minimum of 30% in equities. On the Income side, the fund invested both in shorter duration and longer duration debt instruments as well as fixed income transactions in the capital market to achieve consistent income for Unit Holders. On the equity side, the Fund invested in fundamentally undervalued stocks that had business growth prospects corresponding with good earnings growth while also considering qualitative factors such as the quality of the management.

Review Of The Markets Invested In

Interest rates in the Income market continued their steady rise throughout the year as the central bank implemented a tight monetary policy in line with rising inflation numbers through the year. Pakistan's economy is facing tough times with rising twin deficits, falling import cover and three decade high inflation due largely to rising international energy and commodity prices. During the year, M2 growth managed to close below the 14% target, however, gov. borrowings of about Rs650bn were substantially above target and resulted in mere money printing, which also contributed to inflationary pressures in the economy. While all time high oil and food prices continued to inflict pain; lack of external inflows added to pressures on the country's foreign exchange reserves and the currency. However, thanks to the buoyant services sector, real GDP growth managed to close at a decent 5.8%. We believe rates would continue to remain on the higher side during the ongoing fiscal year and offer attractive investment opportunities to investors.

While the first half of FY08 was largely flat, the second half witnessed a meltdown in the stock market as an uncertain political environment continued even with fair and free elections in February and economic indicators continued to deteriorate.

Moreover, continued monetary tightening by the central bank, which increased discount rate by 250bps during FY08, also played its part in making equities as an asset class less attractive. Market capitalization of the Karachi Stock Exchange declined by 17% during the year to close at US\$55.3 billion while the KSE-100 Index couldn't sustain its upward momentum witnessed in the third quarter of the fiscal and closed the fiscal year at 12,289 points level, down 22% from its peak. We believe sectors such as oil and gas exploration, fertilizer and even banks offer great opportunities as they are trading at a steep discount to both historical multiples and regional peers, while the market as a whole offers ideal opportunities for long term portfolio building.

Fund Performance

KBF earned a return of -0.26% since its inception in December 2007 as against a benchmark return of -1.57%. This resulted in an out performance of 1.31%. The AUM of the fund grew from PKR 976 million at the time of inception to PKR 1,124 million at the end of the period.

Significant Changes In Asset Allocation During The Period

No significant changes took place during the period.

Distribution

No distribution was made for the fund during the period.

Unit Splits

There were no unit splits during the period.

Significant Changes In The State Of Affairs

There were no significant changes in the state of affairs during the period under review.

Circumstances Materially Affecting The Interests Of Unitholders

Any significant change in market rates of the instruments invested in and any significant change in the credit profile of the counterparties can materially affect the interests of unitholders.

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

Report of the Trustee pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

KASB Balanced Fund (Fund), an open-end scheme was established under a trust deed dated October 25, 2007 executed between KASB Funds Limited, as the management company and Central Depository Company of Pakistan Limited, as the trustee.

In our opinion, the management company has in all material respects managed the Fund during the period from December 10, 2007 to June 30, 2008 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, 2007 and the constitutive documents of the Fund.

Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 17, 2008

Statement Of Compliance With The Code Of Corporate Governance

This Statement is being presented to comply with the Code of Corporate Governance ("the Code") contained in Regulation No. 37 of Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited ("KSE" or "the Stock Exchange"). The purpose of the Code is to establish a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

KASB Funds Limited ("the Company"), which is a Unlisted Public Limited Company, is the Management Company of KASB Balanced Fund ("the Fund"). The Fund is a unit trust scheme whose units are listed on the Stock Exchange. As the Fund does not have its own Board of Directors, the Board of Directors ("the Board") of the Management Company manages the affairs of the Fund.

The Management Company has applied the principles contained in the Code to the Fund, whose units are listed on the Stock Exchange, in the following manner:

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. All the directors except the Chief Executive Officer (CEO) are non-executive directors and none of the directors represent minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies in Pakistan, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. There was no casual vacancy during the period.
5. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Management Company.
6. The Board has developed a vision/mission statement and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. 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. An orientation course was conducted in a meeting of the Board held on September 07, 2007, to apprise them of their duties and responsibilities.
10. The Board has approved the appointment of the CFO, Company Secretary and the Internal Auditors including their remuneration and terms and conditions of appointment.
11. The Directors' report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit-holding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code as applicable to the Fund.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of the interim and final results of the Fund as required by the Code. The terms of reference of the Audit Committee have been formed and advised to the Committee for compliance.
17. The Management Company has outsourced the internal audit function to a firm of Chartered Accountants which is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Fund.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold Units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors of the Fund or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

August 20, 2008
Karachi

Naz Khan
Chief Executive Officer

Review Report To The Unit Holders On 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 ("the Code") prepared by the Board of Directors of KASB Funds Limited ("the Management Company") of **KASB Balanced Fund** ("the Fund") to comply with the listing regulation of the Karachi Stock Exchange (Guarantee) Limited, where the Fund is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 as applicable to the Fund for the period from 10 December 2007 to 30 June 2008.

20 August 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Independent Auditors' Report To The Unit Holders

We have audited the accompanying financial statements of KASB Balanced Fund ("**the Fund**"), which comprise the statement of assets and liabilities as at 30 June 2008, and the income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds for the period from 10 December 2007 to 30 June 2008, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2008 and of its financial performance, cash flows and transactions for the period from 10 December 2007 to 30 June 2008 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2007.

