

managed by



THE FUND SEeks TO GENERATE REASONABLE RETURNS CONSISTENT WITH LOW RISK FROM A PORTFOLIO CONSTITUTED OF HIGH QUALITY SHORT TERM INSTRUMENTS INCLUDING CASH DEPOSITS AND GOVERNMENT SECURITIES.

THE FUND WILL MAINTAIN A HIGH DEGREE OF LIQUIDITY WITH WEIGHTED AVERAGE TIME TO MATURITY OF NET ASSETS NOT EXCEEDING 90 DAYS.

KASB CASH FUND

ANNUAL REPORT
June 30, 2011

CONTENTS

Fund Information	2
Mission Report	3
Report of the Directors of the Management Company	4
Annual Fund Managers' Report	9
Trustee Report To The Unit Holders	11
Statement of Compliance With The Code Of Corporate Governance	12
Review Report To The Unit Holders of KASB Cash Fund "The Fund" on Statement of Compliance With Best Practices of Code of Corporate Governance	13
Independent Auditors' Report To The Unit Holders	14
Statement of Assets and Liabilities	15
Income Statement	16
Statement of Comprehensive Income	17
Distribution Statement	18
Statement of Movement in Unit Holders' Fund	19
Cash Flow Statement	20
Notes to the Financial Statements	21

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. Syed Muhammad Rehmanullah

Mr. Muzaffar Ali Shah Bukhari

Chief Financial Officer

Mr. Muhammad Imran Khalil

Company Secretary

Mr. Mansoor Ali

Audit Committee

Mr. Robert John Richard Owen

Mr. Syed Muhammad Rehmanullah

Mr. Qaiser P. Mufti

Trustee

MCB Financial Services Limited

3rd Floor, Adamjee House,

I.I. Chundrigar Road, Karachi.

Fund Rating

AA+(f) by JCR-VIS

Bankers to the Fund

Bank Alfalah Limited

Standard Chartered Bank (Pakistan) Limited

Auditors

KPMG Taseer Hadi & Co. - Chartered

Accountants, First Floor, Shiekh Sultan Trust

Building No. 2, Beaumont Road,

P.O. Box 8517, Karachi.

Legal Advisor

Bawaney & Partners

Room No. 404, 4th Floor, Beaumont Plaza,

6-cl-10, Beaumont Road, Civil Lines,

Karachi-75530

Registrar

KASB Funds Limited

5th Floor, Trade Centre, I.I. Chundrigar

Road, Karachi-74200, Paksitan

Distributors

KASB Funds Limited

KASB Bank Limited

KASB Securities Limited

IGI Investment Bank Limited

Standard Chartered Bank (Pakistan) Limited

Management Company Rating

Rated AM3 by JCR-VIS

MISSION STATEMENT

The Fund aims to generate reasonable returns consistent with low risk form a portfolio constituted of high quality short term instruments including cash deposits and government securities.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the year ended June 30, 2011

The Board of Directors of KASB Funds Limited (KFL), the Management Company of KASB Cash Fund (KCF, the Fund), is pleased to present the Second Annual Report together with the audited financial statements of the Fund for the year ended June 30, 2011.

Financial Highlights

	FY 2011	FY 2010	Increase / (Decrease) (%)
Net Income (Rs. in Million)	59.03	37.56	57.16
Net Assets as at June 30 (Rs. in Million)	591.81	551.39	7.33
NAV per Unit as on June 30 (Rs.) **	103.3587	102.3398	1.00
Annualised yield (%)	11.74	10.08	16.47

* Par value of each unit is Rs. 100

** Ex-NAV after interim distributions

Economic Environment

Due to the floods impact during early months of the fiscal year 2011 coupled with persistent structural problems, the fiscal year 2011 ended with the GDP growth of just ~2.4% against initial target of 4.5%. The economy remained under continuous pressure in the form of power crisis, persistent inflation, lower tax to GDP ratio, circular debt and unmanageable fiscal deficit. The macroeconomic picture depicted improvements on some fronts such as significant decline in current account deficit which declined by 114% YoY and currently stands at USD 542mn surplus at the end of June 2011. The main reasons behind this improvement are (1) the strong export earnings (rise in international cotton prices) which increased by ~29% and (2) ~26% growth of workers' remittances during FY11.

