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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

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

### 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 & Company Secretary

Syed Adnan Abdali

### Audit Committee

Mr. Robert John Richard Owen  
Mr. Qaiser P. Mufti

### Trustee

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

### Fund Ranking

1 star (Short Term)  
3 star (Long Term)  
By PACRA

### 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

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

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

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the quarter ended December 31, 2011

The Board of Directors of KASB Funds Limited ("KFL" or "the Company"), the Management Company of KASB Asset Allocation Fund ("KAAF" or "the Fund"), is pleased to present the condensed interim financial information of the Fund for the six months ended December 31, 2011.

### Investing Activities and Fund's Performance

A series of floods in 2010 and 2011 disrupted the whole supply chain of the country leading to restrained real sector production and consequently tapered GDP growth. Due to this, the country managed to demonstrate a modest average GDP growth of 3% as against required 7% GDP growth (on the expectation of 2 million new labor force per annum, courtesy IMF). The inflation, in these years, also remained in double digit i.e. 12% (Average of FY10 and FY11), which further fueled the deprivation among masses. This situation, proved to be one of the caveat, convincing central bank to shift its focus from inflation control to growth outlook and reducing the policy rate by 200 basis points to 12% in July-Sept 2011 (1QFY12). Central bank took its comfort from number of factors mainly: Rebased CPI yielding inflation projection to around 12%; Modest Jul-Aug current account deficit of USD 300 million; and healthy remittances of USD 2.4 billion (Average USD 1.2 billion per month). The reduction, however, immediately showed its spillover effects in the following month by giving a deficit of USD 1 billion restricting central bank to reduce the rate further from Sept-Dec 2011. PKR also weakened during 1HFY12 by 4% against USD and reach to PKR 89.34/USD.

1HFY12 yielded current account deficit of USD 2 billion & fiscal account deficit of 4.5% of GDP forcing heavy government borrowing of PKR 700 billion from Jul-Dec FY12 especially in the absence of external aid through IMF &/or USA. Tax collection, though, depicted a handsome increase of 26%, was well behind the annual target of PKR 1.9 trillion.

The SBP in two consecutive statements in July and September 2011, cut the policy rate by 50 bps and 150 bps respectively. The investors in the money market remained quiet risk averse and preferred the trading in the government securities in general. This risk aversion coupled with the shortage of liquidity in the market restrained the trading of TFCs/Sukuks to a great extent. Only banking TFCs and few selected higher rating corporate debts showed some volumes. The prices of the outstanding TFCs/Sukuks also remained quiet volatile during FYTD, due to change in MUFAP's matrix based revaluation method which incorporates the secondary market yields. Furthermore, the SBP recently kept the discount rate unchanged at 12.0% citing persistent liquidity and inflationary pressures.

The equity market remained negative during 1HFY12 with KSE 100 and KSE 30 shedding 1,148 points (-9.19%) and 1,407 points (-12.15%) respectively surrounded by political noise, security and economic deterioration and worst ever electricity and gas load shedding. The recent quarter took its cue from previous quarter by shedding 3.5% further (414 points). The average daily volume also remained low with 60 million as against relatively better 92 million in same period last year.

Foreign portfolio investment (FPI) gave an outflow of USD 152 million in 1HFY12 registering its apathy for domestic equity market. This figure was a healthy USD 238 million inflow in 1HFY10. The lack of interest from foreigners was two folded, negative macro economic and security indicators on one and continued PKR/USD depreciation on the other.

The Fund earned a net loss of Rs. 50.58 million during the period under consideration and the total net assets of the Fund stood at Rs. 313.59 million at the end of the period translating into a NAV per unit of Rs. 33.60 (Par Rs. 30).

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the quarter ended December 31, 2011

### Future Outlook

The mere facts that inherent structural problems like circular debt and Public Sector enterprises (PSE's) leakages have not been fully addressed, increases their chances of re-emerging in CY 2012. Moreover, 2012, being election year, leaves little hope for putting economical discipline in place which may require measures like energy price increase, privatization of PSEs and checking of twin deficits.