20 August 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Assets and Liabilities

As at June 30, 2008

	Note	2008 (Rupees in '000)
Assets		
Bank balances	4	48,688
Placements	5	80,000
Certificates of investment	6	50,000
Receivable against sale of investments		23,391
Receivable against Continuous Funding System	7	120,679
Investments	8	787,346
Dividend and income receivable	9	16,366
Deposits and Prepayments	10	3,604
Preliminary expenses and floatation costs	11	2,881
Total assets		1,132,955
Liabilities		
Payable against purchase of investments		756
Payable to KASB Funds Limited - Management Company	12	6,687
Payable to Central Depository Company of Pakistan Limited - Trustee	13	218
Payable to the Securities and Exchange Commission of Pakistan	14	506
Accrued expenses and other liabilities	15	769
Total liabilities		8,936
Net assets		1,124,019
Unit holders' funds (as per statement attached)		1,124,019
		(Number of units)
Number of units in issue	19	22,540,006
		(Rupees)
Net asset value per unit		49.87

The annexed notes 1 to 28 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

Income Statement

For the period from December 10, 2007 to June 30, 2008

	<i>Note</i>	December 10, 2007 to June 30, 2008 (Rupees in '000)
Income		
Income from Term Finance Certificates and Sukuk Certificate		7,690
Income from Continuous Funding System		8,028
Dividend income		3,109
Income from Placements		9,346
Income from Certificates of Investment		2,180
Profit on bank deposits		10,087
Capital loss on sale of investments		(7,942)
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	8.5	(25,368)
Total income		7,130
Expenses		
Remuneration of KASB Funds Limited - Management Company	18.1	9,842
Remuneration of Central Depository Company of Pakistan Limited - Trustee	18.1	971
Annual fee - The Securities and Exchange Commission of Pakistan		492
Transaction cost on securities		5,512
Settlement and bank charges		1,124
Legal and professional charges		63
Fees and subscription		35
Auditors' remuneration	16	334
Amortisation of preliminary expenses and floatation costs		319
Printing and other expenses		99
Total expenses		18,791
		(11,661)
Net realised element of income and capital gains included in prices of units issued less those in units redeemed		8,538
Net loss for the period		(3,123)
Earnings per unit	17	

The annexed notes 1 to 28 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

Distribution Statement

For the period from December 10, 2007 to June 30, 2008

**From December
10, 2007 to
June 30, 2008
(Rupees in '000)**

Net loss for the period	(3,123)
Unrealised element of income and capital gains included in prices of units issued less those in units redeemed	13
Undistributed loss carried forward	(3,110)

The annexed notes 1 to 28 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

Statement of Movement in Unit Holders' Funds For the period from December 10, 2007 to June 30, 2008

	<i>Note</i>	From December 10, 2007 to June 30, 2008 (Rupees in '000)
Issue of 35,575,828 units		1,813,934
Redemption of 13,035,822 units		(678,382)
		1,135,552
Net element of income and capital gains included in prices of units issued less those in units redeemed:		
- amount representing accrued income and realised capital gains - transferred to the Income Statement		(8,538)
- amount representing net unrealised appreciation in fair value of investments - transferred directly to Distribution Statement		(13)
		(8,551)
Unrealised appreciation in fair value of investments classified as 'available for sale' during the period	8.6	128
Net income available for distribution (excluding unrealised diminution in fair value of investments classified as 'at fair value through profit or loss')		22,258
Unrealised diminution in fair value of investments 'at fair value through profit or loss'		(25,368)
Net loss available for distribution (including net unrealised element of income and capital gains included in prices of units issued less those in units redeemed)		(3,110)
Net assets as at the end of the period		1,124,019
		(Rupees)
Net asset value per unit as at the beginning of the period		-
Net asset value per unit as at the end of the period		49.87

The annexed notes 1 to 28 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

Cash Flow Statement

For the period from December 10, 2007 to June 30, 2008

From December
10, 2007 to
June 30, 2008
(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss for the period (3,123)

Adjustments

Unrealised diminution in fair value of investments classified 'as at fair value through profit or loss'	25,368
Net realised element of (income) and capital (gains) included in prices of units issued less those in units redeemed	(8,538)
Amortisation of preliminary expenses and floatation costs	319
Profit before working capital changes	14,026

(Increase) in assets

Receivable against sale of investments	(23,391)
Receivable against Continuous Funding System	(120,679)
Investments	(812,586)
Placements	(80,000)
Certificates of Investment	(50,000)
Dividend and income receivable	(16,366)
Deposits and prepayments	(3,604)
	(1,106,626)

Increase in liabilities

Payable against purchase of investments	756
Payable to KASB Funds Limited - Management Company	3,487
Payable to Central Depository Company of Pakistan Limited - Trustee	218
Payable to the Securities and Exchange Commission of Pakistan	506
Accrued expenses and other liabilities	769
	5,736

Net cash outflow from operating activities

(1,086,864)

CASH FLOWS FROM FINANCING ACTIVITIES

Net receipts from sale and redemption of units	1,135,552
Net increase in cash and cash equivalents during the period and at the end of the period	48,688

The annexed notes 1 to 28 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

Notes to the Financial Statements

For the period from December 10, 2007 to June 30, 2008

1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Balanced Fund ("KBF", the "Fund") was established under a Trust Deed executed between KASB Funds Limited (KFL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 25, 2007 and was approved by The Securities and Exchange Commission of Pakistan (SECP) on November 26, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The 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 Pakistan Credit Rating Agency Limited has assigned management quality rating of AM3+ to the Management Company and JCR-VIS has assigned management quality rating of AM2- to the Management Company.

KBF is an open-end balanced fund and is listed on the Karachi Stock Exchange (Guarantee) Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder, except for the units issued to core investors which are not redeemable for a period of two years from the date of issue. The primary objective of the Fund is to generate regular income together with long term capital appreciation by investing in a portfolio constituting of income bearing securities as well as equities.

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, 2007 (the NBFC Regulations) and directives issued by The Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Initial application of a standard or an interpretation

During the period, amendments to International Accounting Standards (IAS) 1, Presentation of Financial Statements relating to capital disclosures became effective and have resulted in an additional disclosure. International Financial Reporting Standard (IFRS) 2 - Share Based Payment, IFRS 3 - Business Combinations, IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, IFRS 6 - Exploration for and Extraction of Mineral Resources, IFRIC 8 - Scope of IFRS 2 - Share Based Payment and IFRIC 10 - Interim Financial Reporting and Impairment became effective during the period. The application of these standards and interpretations did not have any material effect on the Fund's financial statements.