Although lower than expected but still higher, the headline inflation remained a hindrance in the economy's growth. The average inflation for full year stands at 13.92% against 11.7% last year. Going forward, the inflation is expected to ease off in the second quarter of FY12 mainly due to higher base effect. The ease in inflation may convince the central bank to ease off the policy rate but government growing demand of borrowing to finance its fiscal deficit will remain a key hurdle.

Furthermore, the FY12 budget proposal was announced during the month with higher revenue target and cuts in subsidies. Although, the targets set in the budget proposal are quite ambitious in terms of economy growth, revenue generation, containment in fiscal deficit etc, but these are essential measures at this point in time and meeting these targets will ease off the pressure from the economy. Also, the satisfactory expenditure containment and revenue collection measures would help in resuming the SBA program of IMF.

The State Bank has kept the policy rate intact after the last increase in November 2010. Recently the macro-economic indicators have depicted some improvements especially on the external front. Moreover, the inflation is also expected to ease off during 2QFY12 and therefore, the central bank may opt to reduce the discount rate in the next monetary policy statement.

Capital Market

The money market remained quite volatile especially the prices of corporate debts due to lack of liquidity and risk aversion. The lending to NBFI sector remained restricted even at higher rates and investors rather preferred to buy government papers at very attractive yields.

Investment Strategy

The Fund's basic strategy is to provide competitive and consistent returns through investing in low risk investments such as T-bills and placements in high rated commercial banks. The Fund also maintains sufficient liquidity in order to meet the redemptions at earliest for its investors. The overall asset allocation of the fund stood at 80% for T-bills, 18% for Placements and 2% for Cash/ Cash equivalent at June end.

Fund Performance

The Net Asset Value per unit of the Fund at the close of the period stood at Rs. 103.3587, thus, giving an annualised yield of 10.96% since inception, while the benchmark (20% daily saving account rate + 80% 3-Month deposit rate) posted an annualized return of 7.51%, thereby the Fund outperforming its benchmark by 3.45%. The Fund posted a return of 11.74% for FY11 while the benchmark return of the fund was recorded at 7.51%. The net income for the year ended June 30, 2011 was Rs. 59.03 million.

The government remained a major borrower in the market as it decided to keep the incremental borrowing from the central bank at September 2010 level as mutually agreed with IMF. This demand kept the yields on the govt. papers high. The foreign inflows and monthly CPI numbers will remain key elements in determining the policy rate going forward. And, as the inflation is expected to ease off a little going forward which may convince the State Bank to reduce the rate. We, therefore, intend to maintain higher weightage in longer term government papers so as to make the most of decline in the interest rates while keeping a close eye on the macroeconomic developments to foresee any fundamental change.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the year ended June 30, 2011

Income Distribution

The Board of Directors of KASB Funds Limited approved the final dividend distribution for the year ended June 30, 2011 of Rs. 3.25 per unit. This distribution is in addition to the interim dividend of Rs. 2.50, Rs. 2.00, Rs. 2.00 and Rs. 1.50 per unit distributed in the month of October 2010, December 2010, February 2011 and March 2011 respectively. Therefore, the total distribution for the period ended June 30, 2011 totals to Rs. 11.25 per unit, which is equivalent to 11.25% of the par value of Rs. 100.

As the Fund has distributed among the unit holders not less than ninety per cent of its accounting income for the year ended June 30, 2011, as reduced by capital gains whether realized or unrealized, therefore, its income will not be subject to income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

Sale and redemption of units

The fund size of KCF was Rs 551.39 million on June 30, 2010 which increased by 7.33% by the end of the financial year to close at Rs. 591.81 million on June 30, 2011. During the year, units worth Rs. 471.98 million were issued and units with a value of Rs. 489.82 million were redeemed. As on June 30, 2011, the total number of outstanding units was 5,725,798 with a value of Rs. 591.81 million.