After the cumulative cut of 200 bps in the policy rate the prices of TFCs/Sukuks and government guaranteed Ijarah Sukuks appreciated. But, the risk aversion and shortage of liquidity are the basic hindrances in the price discovery for the corporate debts. A few TFCs/Sukuks are undergoing the restructuring process and once the process is completed, the outlook on these TFCs will improve and will reflect in the prices in the secondary market. In line with our strategy, the Fund will continue to reduce its debt portfolio and replace it with short term cash placements.

### Acknowledgement

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

For and on behalf of the Board

February 15, 2012  
Karachi

Amer Maqbool  
Chief Executive

## TRUSTEE REPORT TO THE UNIT HOLDERS

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

We, Central Depository Company of Pakistan Limited, being the Trustee of KASB Asset Allocation Fund (the Fund) are of the opinion that KASB Funds Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2011 in accordance with the provisions of the following:

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

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

Karachi: February 27, 2012

## INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNIT HOLDERS OF KASB ASSET ALLOCATION FUND

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of KASB Asset Allocation Fund ("the Fund") as at 31 December 2011 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review nothing has come to our attention that causes us to believe that the annexed condensed interim financial information as at and for the six months period ended 31 December 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

### Other matters

The figures for the quarter ended 31 December 2011 and 31 December 2010 in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds have not been reviewed and we do not express a conclusion on them.

Date: 15 February 2012

Karachi

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

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES**

As at December 31, 2011

Note	(Un-audited)	(Audited)
	December 31 2011	June 30 2011
------(Rupees in '000)-----		
<b>ASSETS</b>		
6	78,924	67,659
7	-	-
8	31,687	31,687
	-	768
	877	1,601
9	203,260	268,647
	2,970	3,072
	636	961
	<b>318,354</b>	<b>374,395</b>
<b>LIABILITIES</b>		
	1,977	13,407
	761	32
	62	65
	159	382
	1,806	2,742
	<b>4,765</b>	<b>16,628</b>
<b>Contingency</b>		
10		
	<b>313,589</b>	<b>357,767</b>
<b>Unit holders' funds</b>		
	<b>313,589</b>	<b>357,767</b>
(Number of units)		
	<b>9,333,503</b>	<b>9,397,631</b>
(Rupees)		
	<b>33.60</b>	<b>38.07</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

 For KASB Funds Limited  
 (Management Company)

Chief Executive

Director

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)**

For the quarter ended December 31, 2011

Note	Six months ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
------(Rupees in '000)-----				
<b>(LOSS) / INCOME</b>				
	714	7,882	309	2,591
	7,556	3,823	4,586	2,099
	-	2,995	-	1,498
	3,923	3,692	2,330	2,106
	(22,002)	15,637	(4,828)	20,465
	(21,166)	20,215	(21,066)	20,865
	(30,975)	54,244	(18,669)	49,624
<b>EXPENSES</b>				
	5,019	4,272	2,458	2,084
	353	427	176	208
	159	191	78	98
	815	1,208	359	884
	141	151	76	85
	212	291	106	164
	198	71	98	36
	277	250	155	110
	325	323	164	162
	60	60	30	30
	-	432	-	432
	780	-	448	-
	4,327	12,940	-	-
	7,016	-	(1,367)	-
	-	2,850	-	3,100
	<b>19,682</b>	<b>23,566</b>	<b>2,781</b>	<b>7,393</b>
	(50,657)	30,678	(21,450)	42,231
	79	8,592	1,419	6,047
	<b>(50,578)</b>	<b>39,270</b>	<b>(20,031)</b>	<b>48,278</b>
<b>Net (loss) / income for the period</b>				
Earnings/(Loss) per unit				

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

 For KASB Funds Limited  
 (Management Company)

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
(UN-AUDITED)**

For the quarter ended December 31, 2011

	Six months ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Net (loss) / income for the period	(50,578)	39,270	(20,031)	48,278
<b>Other comprehensive income</b>				
Unrealised appreciation in fair value of investments classified as 'available for sale' during the period	8,666	2,685	2,732	468
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation	24	1,342	22	986
Other comprehensive income for the period	8,690	4,027	2,754	1,454
<b>Total comprehensive (loss) / income for the period</b>	<b>(41,888)</b>	<b>43,297</b>	<b>(17,277)</b>	<b>49,732</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For KASB Funds Limited  
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)**