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

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after July 01, 2008 are either not relevant to Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain increased disclosures:

Revised IAS 1 – Presentation of financial statements (effective for annual periods beginning on or after January 1, 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics.

IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after July 1, 2008).

Revised IAS 23 – Borrowing costs (effective from January 1, 2009). Amendments relating to mandatory capitalisation of borrowing costs relating to qualifying assets.

IAS 32 (amendment) – Financial instruments: Presentation and consequential amendment to IAS 1 – Presentation of Financial Statements (effective for annual period beginning on or after January 1, 2009). IAS 32 amended classification of Puttable Financial Instruments.

IFRS 2 (amendment) – Share-based payments (effective for annual periods beginning on or after January 1, 2009). IFRS 2 clarifies the vesting conditions and cancellations in the share based payment arrangement.

IFRS 3 (amendment) – Business Combinations and consequential amendments to IAS 27 – Consolidated and separate financial statements, IAS 28 – Investment in associates and IAS 31 – Interest in Joint Ventures (effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009).

IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after July 1, 2008).

IFRIC 12 – Service Concession Arrangements (effective for annual period beginning on or after January 1, 2008).

IFRIC 13 – Customer Loyalty Programmes (effective for annual period beginning on or after July 1, 2008).

IFRIC 14 & IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual period beginning on or after January 1, 2008).

IFRIC 15 – Agreement for the Construction of Real Estate (effective for annual period beginning on or after October 1, 2009).

IFRIC 16 – Hedge of Net Investment in a Foreign Operation (effective for annual period beginning on or after October 1, 2008).

2.4 Basis of measurement

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

2.5 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.

Notes to the Financial Statements

For the period from December 10, 2007 to June 30, 2008

2.6 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. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have most significant effect on the amount recognised in the financial statements are given in note 23 to these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the presentation of these financial statements are set out below

3.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) *Financial instruments at fair value through profit or loss*

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

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

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

b) *Held to maturity*

These are investments with fixed or determinable payments and fixed maturity in respect of which the Fund has positive intent and ability to hold such investments to maturity. These investments are stated at amortised cost less impairment losses, if any. Amortisation is determined using the effective yield method.

c) *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.

d) *Loans and receivables originated by the enterprise*

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 fair value through profit or loss or available for sale. This includes receivable against sale of investments, receivable against continuous funding system (CFS) and other receivables and are carried at amortised cost using effective yield method, less impairment losses, if any.

e) *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 instrument.

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 instrument. Transaction costs on financial instrument 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' Fund until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Fund are included in the Income Statement. Unquoted securities are carried at investment price or break-up value which ever is lower, except for government and debt securities which are stated at fair value.

Fair value measurement principles

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

Basis of valuation of Term Finance Certificates and Sukuk Certificate

During the period, management changed the basis for the determination of the fair value of investments in unlisted TFCs and Sukuk Certificate, with effect from April 28, 2008. The investment of the fund in the unlisted TFCs and Sukuk Certificate is now valued at the rates, notified by the Mutual Funds Association of Pakistan (MUFAP).

Previously, the Fund carried its investments in unlisted Term Finance Certificates (TFCs) and Sukuk Certificates at cost.

Had the investment in unlisted TFCs and Sukuk Certificates been valued at rates quoted by the MUFAP, the Net Asset Value (NAV) of the Fund during the period would have been different and consequently the number of units issued / redeemed during the

Notes to the Financial Statements

For the period from December 10, 2007 to June 30, 2008

period as well as the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed recorded by the Fund would also have been different. These effects have not been quantified as it was not practical to do so.

Securities under repurchase/ resale agreements

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

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

Impairment

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

If in subsequent period the amount of impairment loss decreases, the reduction in impairment loss on financial assets, other than the securities classified as available-for-sale, is recognised in the income statement. For equity instruments classified as 'available for sale', any reversal in impairment loss is recognised in unit holder's fund. For debt instruments classified as 'available for sale', any reversal in impairment loss is recognised in income statement where the increase in fair value of debt instrument can be objectively related to an event occurring after the impairment loss was recognised in income statement.

Derecognition

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

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

Offsetting of financial instruments

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

3.2 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.

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

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

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

3.4 Net asset value - per unit

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

3.5 Taxation

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

The Fund 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 unutilized tax losses to the extent that this will be available for set off against future taxable profits.

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

3.6 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on the valuation of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Income on reverse repurchase transactions, continuous funding system transactions and bank deposits is recognised on a time proportionate basis using effective interest rate method.

Notes to the Financial Statements

For the period from December 10, 2007 to June 30, 2008

- Income on debt securities is recognised on time proportion basis using effective interest rate method.
- Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to the Income Statement.
- 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.

3.7 Expenses

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

3.8 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.

3.9 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 and shall be reimbursed by the Fund subject to the audit of expenses over a period of not less than 5 years or with in the maturity date of the Fund or any other time period as specified by the Commission.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances including deposits with original maturity of less than three months.

3.11 Other assets

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

3.12 Dividend and bonus units

Dividend declared subsequent to the balance sheet date is considered as non-adjusting event and is recognized in the period in which it is authorised or approved.

4. BANK BALANCES

		2008
		(Rupees in '000)
In current accounts		10
In deposit accounts	4.1	48,678
		<u>48,688</u>

- 4.1 Profit rates on deposit accounts range between 9.5% to 12.5% per annum.

5. PLACEMENTS - UNSECURED

Profit rates on these placements range between 16.50% to 17.50% per annum and maturity ranging from 2 to 10 days.

6. CERTIFICATES OF INVESTMENT - UNSECURED

These certificates of investment carry profit rates ranging from 12.85% to 15.35% per annum and maturity ranging from 29 to 92 days.

7. RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM

The rates of return on these transactions range between 10.50 % to 23.0% per annum with a maximum maturity of 22 days at the option of financee. Fair value of the collaterals accepted against the above receivable balance as at June 30, 2008 amounted to Rs.122 million.

8. INVESTMENTS

At fair value through profit or loss

- designated on initial recognition

- Term finance certificates and Sukuk Certificate	8.1	136,335
- Advance against Pre-IPO	8.2	151,880
- held for trading		
- Ordinary shares of listed companies	8.4	419,003
		<u>707,218</u>

Available for sale

- Term finance certificates - Unlisted	8.3	80,128
		<u>787,346</u>

The cost of these securities as at June 30, 2008 amounted to Rs. 812.586 million.

8.1 At fair value through profit or loss -Term Finance Certificates and Sukuk Certificate

Name of the investee company	As at December 10, 2007	Purchases during the period	Sales during the period	Redemptions during the period	As at June 30, 2008	Market value as at June 30, 2008	Percentage of total investments on the basis of market value
	Number of certificates					(Rupees in '000)	
Term Finance Certificates							
NIB Bank Limited	8.1.1	16,000	-	-	16,000	80,992	10.29
Pak American Fertilizers limited	8.1.2	-	1,000	-	1,000	5,008	0.64
						<u>86,000</u>	
Sukuk Certificate							
New Allied Electronics Limited	8.1.3	160,000	-	-	160,000	50,335	6.39
		<u>177,000</u>	-	-	<u>177,000</u>	<u>136,335</u>	

Notes to the Financial Statements For the period from December 10, 2007 to June 30, 2008

8.1.1 These term finance certificates carry mark - up equal to the base rate of 1.65% plus 6 months KIBOR per annum, receivable semi - annually in arrears with no floor or cap and were issued on March 5, 2008 and will mature on March 5, 2016. The principal redemption is on semi-annual basis. At June 30, 2008, profit at 11.41% per annum was due on the above TFC.

8.1.2 These privately placed term finance certificates carry mark - up equal to the base rate of 1.75% plus 6 months KIBOR per annum, receivable semi - annually in arrears with no floor or cap and were issued on January 14, 2008 and will mature on January 14, 2015. The principal redemption is on semi-annual basis. At June 30, 2008, profit at 11.79% per annum was due on the above TFC.

8.1.3 These sukuk certificates carry mark - up equal to the base rate of 2.6% plus 3 months KIBOR per annum, receivable quarterly in arrears with no floor or cap and were issued on July 28, 2007 and will mature on July 28, 2012. The principal redemption is on quarterly basis. At June 30, 2008, profit at 12.83% per annum was due on the above sukuk certificate.

8.2 At fair value through profit or loss -Advance against Pre-IPO

Name of the investee company		As at December 10, 2007	Purchases during the period	Sales during the period	Redemptions during the period	As at June 30, 2008	Market value as at June 30, 2008	Percentage of total investments on the basis of market value
		----- Number of certificates -----						
Dewan Cement Factory Limited	8.2.1	-	10,000	-	-	10,000	50,000	6.35
Pakistan Mobile Communications Limited	8.2.2	-	20,000	-	-	20,000	101,880	12.94
		-	30,000	-	-	30,000	151,880	

8.2.1 This represent Pre-IPO investment and carry mark - up equal to the base rate of 2.0% plus 6 months KIBOR, per annum mark-up is receivable on semi-annually in arrears.

8.2.2 This represent Pre-IPO investment and carry mark - up equal to the base rate of 1.65% plus 6 months KIBOR, per annum mark-up is receivable on semi-annually in arrears.

8.3 Available for sale -Term Finance Certificates

Name of the investee company		As at December 10, 2007	Purchases during the period	Sales during the period	Redemptions during the period	As at June 30, 2008	Market value as at June 30, 2008	Percentage of total investments on the basis of market value
		----- Number of certificates -----						
Pak American Fertilizers Limited	8.3.1	-	16,000	-	-	16,000	80,128	10.18

8.3.1 These privately placed term finance certificates carry mark - up equal to the base rate of 1.75% plus 6 months KIBOR per annum, receivable semi - annually in arrears with no floor or cap and were issued on January 14, 2008 and will mature on January 14, 2015. The principal redemption is on semi-annual basis. At June 30, 2008, profit at 11.78% per annum was due on the above TFC.

8.4 Shares of listed companies - 'at fair value through profit or loss' - 'held for trading'

Name of the investee company		As at December 10, 2007	Purchases during the period	Bonus during the period	Sales during the period	As at June 30, 2008	Market value as at June 30, 2008	Percentage of total investments on the basis of market value
		----- Number of shares / certificates -----						

Shares / certificates of listed companies

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

Automobile Assembler

Indus Motor Company Limited	-	23,500	-	-	23,500	-	-	-
Pak Suzuki Motor Company Limited	-	34,300	-	-	34,300	-	-	-
Hinopak Motors Ltd.	-	1,500	-	-	-	1,500	840	0.11

Cable & Electric

Pak Electron Limited	-	129,500	-	-	129,500	-	-	-
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Cement

DG Khan Cement Company Limited	-	942,000	-	-	857,000	85,000	5,707	0.72
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Notes to the Financial Statements