Code of Corporate Governance

The Board of Directors states that:

- a) The Financial Statements prepared by the Management Company, present fairly the state of affairs of the Fund and results of its operations, cash flows and movement in unit holder's fund.
- b) Proper books of accounts of the Fund have been maintained.
- c) Appropriate accounting policies have been adopted for preparation of financial statements of the Fund and accounting estimates are based on reasonable and prudent judgments.
- d) Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed in the preparation of the financial statements of the Fund. Wherever, the requirements of the Trust Deed, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives shall prevail.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts about the Fund's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Outstanding statutory payments on account of taxes, duties, levies and charges, if any, have been fully disclosed in the financial statements;
- i) Key operating and financial data is enclosed.
- j) The statement as to the value of investment of provident fund is not applicable in the case of Fund as those expenses are borne by the Management Company.
- k) The detailed pattern of unit holding, as required by the code of corporate governance is enclosed.

As detailed in note no. 1 of these financial statements KASB Funds Limited has acquired Crosby Asset Management (Pakistan) Limited with effect from July 20, 2011.

Meetings of the Directors

Statement showing attendance of the directors in the meetings of the Board of Directors for the year ended June 30, 2011 is disclosed in note 22.3 of the financial statements.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the year ended June 30, 2011

The trades (if any) in the units of the Fund carried out by the Directors, CEO, Company Secretary & CFO, and their spouses and minor children, of the Management Company are as under:

S. No	Trades By	Designation	Investment (units)	Redemption (units)
1.	Mr. Muhammad Imran Khalil	Chief Financial Officer	3,923	4,090

Pattern of Holding

The pattern of holdings (units) presents a diversified investor base. As on June 30, 2011, Individuals held 42.65% out of the total units; associated companies and directors held 25.89% units; retirement funds held 9.58% units and 21.88% units were held by other corporate sector entities. Detailed pattern is also annexed.

Future Outlook

The government has announced tax collection target of Rs 1,952 bln and the targeted fiscal deficit is 4.0% of GDP. In this regard, the govt. has taken initiatives to increase its tax collection but still appears to be a long way to reach there. Going forward, the foreign inflows will remain a key element for the economy's growth which will impact domestic liquidity, exchange rate stability and stable BoP (Balance of Payment) position.

One of the major hurdles in the economy's growth is the inflation which remained 13.94% during FY11. The inflation is expected to remain higher 1QFY12 due to Ramadan effect but going forward, it is expected to ease off during 2QFY12 and onward due to higher base effect. On the other hand the government borrowing from SBP also remained at September 2010 level which is a very good sign. Therefore, there lies a strong probability that the central bank may be convinced to reduce the policy rate going forward which will help in the economy's growth.

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 Cash Fund for the financial year ending June 30, 2012. 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, MCB Financial Services Limited (the Trustee) for their confidence, continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

For and on behalf of the Board

September 15, 2011
Karachi

Amer Maq
Chief Executive

DETAILS OF PATTERN OF HOLDING(UNITS)

As at June 30, 2011

	Units held	
	Numbers	Percentage
Associated Companies		
KASB Bank Limited	287,190	5.02
KASB Securities Limited	683,751	11.94
KASB Funds Limited	500,000	8.73
KASB Funds Limited Employees' Provident Fund	11,460	0.20
Banks and Financial Institutions	293,635	5.13
Retirement Funds	548,547	9.58
Insurance Companies	311,269	5.44
Individuals	2,442,511	42.65
Other Corporate Sector Entities	647,435	11.31
	5,725,798	100.00