For the quarter ended December 31, 2011

	Six months ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Accumulated losses brought forward - realized and unrealized	(126,382)	(66,409)	(156,927)	(104,560)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed- amount representing unrealised appreciation	24	1,342	22	986
Final distribution: Nil for the year ended June 30, 2011 (2010: Rs. 2.75 per unit)	-	(29,499)	-	-
Net (loss) / income for the period	(50,578)	39,270	(20,031)	48,278
	(50,554)	11,113	(20,009)	49,264
Accumulated losses carried forward - realized and unrealized	(176,936)	(55,296)	(176,936)	(55,296)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For KASB Funds Limited  
(Management Company)

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN  
 UNIT HOLDERS' FUND (UN-AUDITED)**

For the quarter ended December 31, 2011

	Six months ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
	(Rupees in '000)			
Net assets at beginning of the period	357,767	462,688	334,916	413,245
Issue of 192,597 units (2010: 18,921 units) and 42,642 units (2010: 9,093 units) for the six months and quarter ended respectively	6,965	772	1,458	376
Issue of Nil bonus units (2010: 88,062 units) and Nil units (2010: Nil units) for the six months and quarter ended respectively	-	3,556	-	-
Redemption of 256,725 units (2010: 1,174,219 units) and 113,646 units (2010: 806,150 units) for the six months and quarter ended respectively	(9,152)	(47,755)	(4,067)	(33,195)
	(2,187)	(43,427)	(2,609)	(32,819)
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 - amount representing unrealised capital (gains) / losses - transferred directly to other comprehensive income	(79)	(8,592)	(1,419)	(6,047)
	(24)	(1,342)	(22)	(986)
	(103)	(9,934)	(1,441)	(7,033)
Unrealised (diminution) / appreciation in fair value of investments classified as 'available for sale' at end of the period	(25,687)	(14,142)	2,732	468
Provision against non-performing debt securities classified as 'available for sale'	4,327	8,094	-	-
Unrealised diminution in fair value of investments classified as 'available for sale' at beginning of the period	30,026	8,733	-	-
Unrealised appreciation in fair value of investments classified as 'available for sale' during the period	8,666	2,685	2,732	468
Distribution during the period: - Issue of bonus units - Cash dividend	-	(3,556) (25,943)	-	-
	-	(29,499)	-	-
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	24	1,342	22	986
Net (loss) / income for the period (excluding net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital (loss) / gain)	(7,410)	3,418	5,863	6,948
Capital (loss) / gain on sale of investments	(22,002)	15,637	(4,828)	20,465
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'	(21,166)	20,215	(21,066)	20,865
Net (loss) / income for the period (including net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital (loss) / gain)	(50,578)	39,270	(20,031)	48,278
Net assets as at end of the period	313,589	423,125	313,589	423,125

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

 For KASB Funds Limited  
 (Management Company)

Chief Executive

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**

For the quarter ended December 31, 2011

	Six months ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
	(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net (loss) / income for the period	(50,578)	39,270	(20,031)	48,278
<b>Adjustments for:</b>				
Unrealised diminution / (appreciation) in fair value of investments classified as 'at fair value through profit or loss'	21,166	(20,215)	21,066	(20,865)
Provision against non-performing investments	4,327	12,940	-	-
Provision against non-performing placements	-	2,950	-	3,100
Net realised element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(79)	(8,592)	(1,419)	(6,047)
Amortisation of preliminary expenses and floatation costs	325	323	164	162
	25,739	(12,594)	19,811	(23,650)
<b>Decrease / (increase) in assets</b>				
Receivable against sale of investments	768	(22,048)	5	(16,797)
Investments - net	48,560	42,373	6,793	(32,545)
Placements	-	500	-	-
Dividend and income receivable	724	915	(1,752)	875
Deposits and prepayments	102	(20)	39	10
	50,154	21,720	5,085	(48,457)
<b>Increase / (decrease) in liabilities</b>				
Payable against purchase of investments	(11,430)	6,310	1,977	2,413
Payable to KASB Funds Limited - Management Company	729	(32)	-	7
Payable to Central Depository Company of Pakistan Limited - Trustee	(3)	(1)	5	6
Payable to The Securities and Exchange Commission of Pakistan	(223)	(253)	(303)	98
Accrued expenses and other liabilities	(936)	837	272	1,022
	(11,863)	6,861	1,951	3,546
<b>Net cash generated from / (used in) operating activities</b>	13,452	55,257	6,816	(20,283)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	-	(25,943)	-	-
Net payments against sale and redemption of units	(2,187)	(46,983)	(2,609)	(32,819)
<b>Net cash used in financing activities</b>	(2,187)	(72,926)	(2,609)	(32,819)
Net increase / (decrease) in cash and cash equivalents during the period	11,265	(17,669)	4,207	(53,102)
Cash and cash equivalents at beginning of the period	67,659	59,113	74,717	94,546
Cash and cash equivalents at end of the period	78,924	41,444	78,924	41,444