For the period from December 10, 2007 to June 30, 2008

Name of the investee company	As at December 10, 2007	Purchases during the period	Bonus during the period	Sales during the period	As at June 30, 2008	Market value as at June 30, 2008	Percentage of total investments on the basis of market value
	----- Number of shares / certificates -----					(Rupees in '000)	
Shares / certificates of listed companies							
- Fully paid ordinary shares / certificates of Rs. 10/- each unless stated otherwise							
Fauji Cement Company Ltd.	-	150,000	-	150,000	-	-	-
Kohat Cement Company Limited	-	85,000	-	85,000	-	-	-
Lucky Cement Limited	-	794,900	-	744,900	50,000	4,896	0.62
Maple Leaf Cement Factory Limited	-	450,000	-	450,000	-	-	-
Chemical							
ICI Pakistan Limited	-	340,800	-	340,800	-	-	-
Sitara Chemical Industries Limited	-	30,500	-	30,500	-	-	-
Sitara Peroxide Limited	-	90,000	-	90,000	-	-	-
Nimir Resins Limited	-	308,000	-	308,000	-	-	-
Commercial Banks							
Allied Bank Limited	-	194,600	-	194,600	-	-	-
Askari Bank Limited	-	438,600	-	438,600	-	-	-
Bank Alfalah Limited	-	1,990,500	32,200	1,064,500	958,200	39,344	5.00
BankIslami Pakistan Limited	-	638,500	-	638,500	-	-	-
Faysal Bank Limited	-	218,000	-	218,000	-	-	-
Habib Bank Limited	-	154,900	4,440	123,500	35,840	7,477	0.95
JS Bank Limited	-	550,000	-	550,000	-	-	-
MCB Bank Limited	8.4.1	936,100	-	750,100	186,000	60,707	7.71
Meezan Bank Limited	-	140,000	-	140,000	-	-	-
National Bank of Pakistan	-	1,189,700	5,500	991,500	203,700	30,046	3.82
NIB Bank Limited	-	1,585,000	-	1,585,000	-	-	-
Soneri Bank Limited	-	70,000	-	70,000	-	-	-
The Bank of Punjab	-	656,000	-	656,000	-	-	-
United Bank Limited	-	1,213,700	10,200	791,900	432,000	36,759	4.67
Engineering							
International Industries Limited	-	77,900	3,540	38,900	42,540	5,337	0.68
Sazgar Engineering Limited	-	74,000	-	74,000	-	-	-
Dost Steel	-	195,000	-	195,000	-	-	-
Fertilizer							
Engro Chemicals (Pakistan) Limited	-	618,250	-	563,700	54,550	15,318	1.95
Fauji Fertilizer Bin Qasim Limited	-	2,310,000	-	2,310,000	-	-	-
Fauji Fertilizer Company Limited	-	683,500	-	625,400	58,100	7,688	0.98
Food & Personal Care Product	-	-	-	-	-	-	-
National Foods Limited	-	1,100	-	1,100	-	-	-
Unilever Pakistan Limited (Rs. 50/- each)	-	360	-	360	-	-	-
Glass & Ceramics							
Tariq Glass Industries Limited	-	38,700	-	38,700	-	-	-
Insurance							
Adamjee Insurance Company Limited	-	490,200	-	400,200	90,000	24,365	3.09
EFU General Insurance	-	45,500	1,500	23,000	24,000	8,661	1.10
Investment Banks / Companies / Securities							
Arif Habib Limited	-	20,000	-	20,000	-	-	-
Arif Habib Securities Limited	-	532,400	-	482,400	50,000	8,074	1.03
J.O.V. & Co.	-	18,000	-	18,000	-	-	-
Jahangir Siddiqui & Company Limited	-	125,800	-	65,800	60,000	31,809	4.04

Notes to the Financial Statements For the period from December 10, 2007 to June 30, 2008

Name of the investee company	As at December 10, 2007	Purchases during the period	Bonus during the period	Sales during the period	As at June 30, 2008	Market value as at June 30, 2008	Percentage of total investments on the basis of market value
	----- Number of shares / certificates -----					(Rupees in '000)	
Shares / certificates of listed companies							
- Fully paid ordinary shares / certificates of Rs. 10/- each unless stated otherwise							
Miscellaneous							
Pace Pakistan Limited	-	953,000	-	711,500	241,500	6,844	0.87
Tri-Pack Films Limited	-	34,900	-	4,900	30,000	5,167	0.66
Oil & Gas Exploration Companies							
Oil & Gas Development Company Limited	8.4.1 -	1,857,800	-	1,725,700	132,100	16,428	2.09
Pakistan Oilfields Limited	-	627,400	-	575,300	52,100	19,008	2.41
Pakistan Petroleum Limited	8.4.1 -	595,800	-	550,800	45,000	11,070	1.41
Oil & Gas Marketing Companies							
Attock Petroleum Limited	-	10,500	-	10,500	-	-	-
Pakistan State Oil Company Limited	-	409,100	-	367,500	41,600	17,357	2.20
Shell Pakistan Limited	-	19,600	-	19,600	-	-	-
Sui Northern Gas Pipeline Limited	-	90,000	-	90,000	-	-	-
Paper & Board							
Packages Limited	-	74,000	3,420	76,800	620	156	0.02
Security Papers Limited	-	22,000	-	22,000	-	-	-
Power Generation & Distribution							
Hub Power Company Limited	-	1,659,500	-	1,237,000	422,500	12,083	1.53
Kot Addu Power Company Limited	-	163,500	-	163,500	-	-	-
Pharmaceuticals							
Highnoon Laboratories Limited	-	44,000	-	24,000	20,000	1,129	0.14
Refinery							
Attock Refinery Limited	-	139,000	-	125,000	14,000	3,498	0.44
National Refinery Limited	-	45,400	-	45,400	-	-	-
Pakistan Refinery Limited	-	40,000	-	40,000	-	-	-
Bosicor Limited	-	232,000	-	232,000	-	-	-
Synthetic & Rayon							
Ibrahim Fibres Limited	-	75,000	-	75,000	-	-	-
Technology & Communication							
Eye Television Network Limited	-	538,500	-	538,500	-	-	-
Pakistan Telecommunication Company Limited	-	2,212,600	-	1,233,700	978,900	37,825	4.80
TRG Pakistan Limited	-	605,000	-	605,000	-	-	-
Netsol Technologies Limited	-	95,000	-	95,000	-	-	-
Worldcall Telecom Limited	-	200,000	-	200,000	-	-	-
Textile Composite							
Azgard Nine Limited	-	317,000	-	317,000	-	-	-
Nishat (Chunian) Limited	-	15,000	-	15,000	-	-	-
Nishat Mills Limited	-	758,300	-	741,900	16,400	1,410	0.18
Transport							
Pakistan International Container Terminal Limited	-	155,700	-	155,700	-	-	-
						419,003	

8.4.1 These Shares have been kept under pledge as collateral against exposure margins and mark to market losses with National Clearing Company of Pakistan Limited (NCCPL).