PERFORMANCE TABLE

	2011	2010
Total net asset value as at June 30 (Rs. '000)	591,811	551,391
Net asset value per unit as at June 30 (Rs.)	103.3587	102.3398
Selling price for units as at June 30 (Rs.)	104.4027	103.3735
Repurchase price for units as at June 30 (Rs.)	103.3587	102.3398
Final dividend distribution per unit (Rs.)	3.25	2.25
Date of final distribution	July 4, 2011	July 3, 2010
1 st Interim dividend distribution per unit (Rs.)	2.50	1.50
Date of 1 st Interim distribution	October 1, 2010	October 23, 2009
2 nd Interim dividend distribution per unit (Rs.)	2.00	2.75
Date of 2 nd Interim distribution	December 10, 2010	February 11, 2010
3 rd Interim dividend distribution per unit (Rs.)	2.00	2.00
Date of 3 rd Interim distribution	February 17, 2011	April 22, 2010
4 th Interim dividend distribution per unit (Rs.)	1.50	-
Date of 4 th Interim distribution	March 31, 2011	-
Highest selling price per unit (Rs.)	104.4027	104.2516
Lowest selling price per unit (Rs.)	101.2540	100.0000
Highest repurchase price per unit (Rs.)	103.3587	103.2091
Lowest repurchase price per unit (Rs.)	100.2415	100.0161
Annualized Return (%)	11.74	10.08
Weighted average portfolio duration	75 days	65 days

Return since inception is 11.49%

Launch date of the Fund is August 12, 2009

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

1. Type & Category of Fund
Open-end Money Market

2. Inception Date
August 12, 2009

3. Investment objective
The Fund seeks to generate reasonable returns consistent with low risk from a portfolio constituted of high quality short term instruments including cash deposits and government securities.

4. Accomplishment of objective
The fund is achieving its objective of generating regular income by investing in low duration cash deposits and government securities within the guidelines provided under NBFC rules.

5. Benchmark
20% Avg. Daily Saving A/C Rates + 80% Avg. Of 3 Months Deposit Rate of AA & Above Rated Scheduled Bank.

6. Performance Return	KCF Return	Benchmark return
Since inception	11.49%	7.54%
1 Year	11.74%	7.44%
Last 6 months	12.30%	7.73 %
Last 3 months	12.31%	7.69%
For the month	12.17%	7.70%

7. Strategies and policies employed during the period
The government remained a major borrower in the market as it decided to keep the incremental borrowing from the central bank at September 2010 level as mutually agreed with IMF. This demand kept the yields on the govt. papers high. The Fund was mainly invested in T-bills and placements with AA and above rated Banks / DFIs. The exposure in T-bills and total duration of the Fund was evaluated and managed on daily basis to make the most of the secondary market yields.

8. Weighted Asset allocation		
Asset Allocation	June 30, 2011	June 30, 2010
T-bills	73.15%	80.2%
Placements	23.55%	18.1%
Cash & cash equivalents	3.3%	1.7%

9. Significant changes in asset allocation during the period
The Fund maintained major proportion in T-bills throughout the year except whenever there were expectations of rise in secondary market yields. The Fund also placed TDR placements, usually at the end of each quarter.

10. Fund Performance
While the benchmark (20% daily saving account rate + 80% 3-Month deposit rate) of the fund posted an annualized return of 7.54%, the Fund recorded an annualized return of 11.49% since inception thereby outperforming its benchmark by 3.95% while the three months return for the benchmark and the fund was recorded at 7.70% and 12.31% respectively.

ANNUAL FUND MANAGERS' REPORT**11. Review of the market(s) invested in during the period**

Due to the floods impact during early months of the fiscal year 2011 coupled with persistent structural problems, the fiscal year 2011 ended with the GDP growth of just ~2.4% against initial target of 4.5%. The economy remained under continuous pressure in the form of power crisis, persistent inflation, lower tax to GDP ratio, circular debt and unmanageable fiscal deficit. The macroeconomic picture depicted improvements on some fronts such as significant decline in current account deficit which declined by 114% YoY and currently stands at USD 542mn surplus at the end of June 2011. The main reasons behind this improvement are (1) the strong export earnings (rise in international cotton prices) which increased by ~29% and (2) ~26% growth of workers' remittances during FY11.