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

 For KASB Funds Limited  
 (Management Company)

Chief Executive

Director

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

For the quarter ended December 31, 2011

**1. LEGAL STATUS AND NATURE OF BUSINESS**

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

The Management Company of the Fund has been licensed to undertake asset management and investment advisory services as Non-Banking Finance Company under the NBFC Rules issued by the SECP. The registered office of the Management Company is situated at 9th Floor, Trade Centre, I.I. Chundrigar Road, Karachi, Pakistan. The JCR-VIS has assigned management quality rating of AM3 to the Management Company and Pakistan Credit Rating Agency Limited (PACRA) has assigned long term ranking of 3 star and short term ranking of 1 star to the fund.

The Fund is an open end fund and is listed on the Karachi Stock Exchange (Guarantee) Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder. Moreover, there are no non-compliant investments with the investment criterion of assigned category as at December 31, 2011.

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

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

**2. BASIS OF PREPARATION**

**Statement of compliance**

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements for the period ended 30 June 2011.

This condensed interim financial information comprises of the condensed interim statement of assets and liabilities as at 31 December 2011 and the related condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and notes thereto for the six months ended 31 December 2011.

The comparatives in the statement of assets and liabilities presented in the condensed interim financial information as at December 31, 2011 have been extracted from the audited financial statements of the Fund for the year ended June 30, 2011, where as the comparative condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund are stated from unaudited condensed interim financial information for the six months and quarter period ended December 31, 2010.

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended June 30, 2011.

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

For the quarter ended December 31, 2011

**4. ESTIMATES AND JUDGEMENTS**

The preparation of condensed interim financial information require the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates. In preparing these condensed interim financial information, the significant judgements made by the management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended June 30, 2011.

**5. FINANCIAL RISK MANAGEMENT**

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended June 30, 2011.

**6. BANK BALANCES**

This represents saving accounts carrying mark-up at the rate of 5% to 12% per annum (June 30, 2011: 5% to 12% per annum).

**7. PLACEMENTS - Unsecured**

Due to continuous delays in payments by the respective counter-party, the Fund has recognised full provision against the respective investment and suspended further accrual of mark-up in light of provisioning policy of the Fund duly approved by the Board of Directors of the Management Company. Management is continuously monitoring the Fund's exposure to these investments and is making necessary efforts for the recovery of the amount. The above provision is without prejudice to the Fund's claim against the above financial institutions for the entire exposure and unrecognised mark-up and other charges etc.

**8. CERTIFICATES OF INVESTMENT - Unsecured**

Due to continuous delays in payments by the respective counter-party, the Fund has recognised a partial provision against the respective investment and suspended further accrual of mark-up in light of provisioning policy of the Fund duly approved by the Board of Directors of the Management Company.

Management is continuously monitoring the Fund's exposure to these investments and is making necessary efforts for the recovery of the amount.

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

**9. INVESTMENTS**

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

	(Un-audited) December 31 2011	(Audited) June 30 2011
----- (Rupees in '000) -----		
<i>Held for trading</i>		
- Quoted equity securities	9.2      168,289	249,565
<i>Designated on initial recognition</i>		
- Fixed income and other debt securities	9.3      -	4,707
- Advance against Pre Initial Public Offer investments	9.4      -	-
		4,707
<b>'Available for sale'</b>		
- Fixed income and other debt securities	9.6      34,971	14,375
	<u>203,260</u>	<u>268,647</u>

9.1 The cost of the above investments as at December 31, 2011 amounted to Rs. 354,109 million (June 30, 2011: Rs. 421.163 million).