Notes to the Financial Statements

For the period from December 10, 2007 to June 30, 2008

8.5 Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'

	2008 (Rupees in '000)
Fair value of investments	707,218
Less: Cost of investments	<u>(732,586)</u>
	<u>(25,368)</u>

8.6 Unrealised appreciation in fair value of investments classified as 'available for sale'

Fair value of investments	80,128
Less: Cost of investments	<u>(80,000)</u>
	<u>128</u>

9 DIVIDEND AND INCOME RECEIVABLE

Dividend receivable	1,417
Income accrued on bank deposits	821
Income accrued on Placements	4,080
Income accrued on Certificates of Investment	603
Income accrued on Continuous Funding System	716
Income accrued on Term Finance Certificates and Sukuk Certificate	8,729
	<u>16,366</u>

10 DEPOSITS AND PREPAYMENTS

Deposit with National Clearing Company of Pakistan Limited	10.1	3,500
Deposit with Central Depository Company of Pakistan Limited	10.1	100
Prepaid brokerage		4
		<u>3,604</u>

10.1 These deposits are non remunerative.

11 PRELIMINARY EXPENSES AND FLOTATION COSTS

Preliminary expenses and flotation costs	3,200
Less: Amortisation during the period	<u>(319)</u>
Balance as at June 30	<u>2,881</u>

Preliminary expenses and flotation costs represent expenditure incurred for the launching of the Fund and are being amortised over a period of five years commencing from January 1, 2008 as per the Trust Deed of the Fund and shall be reimbursable by the fund subject to the audit of expenses over a period of not less than five years or within the maturity of the Fund, or any other time period as specified by the Commission.

12 PAYABLE TO KASB FUNDS LIMITED – MANAGEMENT COMPANY

Management fee payable	12.1	1,631
Sales load payable		1,856
Other payable	12.2	3,200
		<u>6,687</u>

12.1 Under the provisions of Non Banking Finance Companies and Notified Entities Regulation 2007, 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 current period remuneration of management company is charged at the rate of 2.0 percent per annum of the average annual net assets of the Fund.

12.2 This is the amount paid by the management company on behalf of the Fund in respect of preliminary expenses and floatation costs.

12.3 In accordance with Clause 6.2.1.2 of the offering document, Management Company has issued type 'B' Units to core investors. The Management Company offers a special rebate on the management fee to type 'B' units, (currently rebate is applicable at one-fourth of the management fee applicable to type 'B' units). However, difference between normal rates and reduced rates is passed on to type 'B' unit holders by way of issuance of type 'A' additional units, as a result the management fee charged to Income Statement remains at the rate of 2 percent per annum of the average annual net asset of the Fund. Total 19,057 additional units were issued during the period to type 'B' unit holders at a value of Rs. 984,345.

13 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

	2008 (Rupees in '000)
Trustee fee	13.1
CDS charges	49
	<u>218</u>

13.1 The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed at the higher of 0.7 million or 0.2% per annum on amount upto Rs. 1.0 billion of average daily net assets of the Fund and Rs. 2.0 million plus 0.1% per annum on amount exceeding Rs. 1.0 billion of average daily net assets of the Fund.

14 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

506

Under the provisions of Non Banking Finance Companies and Notified Entities Regulations, 2007, an open end scheme is required to pay as annual fee to the SECP, an amount equal to one-tenth of one percent of the average annual net assets of the Scheme.

15 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration	290
Legal and professional charges payable	40
Payable to KASB Liquid Fund	279
Others	160
	<u>769</u>

Notes to the Financial Statements

For the period from December 10, 2007 to June 30, 2008

16 AUDITORS' REMUNERATION

	2008 (Rupees in '000)
Audit fee	100
Other certifications and services	230
Out of pocket expense	4
	334
	334

17 EARNINGS PER UNIT

Earnings per Unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average number of units for calculating EPU is not practicable.

18 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons include KASB Funds Limited (the Management Company), KASB Capital Limited (Holding Company of the Management Company), KASB Bank Limited, KASB Securities Limited, Network Leasing Corporation Limited and New Horizon Exploration and Production Limited (associated companies of the Management Company), KASB Liquid Fund, KASB Stock Market Fund and KASB Islamic Income Fund (Funds managed by the Management Company), Central Depository Company of Pakistan Limited (trustee of the Fund) and directors and key management personnel of the Management Company.

The transactions with 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 2007 and the Trust Deed respectively.

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

18.1 Transactions with connected persons can be summarised as follows:

	From December 10, 2007 to June 30, 2008 (Rupees in '000)
KASB Funds Limited	
Remuneration expense	9,842
Sales load	5,632
Amount paid on behalf of the Fund	6,853
Payments during the period	15,640
KASB Funds Limited Employees' Provident Fund	
Investment in the Fund: 7,882 units for the period from December 10, 2007 to June 30, 2008	400
KASB Capital Limited	
Investment in the Fund: 6,350,338 units for the period from December 10, 2007 to June 30, 2008	322,000
Redemption from the Fund: 5,000,000 units for the period from December 10, 2007 to June 30, 2008	263,392
KASB Bank Limited	
Bank charges	17
Profit accrued on bank deposits	9,557
Investment in the Fund: 5,000,000 units for the period from December 10, 2007 to June 30, 2008	250,000
Additional units: 12,705 units for the period from December 10, 2007 to June 30, 2008	656
KASB Securities Limited	
Brokerage expense	3
Central Depository Company of Pakistan Limited - Trustee	
Remuneration	971
CDS charges	258
Payments during the period	1,011
Directors and officers of the Management Company	
Investment in the Fund: 22,815 units	1,183
Conversion in the Fund: 22,312 units	1,132
Conversion out of the Fund: 2,506 units	132
Redemption from the Fund: 19,806 units	970