Although lower than expected but still higher, the headline inflation remained a hindrance in the economy's growth. The average inflation for full year stands at 13.92% against 11.7% last year. Going forward, the inflation is expected to ease off in the second quarter of FY12 mainly due to higher base effect. The ease in inflation may convince the central bank to ease off the policy rate but govt. growing demand of borrowing to finance its fiscal deficit will remain a key hurdle.

Furthermore, the FY12 budget proposal was announced during the month with higher revenue target and cuts in subsidies. Although, the targets set in the budget proposal are quite ambitious in terms of economy growth, revenue generation, containment in fiscal deficit etc, but these are essential measures at this point in time and meeting these targets will ease off the pressure from the economy. Also, the satisfactory expenditure containment and revenue collection measures would help in resuming the SBA program of IMF.

The State Bank has kept the policy rate intact after the last increase in November 2010. Recently the macro-economic indicators have depicted some improvements especially on the external front. Moreover, the inflation is also expected to ease off during 2QFY12 and therefore, the central bank may opt to reduce the discount rate in the next monetary policy statement.

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

For details, please refer to the full yearly accounts.

13. Distribution

The fund distributed Rs 11.25 during FY11, in the form of Rs 2.5 per unit as 1st interim distribution, Rs 2.00 per unit as 2nd interim distribution, Rs 2.00 per unit as 3rd interim distribution, Rs 1.50 per unit as 4th interim distribution and Rs 3.25 were distributed as a final dividend on June 30, 2011.

Date of Distribution	Amount of Distribution (PKR)
October 1, 2010	2.50
December 10, 2010	2.00
February 17, 2011	2.00
March 31, 2011	1.50
July 04, 2011	3.25

14. Significant changes in the state of affairs

No significant change in affairs was witnessed.

15. Breakdown of unit holdings by size

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

16. Unit Splits

There were no unit splits during the period.

17. Circumstances materially affecting the interests of the unit holders

No material impact on unit holder's interest

18. Soft Commission

The management company received soft commission from the brokers in the form of research reports which were sent in both soft and hard copies.

TRUSTEE REPORT TO THE UNIT HOLDERS OF KASB CASH FUND

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

KASB Cash Fund, an open-end scheme established under a Trust Deed dated June 08, 2009 executed between KASB Funds Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Scheme was authorized by Securities and Exchange Commission of Pakistan (Commission) on June 03, 2009.

1. KASB Funds Limited, the Management Company of KASB Cash Fund, has in all material respects, managed KASB Cash Fund during the year ended June 30, 2011 in accordance with the provisions of the following:
 - (i) the limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed; and
 - (iv) and any regulatory requirement.

For the purpose of information, the attention of unit holders is drawn towards note 15 to the financial statements, which refers to the pending outcome of the litigation regarding contribution to WWF in Honorable High Court of Sindh.

Khawaja Anwar Hussin
Chief Executive Officer
MCB Financial Services Limited
Karachi, October 19, 2011

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended June 30, 2011

This Statement is being presented to comply with the Code of Corporate Governance ("the Code") contained in Regulation No. 35 of the Listing Regulations of the 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.

As detailed in note no. 1 of these financial statements KASB Funds Limited has acquired Crosby Asset Management (Pakistan) Limited with effect from July 20, 2011.

KASB Funds Limited ("the Company" or "the Management Company"), which is an Unlisted Public Limited Company, is the Management Company of KASB Cash Fund ("the Fund"). The Fund being an open-end scheme doesn't have its own Board of Directors ("the Board"). The Management Company, which manages the affairs of the Fund, has applied the principals 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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. On January 17, 2011, Mr. Masood Karim Sheikh resigned from the Board of the Management Company. Mr. Qaisar P. Mufti was appointed in his place to duly fill the vacancy.
5. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by the 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 of the Board. 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 during the year in a meeting of the Board to apprise them of their duties and responsibilities.
10. During the year, there was a change of the Company Secretary and the Internal Auditors; however, there was no change of Chief Financial Officer.
11. The directors' report for the year 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 quarterly, half-yearly and final results of the Fund as required by the Code. The terms of reference of the Audit Committee have been formulated and approved by the Board and advised to the Committee for compliance.
17. Mr. Adnan Akhtar Mannan, appointed as the Internal Auditor of the Management Company in place of Ms. Saman Hasan Qadri on August 27, 2010, resigned on May 31, 2011. The Management Company is in the process of appointment of the Internal Auditor to be involved in the Internal Audit function on a full time basis.
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. The related party transactions have been placed before the Audit Committee and approved by the Board with necessary justification for non arm's length transactions (if any) and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