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

For the quarter ended December 31, 2011

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

Name of the investee company	Number of shares				As at December 31, 2011	Market value as at December 31, 2011	Percentage of net assets on the basis of market value	Par value as percentage of issued capital of investee company
	As at July 1, 2011	Purchases during the period	Bonus issued during the period	Sales during the period				
<b>SHARES OF LISTED COMPANIES</b>								
- Fully paid up ordinary shares of Rs. 10 each unless otherwise stated								
(Rupees in '000)								
<b>Banks</b>								
Allied Bank Limited	455	25,000	-	25,455	-	-	-	-
MCS Bank Limited	104,852	119,000	-	78,855	144,997	19,516	6.22	0.01
United Bank Limited	501,451	-	-	193,560	307,891	16,130	5.14	0.03
NIB Bank Limited	206,597	-	-	206,597	-	-	-	-
National Bank of Pakistan	148,750	155,000	-	303,750	-	-	-	-
<b>Construction and Materials</b>								
Lucky Cement Limited	73,470	264,150	-	137,620	200,000	15,008	4.79	0.06
Attock Cement Pakistan Limited	178,195	-	-	178,195	-	-	-	-
D. G. Khan Cement Company Limited	-	175,000	-	150,000	25,000	475	0.15	0.01
<b>Automobile and Parts</b>								
Pak. Suzuki Motor Company Limited	62,734	-	-	62,734	-	-	-	-
<b>Chemicals</b>								
Fajri Fertilizer Company Limited	11	210,400	-	210,411	-	-	-	-
Engro Corporation Limited	68,520	119,500	-	84,520	104,500	9,887	3.09	0.03
Fajri Fertilizer Bin Qasim Limited	-	100,000	-	100,000	-	-	-	-
Falima Fertilizer Company Limited	-	400,000	-	400,000	-	-	-	-
<b>Media</b>								
Hum Network	804,853	-	-	804,853	-	-	-	-
<b>General Industrials</b>								
EcoPack Limited	17,000	-	-	17,000	-	-	-	-
Packages Limited	-	9,560	-	9,560	-	-	-	0.01
<b>Non Life Insurance</b>								
Adamjee Insurance Company Limited	294,933	-	-	294,933	-	-	-	-
<b>Financial Services</b>								
Jahangir Sirdiqui & Company Limited	250,317	-	-	250,317	-	-	-	-
<b>Oil and Gas</b>								
Pakistan Oilfields Limited	58,094	90,500	-	112,500	36,094	12,504	3.99	0.02
Pakistan Petroleum Limited	86,028	40,243	6,500	60,500	72,271	12,164	3.88	0.01
Attock Refinery Limited	50,300	168,500	-	218,500	-	-	-	-
Pakistan State Oil Company Limited	64,129	161,400	-	145,629	79,900	18,154	5.79	0.05
National Refinery Limited	-	43,840	-	43,840	-	-	-	-
Attock Petroleum Limited	-	3,822	-	3,822	-	-	-	-
Oil & Gas Development Company Limited	2,382	50,000	-	2,382	50,000	7,581	2.42	0.00
<b>Personal Goods</b>								
Nishat Mills Limited	161,908	73,092	-	235,000	-	-	-	-
Brahim Fibres Limited	833,640	-	-	833,640	-	-	-	-
Nishat (Chunian) Limited	272,665	-	-	272,665	-	-	-	-
<b>Electricity</b>								
Hub Power Company Limited	4,458	640,000	-	104,458	540,000	18,468	5.89	0.05
Kot Addu Power Company	212,275	-	-	95,371	116,904	4,830	1.54	0.01
Nishat Power Limited	175,000	1,192,500	-	225,000	1,142,500	14,799	4.72	0.32
Nishat Chunian Power Limited	-	1,488,085	-	1,488,085	18,973	6.05	6.05	0.41
<b>Fixed Line Telecommunication</b>								
Pakistan Telecommunication Company Limited 'A'	298,625	300,000	-	598,625	-	-	-	-
<b>168,289</b>								