18.3

Notes to the Financial Statements

For the period from December 10, 2007 to June 30, 2008

18.2 Balances with connected persons can be summarised as follows:

	2008 (Rupees in '000)
KASB Funds Limited	
Payable to the Management Company	6,687
KASB Liquid Funds	
Payable to KASB Liquid Fund	279
KASB Funds Limited Employees' Provident Fund	
Units held: 7,882 units	393
KASB Capital Limited	
Units held: 1,350,338 units	67,341
KASB Bank Limited	
Bank	48,090
Profit receivable on bank deposits	18.4 821
Units held: 5,012,705 units	249,984
KASB Securities Limited	
Brokerage payable	18.3 3
Central Depository Company of Pakistan Limited - Trustee	
Payable to the Trustee	218
Security deposit	100
Directors and officers of the Management Company	
Units held: 22,814 units	1,183

18.3 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.

18.4 The rate of return on these deposits range from 9.5% to 12.5%.

19. NUMBER OF UNITS IN ISSUE

The units in issue as at June 30 in each class are:

		2008	
		Units	(Rupees in '000)
Type 'A' Units	19.1	15,040,006	750,011
Type 'B' Units	19.2	7,500,000	374,008
		22,540,006	1,124,019

19.1 Type 'A' units are meant for all types of investors, except for core investors.

19.2 Type 'B' units are meant for the core investors. (Refer note 12.3)

20. MATURITIES OF ASSETS AND LIABILITIES

	2008					
	Total	Not later than one month	Later than one month and upto three months	Later than three months and not later than one year	Later than one year and not later than five year	Later than five years
	(Rupees in '000)					
Assets						
Bank balances	48,688	48,688	-	-	-	-
Placements	80,000	80,000	-	-	-	-
Certificates of investment	50,000	-	50,000	-	-	-
Receivable against sale of investments	22,635	22,635	-	-	-	-
Receivable against Continuous Funding System	120,679	120,679	-	-	-	-
Investments	787,346	419,003	151,880	-	50,335	166,128
Income receivable	16,366	16,366	-	-	-	-

Notes to the Financial Statements For the period from December 10, 2007 to June 30, 2008

	2008					
	Total	Not later than one month	Later than one month and upto three months	Later than three months and not later than one year	Later than one year and not later than five year	Later than five years
----- (Rupees in '000) -----						
Deposits, prepayments and other receivables	3,604	4	-	-	3,600	-
Preliminary expenses and floatation costs	2,881	53	106	477	2,245	-
	1,132,199	707,428	201,986	477	56,180	166,128
Liabilities						
Payable to KASB Funds Limited - Management Company	6,687	6,687	-	-	-	-
Payable to Central Depository Company of Pakistan Limited -Trustee	218	218	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan	506	506	-	-	-	-
Accrued expenses and other liabilities	769	769	-	-	-	-
	8,180	8,180	-	-	-	-
Net Assets	1,124,019	699,248	201,986	477	56,180	166,128

21 RISK MANAGEMENT

The Fund invests 60-70% of its portfolio in fixed income securities including Continuous Funding System Transactions, Money Market Instruments, Term Finance Certificates and Sukuk Certificates etc. The remaining 30 - 40% of its portfolio is invested in listed equity securities. The Fund therefore aims to generate higher returns, while maintaining a lower risk profile. Investments by the Fund are subject to varying degree of risks, which emanate from various factors that include, but are not limited to:

21.1 Market risk

Market risk is the risk that the value of the financial instrument or its cashflows will decrease as a result of changes in market price of the instrument. The factors for this risk encompasses change in the credit rating of the instrument or the issuer of that instrument, changes in the market sentiments, speculative activities, supply and demand of instruments, interest rates, currency rates and liquidity situation in the capital markets.

The Management Company mitigates market risk by monitoring exposure on marketable securities in accordance with internal risk management guidelines, investment policy and applicable regulations laid down by the Securities and Exchange Commission of Pakistan. The techniques used for market risk management also include a continuous research process, which is

focused on identifying the events taking place in market that can adversely impact the level of market risk undertaken by the Fund.

21.2 Interest rate risk

This risk arises on interest bearing financial instruments recognized in the balance sheet and some of those financial instruments which are not recognized on the balance sheet (e.g. loan commitments) due to the changes in market interest rates. Sensitivity to interest rate risk also arises from mismatches of financial assets and liabilities and off-balance sheet commitments that mature or re-price in a given period. Keeping in view the investment composition, major portion of the financial instruments held by the Fund are exposed to interest rate risk.

The Management Company manages this risk by following risk management guidelines and approved investment policy thereby keeping appropriate duration for its portfolio of investments and making appropriate portion of its investments in floating rate instruments. Moreover, the Fund has no interest bearing financial liabilities giving rise to mismatch of financial assets and liabilities.

MARKET / PROFIT RATE RISK

The Fund's exposure to mark-up / profit rate risk based on contractual repricing and maturity dates, whichever is earlier at June 30, 2008, is as follows:

	Effective rate of mark-up/ return (%)	2008					Not exposed to market / profit rate risk
		Total	Exposed to market / profit rate risk				
		Upto one month	over one month to three months	over three months to six months	over 6 months to one year		
----- (Rupees in '000) -----							
On-balance sheet financial instruments							
Financial Assets							
Bank balances	9.5-12.5	48,688	48,678	-	-	10	
Placements	16.5-17.5	80,000	80,000	-	-	-	
Certificates of investment	12.85-15.35	50,000	50,000	-	-	-	
Receivable against sale of investments		23,391	-	-	-	23,391	
Receivable against Continuous Funding System	14.22-22.29	120,679	120,679	-	-	-	
Investments	11.21-14.72	787,346	135,471	232,872	-	419,003	
Income receivable		16,366	-	-	-	16,366	
Deposits and prepayments		3,604	-	-	-	3,604	
		1,130,074	384,828	282,872	-	462,374	