September 15, 2011
Karachi

Amer Maq
Chief Executive

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of KASB Funds Limited, "the Management Company" of the Fund to comply with the Listing Regulations of Karachi Stock Exchange 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 the controls and the effectiveness of such internal controls.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2011.

Date: 15 September 2011

Karachi

KPMG Taseer Haidri &
Chartered Accountants
Moneeza Usman Butt

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of KASB Cash Fund ("the Fund"), which comprise of the statement of assets and liabilities as at 30 June 2011, and the income statement, statement of comprehensive income, distribution statement, statement of movement in Unit Holders' Fund, cash flow statement for the year ended 30 June 2011 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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2011, and of its financial performance, its cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of Matter

We draw attention to note 15 to the financial statements relating to provision for Workers' Welfare Fund (WWF) which refers to the pending outcome of the litigation regarding contribution to WWF in Honourable Sind High Court. In view of the matter more fully discussed in the above note, provision against WWF amounting to Rs. 0.79 million is not being maintained by the Fund. Our opinion is not qualified in respect of this matter.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Date: 15 September 2011

Karachi

KPMG Taseer Hadi &
Chartered Accountants
Moneeza Usman Butt

STATEMENT OF ASSETS AND LIABILITIES

For the year ended June 30, 2011

	Note	2011	2010
----- (Rupees in '000) -----			
ASSETS			
Balances with banks	4	155,221	116,911
Investments	5	434,913	442,348
Income receivable	6	1,562	207
Prepayments and other receivables	7	678	1,434
Preliminary expenses and floatation costs	8	2,163	2,857
Total assets		594,537	563,757
LIABILITIES			
Payable on redemption of units		-	10,212
Payable to KASB Funds Limited - Management Company	9	315	398
Payable to MCB Financial Services Limited - Trustee	10	96	91
Payable to Securities and Exchange Commission of Pakistan	11	412	270
Accrued expenses and other liabilities	12	1,903	1,395
Total liabilities		2,726	12,366
Net assets		591,811	551,391
Unit holders' funds		591,811	551,391
(Number of units)			
Number of units in issue	13	5,725,798	5,387,839
(Rupees)			
Net asset value per unit		103.3587	102.3398

The annexed notes 1 to 24 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

INCOME STATEMENT

For the year ended June 30, 2011

	Note	2011	July 20, 2009 to June 30, 2010
----- (Rupees in '000) -----			
INCOME			
Income from government securities		56,091	21,455
Income from placements		3,790	1,808
Income from term deposit receipts		7,872	2,667
Profit on bank deposits		1,676	15,794
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	5.3	(222)	(105)
Capital gain / (loss) on sale of investments		13	(161)
Total Income		69,220	41,458
EXPENSES			
Remuneration of KASB Funds Limited - Management Company	9.1	4,275	3,283
Remuneration of MCB Financial Services Limited - Trustee	10	1,096	735
Annual fee - Securities and Exchange Commission of Pakistan	11	412	270
Transaction costs on securities		111	82
Settlement and bank charges		24	25
Legal and professional charges		55	275
Fees and subscription		230	230
Auditors' remuneration	14	442	408
Amortisation of preliminary expenses and floatation costs		694	612
Provision for Workers Welfare Fund	15	402	752
Printing and other expenses		260	121
Total expenses		8,001	6,793
		61,219	34,665
Net realised element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(2,186)	2,890
Net Income for the year / period		59,033	37,555
Earnings per unit	16		

The annexed notes 1 to 24 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2011

	2011	July 20, 2009 to June 30, 2010
	----- (Rupees in '000) -----	
Net income for the year / period	59,033	37,555
Other comprehensive income		
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation	-	1
Total comprehensive income for the year / period	<u>59,033</u>	<u>37,556</u>

The annexed notes 1 to 24 form an integral part of these financial statements.