9.2.1 Investments include quoted equity securities with market value as at December 31, 2011 aggregating to Rs. 18,734 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Funds trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

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

Name of the Investee Company	Profit/ markup rate %	Number of certificates				Carrying / Market value as at December 31, 2011	Carrying / Market value as a percentage of net assets	Outstanding principal value as a percentage of total debt issue
		As at July 01, 2011	Purchases during the period	Sales during the period	As at December 31, 2011			
(Rupees in '000)								
<b>Term Finance Certificates</b>								
Agritech Limited	9.3.1	15.49	1,000	-	-	1,000	-	-
Pakistan Mobile Communications Limited - III	-	-	1,000	-	1,000	-	-	-
<b>Sukuk Certificates</b>								
New Allied Electronics Industries (Private) Limited - I	9.3.2	15.59	160,000	-	-	160,000	-	6.67

9.3.1 On July 14, 2010, owing to financial difficulty, Agritech Limited (AL) has only paid accrued profit amounting to Rs. 2,462 million and has defaulted on payment of principal amounting to Rs. 3,497 million. The Fund has recognized a full provision against the said investment and has suspended further accrual of profit thereagainst in accordance with the provisioning policy of the Fund duly approved by the Board of Directors.

Management is continuously monitoring the Fund's exposure to this investment and is making necessary efforts for the recovery of the amount. The above provision is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognized markup and other charges etc.

9.3.2 On October 25, 2008, owing to financial difficulty, New Allied Electronics Industries (Private) Limited NAEIL has only paid accrued profit amounting to Rs. 2,113 million and has defaulted on payment of principal amounting to Rs. 3,125 million. The Fund has recognised full provision against the investment and suspended further accruals of profit thereagainst in accordance with the provisioning policy of the Fund duly approved by the Board of Directors.

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 profit and other charges etc.

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

Name of the Investee Company	Profit/ markup rate %	Number of certificates				Carrying value as at December 31, 2011	Carrying value as a percentage of net assets	Outstanding principal value as a percentage of total debt issue
		As at July 01, 2011	Purchases during the period	Sales during the period	As at December 31, 2011			
(Rupees in '000)								
Dewan Cement Limited	9.4.1	16.12	10,000	-	-	-	-	1.00

9.4.1 The Fund had advanced an amount of Rs. 50 million in respect of Pre-IPO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was January 9, 2008). Dewan Cement Limited (DCL) failed to complete the public offering within the said time period and also defaulted in payment of principal and profit for the said period. The Fund has recognized full provision against said investment in accordance with the provisioning policy approved by the Board of Directors of the Management Company.

Management is continuously monitoring the Fund's exposure to this investment and is making necessary efforts for recovery of the amount. The above is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognized markup and other charges etc.

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**9.5 Fixed income and other debt securities- 'available for sale'**

Name of the Investee Company	Profit/ markup rate %	Number of certificates				Carrying / Market value as at December 31, 2011	Carrying / Market value as a percentage of net assets	Outstanding principal value as a percentage of total debt issue
		As at July 01, 2011	Purchases during the period	Sales during the period	As at December 31, 2011			
(Rupees in '000)								
<b>Term Finance Certificates</b>								
Agritech Limited	9.37	15.49	6,000	-	6,000	-	-	-
<b>Sukuk Certificates</b>								
Security Leasing Corporation Limited	-	-	9,500	-	9,500	11,803	3.76	6.33
Maple Leaf Cement Factory Limited - I	9.57	14.57	-	7,400	7,400	23,168	7.39	0.46
Maple Leaf Cement Factory Limited - II	12.91	-	-	278	278	-	-	0.46
						<b>34,971</b>		

9.5.1 During the period, owing to financial difficulties, Maple Leaf Cement Factory Limited has defaulted in the payment of coupon due on September 3, 2011 and December 3, 2011 respectively. On October 14, 2011, MLCFL has made payment of defaulted principal and has partially paid accrued interest amounting to Rs. 1.387 million. However, the Fund has recognised partial provision against the said investment and full provision against total mark-up outstanding. Moreover, the Fund has suspended further accrual of mark-up thereagainst as per the requirements of Circular 1 of 2009 issued by the SECP and provisioning policy of the Fund.