Notes to the Financial Statements

For the period from December 10, 2007 to June 30, 2008

	2008					Not exposed to market / profit rate risk
	Effective rate of mark-up/ return (%)	Total	Exposed to market / profit rate risk			
			Upto one month	over one month to three months	over three months to six months	
------(Rupees in '000)-----						
Financial Liabilities						
Payable against sale of investments		756	-	-	-	756
Payable on redemption of units		-	-	-	-	-
Payable to KASB Funds Limited		6,687	-	-	-	6,687
Payable to Central Depository Company of Pakistan Limited -Trustee		218	-	-	-	218
Payable to The Security and Exchange Commission of Pakistan		506	-	-	-	506
Accrued expenses and other liabilities		769	-	-	-	769
		8,936				8,936
On-balance sheet gap		1,121,138	384,828	282,872		453,438

21.3 Currency Risk

Currently the fund has no such investments which are denominated in a foreign currency.

21.4 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of reverse re-purchase transactions, placements, receivable against continuous funding system or other arrangements to fulfill their obligations. This risk is limited to the principal amount and accrued interest thereon, if any.

Credit risk management

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines designed for credit risk management. This risk is primarily managed through assignment of credit limits, obtaining adequate collaterals and by following strict credit evaluation criteria laid down in the investment policy and risk management guidelines for the Fund. The Management Company has a process of post investment reviews for investments by the Fund which is very useful in managing the credit risk profile of the Fund.

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. Financial assets subject to credit risk amount to Rs.1.13 billion. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating risk of significant concentration of credit. Moreover, the Fund limits its exposures to any group or sector in accordance with its investment policy, risk management guidelines and applicable Regulations of the Securities and Exchange Commission of Pakistan.

21.5 Liquidity risk

This is the risk that the Fund, although balance sheet solvent, cannot meet or generate sufficient cash resources to meet its payment obligations with respect to its financial liabilities in full as they fall due, or can only do so at materially disadvantageous terms.

The Management Company manages liquidity risk by following

internal policies and procedures designed for liquidity risk management which include maintaining adequate cash balances, continuously monitoring maturities of the financial instruments, monitoring the credit ratings of the instruments or the issuers of those instruments and capital market developments which can impact the liquidity risk.

21.6 Capital risk management

The Fund seeks to generate regular income together with long term capital appreciation by investing in a portfolio constituting of income bearing securities as well as equities, with an aim to continue to provide returns for unitholders and benefits for other stake holders.

The units of the Fund are transferable and can be redeemed by surrendering them to the Fund at the option of the unitholder, except for the units issued to core investors which are not redeemable for a period of two years from the date of issue, as per the NBFC Regulations.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from their carrying values as the assets and liabilities are essentially short term in nature.

23 ACCOUNTING ESTIMATES AND JUDGEMENTS

The management company makes estimates and assumptions that affect the reported amount of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Investments stated at fair value

The management company has determined fair value of certain investments by using quotations from active market. 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 judgements (e.g. valuation, interest rates, etc.) and

Notes to the Financial Statements For the period from December 10, 2007 to June 30, 2008

therefore, cannot be determined with precision.

Other assets

Judgement is also involved in assessing the realiseability of asset balances.

24 PATTERN OF UNITHOLDING

Category	No. of Unitholders	Investment Amount (Rupees in '000)	Percentage of total investment
Associated companies	3	317,703	28.26
Directors	2	735	0.07
Insurance Companies	1	143,183	12.74
Banks / Financial Institutions	4	270,129	24.03
Non Banking Finance Companies	-	-	-
Retirement Funds	9	74,894	6.66
Public Limited Companies	1	2,829	0.25
Others	4	39,527	3.52
	205	1,124,019	

25 LIST OF TOP TEN BROKERS/DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker Name	2008 (%age)
Live Securities (Pvt) Limited	10%
Invest and Finance Securities Limited	8%
Elixir Securities Pakistan (Pvt) Limited	8%
Ismail Iqbal Securities (Pvt) Limited	7%
IGI Finex Securities Limited	7%
Multiline Securities (Pvt) Limited	7%
Alfalah Securities (Pvt) Ltd.	7%
Atlas Capital Markets (Pvt) Ltd.	6%
Fortune Securities Limited	6%
Invest Capital Investment Bank Limited	6%

26 DATES, NAMES OF PERSONS ATTENDING EACH MEETING OF THE BOARD OF DIRECTORS

Name of the Person	Designation	Meetings		
		Total meetings held during the period	Attended	Leave granted
Mr. Robert John Owen	Chairman	3	2	1
Mr. Muneer Kamal*	Director	3	3	0
Mr. Farid Arshad Masood	Director	3	3	0
Ms. Naz Khan	Chief Executive & Director	3	3	0
Mr. Syed Muhammad Rehmanullah	Director	3	3	0
Mr. Muhammad Imran Khalil	Chief Financial Officer	3	3	0
Mr. Irfan Saleem Awan	Company Secretary	3	3	0

* Mr. Muneer Kamal has resigned from the Board on July 04, 2008.

Dates of the meetings of the Board of Directors

Twenty-first meeting	February 23, 2008
Twenty-second meeting	April 2, 2008
Twenty-third meeting	April 21, 2008

27 DETAILS OF MEMBER OF INVESTMENT COMMITTEE

Name	Designation	Qualification	Experience (Years)
Naz Khan	Chief Executive Officer	B.A, (USA)	15
Muhammad Faisal Potrik	Head of Fund Management	MBA	07
Ali Hussain	Fund Manager and Head of Research	MBA, CFA	05
Irfan Saleem	Head of Risk Management & Compliance and Company Secretary	ACA	08

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 20, 2008 by the Board of Directors of the Management Company.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

Notes to the Financial Statements
For the period from December 10, 2007 to June 30, 2008