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

Chief Executive

Director

DISTRIBUTION STATEMENT

For the year ended June 30, 2011

	Note	2011	July 20, 2009 to June 30, 2010
----- (Rupees in '000) -----			
Undistributed income brought forward			
- Realised gains		12,712	-
- Unrealised losses		(105)	-
		12,607	-
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation		-	1
Net income for the year / period		59,033	37,555
Final distribution at Rs. 2.25 per unit for the period ended June 30, 2010	21		
- Issue of bonus units		(11,473)	-
- Cash Dividend		(650)	-
		(12,123)	-
Interim distribution during the year / period	21		
- Issue of bonus units		(38,356)	(23,449)
- Cash dividend		(2,310)	(1,500)
		(40,666)	(24,949)
Undistributed income carried forward		18,851	12,607
Undistributed income carried forward			
- Realised gains		19,073	12,712
- Unrealised losses		(222)	(105)
		18,851	12,607

The annexed notes 1 to 24 form an integral part of these financial statements.

Chief Executive

For KASB Funds Limited
(Management Company)

Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

For the year ended June 30, 2011

	2011	July 20, 2009 to June 30, 2010
	----- (Rupees in '000) -----	
Net assets at the beginning of the year / period	551,391	-
Issue of 4,635,669 units (15,031,384 units for the period from July 20, 2009 to June 30, 2010)	471,984	1,518,362
Issue of 496,744 bonus units (233,641 bonus units for the period from July 20, 2009 to June 30, 2010)	49,829	23,449
Redemption of 4,794,454 units (9,877,186 units for the period from July 20, 2009 to June 30, 2010)	(489,823)	(1,000,136)
	31,990	541,675
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	2,186	(2,890)
- amount representing unrealised capital (gains) / losses - transferred directly to other comprehensive income	-	(1)
	2,186	(2,891)
Distribution during the year / period:		
- Issue of bonus units	(49,829)	(23,449)
- Cash Dividend	(2,960)	(1,500)
	(52,789)	(24,949)
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 / (diminutions)	-	1
Net Income for the year / period (excluding unrealised diminution in fair value of Investments classified as 'at fair value through profit or loss' and capital gains / (losses))	59,242	37,821
Capital gain / (loss) on sale of Investments	13	(161)
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	(222)	(105)
Net income for the year / period (including unrealized appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gains / (losses))	59,033	37,555
Net assets at the end of the year / period	<u>591,811</u>	<u>551,391</u>
	(Rupees)	
Net asset value per unit as at beginning of the year / period	<u>102.3398</u>	100.0000
Net asset value per unit as at end of the year / period	<u>103.3587</u>	<u>102.3398</u>

The annexed notes 1 to 24 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

CASH FLOW STATEMENT

For the year ended June 30, 2011

	2011	July 20, 2009 to June 30, 2010
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year / period	59,033	37,555
Adjustments for:		
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss'	222	105
Net realised element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	2,186	(2,890)
Amortisation of preliminary expenses and floatation costs	694	612
	62,135	35,382
Decrease / (increase) in assets		
Preliminary expenses and floatation costs	-	(3,469)
Investments - net	7,213	(442,453)
Income receivable	(1,355)	(207)
Prepayments and other receivables	756	(1,434)
	6,614	(447,563)
Increase / (decrease) in liabilities		
Payable to KASB Funds Limited - Management Company	(83)	398
Payable to MCB Financial Services Limited - Trustee	5	91
Payable to Securities and Exchange Commission of Pakistan	142	270
Accrued expenses and other liabilities	477	1,395
	541	2,154
Net cash generated from / (used in) operating activities	69,290	(410,027)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,960)	(1,500)
Net (payments) / receipts from sale and redemption of units	(28,020)	528,438
Net cash (used in) / generated from financing activities	(30,980)	526,938
Net increase in cash and cash equivalents during the year / period	38,310	116,911
Cash and cash equivalents at beginning of the year / period	116,911	-
Cash and cash equivalents at beginning of the year / period	155,221	116,911

The annexed notes 1 to 24 form an integral part of these financial statements.