Management is continuously monitoring the Fund's exposure to this investment and is making necessary efforts for the recovery of the amount. The above is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognised mark-up and other charges etc.

**9.6 Unrealised appreciation / (diminution) in fair value of  
investments classified as 'available for sale'**

	(Un-audited)	
	Six months ended	
	December 31	
	2011	2010
	(Rupees in '000)	
Fair value of investments	34,971	36,976
Less: cost of investments	<b>(60,658)</b>	<b>(51,118)</b>
	<b>(25,687)</b>	<b>(14,142)</b>
Unrealised diminution in fair value of investments classified as 'available for sale' at beginning of the period	30,026	8,733
Provision against non-performing 'available for sale' investments	4,327	8,094
	<b>34,353</b>	<b>16,827</b>
	<b>8,666</b>	<b>2,685</b>

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**10. CONTINGENCY**

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for an adjudication.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) 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 Court.

Subsequent to 30 June 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. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the Court. However, as a matter of abundant caution, the Management Company has not reversed the earlier provision amounting to Rs. 0.627 million pertaining to period from July 1, 2008 to June 30, 2010.

**11. EARNINGS PER UNIT**

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

**12. 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 realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies 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 management intends to distribute at least 90% of the income earned by the Fund by the year end 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. Accordingly, no provision for taxation has been made in this condensed interim financial information.

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

Connected persons / related parties include KASB Funds Limited being the Management Company, KASB Bank Limited being the Holding Company of the Management Company, KASB Securities Limited, KASB Modaraba, KASB Technology Services Limited, KASB Modaraba Management (Private) Limited, Structured Venture (Private) Limited (indirectly through KASB Securities Limited) being the subsidiary companies of KASB Bank Limited, Shakarganj Food Products Limited, New Horizon Exploration and Production Limited and KASB International Limited being the associated companies of KASB Bank Limited, Central Depository Company of Pakistan Limited (CDC) being the Trustee of the Fund, other Funds managed by the management company (including KASB Income Opportunity Fund, KASB Islamic Income Opportunity Fund, KASB Capital Protected Gold Fund, KASB Stock Market Fund, KASB Cash Fund, Crosby Dragon Fund, Crosby Phoenix Fund and AMZ Plus Income Fund) and directors, key management personnel and officers of the Management Company.

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

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

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

**13.1 Transactions:**

		----- Un-audited -----			
		Six months ended December 31		Quarter ended December 31	
		2011	2010	2011	2010
		----- (Rupees in '000) -----			
<b>KASB Funds Limited</b>					
Remuneration expense		5,019	4,272	2,458	2,084
<b>KASB Bank Limited</b>					
Bank charges		13	4	5	3
Profit accrued on bank deposits		3,923	3,692	2,330	2,106
Additional units: 15,411 units (2010: 12,534 units) and 8,973 units (2010: 6,317 units) for the six months and quarter ended respectively		664	511	327	260
Dividend paid		-	17,636	-	-
<b>KASB Securities Limited</b>					
Brokerage expense	13.3	68	215	-	173
<b>Central Depository Company of Pakistan Limited - Trustee</b>					
Remuneration		353	427	176	208
CDS charges		42	33	17	22

**13.2 Balances**

		(Un-audited) December 31 2011	(Audited) June 30 2011
		----- (Rupees in '000) -----	
<b>KASB Funds Limited</b>			
Payable to the Management Company		761	32
<b>KASB Bank Limited</b>			
Bank balance		78,384	67,119
Profit receivable on bank deposits	13.4	802	818
Units held: 6,453,449 (June 30, 2011: 6,438,038 units)		216,836	245,096
<b>KASB Securities Limited</b>			
Brokerage payable	13.3	-	78
<b>Central Depository Company of Pakistan Limited - Trustee</b>			
Payable to the Trustee		62	65
Security deposit		100	100

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13.3 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.

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

**14. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on February 15, 2012.

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

Chief Executive

Director