For KASB Funds Limited
(Management Company)

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Cash Fund (the Fund) was established under a Trust Deed executed on June 8, 2009 between KASB Funds Limited as Management Company and MCB Financial Services Limited as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 3, 2009 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The Management Company of the Fund has been licensed to undertake asset management and investment advisory services as non-banking finance company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (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. JCR-VIS has assigned management quality rating of AM3 to the Management Company and has reaffirmed the Fund Stability Rating (FSR) of KASB Cash Fund (KCF) at AA+(f).

The Securities and Exchange Commission of Pakistan vide letter no. SCD/PR&DD/AMCW/CAML&KFL/333/2010 dated July 15, 2011 has sanctioned the Scheme of Arrangement of acquisition and simultaneous merger of Crosby Asset Management (Pakistan) Limited ("CAMPL") with and into KASB Funds Limited ("KFL") in terms of Section 282L of the Companies Ordinance, 1984 and the rights to manage Crosby Dragon Fund, Crosby Phoenix Fund and AMZ Plus Income Fund have been transferred to KFL with effect from July 20, 2011.

KCF is an open-end money market fund and is listed on the Karachi Stock Exchange (Guarantee) Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder, except for the units issued to core investors which are not redeemable for a period of two years from the date of issue.

The Fund seeks to generate reasonable returns consistent with low risk from a portfolio constituted of high quality short term investments including cash deposits and government securities.

Title of the assets of the Fund are held in the name of MCB Financial Services Limited as trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Regulations 2008 and the said directives shall prevail.

2.2 Standards, amendments or interpretations which became effective during the year

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

New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Fund's operations or are not expected to have significant impact on the Funds's financial statements, other than increased disclosures in certain cases:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1: Presentation of Financial Statements) effective for annual periods beginning on or after 1 July 2012.
- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) effective for annual periods beginning on or after 1 January 2012.
- IAS 19 Employee Benefits (amended 2011) effective for annual periods on or after 1 January 2013
- Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14) effective for annual periods beginning on or after 1 January 2011.
- IAS 24 Related Party Disclosures (revised 2009) effective for annual periods beginning on or after 1 January 2011.
- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) effective for annual periods beginning on or after 1 July 2011.

2.3 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.

2.4 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have most significant effect on the amount recognised in the financial statements are as follows:

Investments stated at fair value

The management company has determined fair value of certain investments by using quotations obtained from the PKRV sheets on the Reuters page. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

Other assets

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

3.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

a) At fair value through profit or loss

An instrument is classified 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) Available-for-sale

Available for sale financial assets are non-derivative that are either designated in this category or not classified in any other category.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as fair value through profit or loss or available for sale.

d) Financial liabilities

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective yield method.

Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

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' Funds until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Funds are included in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

Fair value measurement principles

The fair value of the investments in government securities is determined by reference to the quotations obtained from the PKRV sheet on the Reuters page.

Securities under repurchase/ resale agreements

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

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

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 recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Income Statement.

Any subsequent decrease in impairment loss on debt securities classified as 'available for sale', is recognised in the income statement.

Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial asset expire 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 Unit holders' funds

Unit holders' funds representing the units issued by the Fund, is carried at the net assets value representing the investors' right to a residual interest in the Fund assets.

3.3 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. 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 to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

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

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

During the year, the Fund has revised the calculation for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised calculation, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognized in income statement and to the extent that it is represented by unrealized appreciation / (diminution) arising during the year on available for sale securities is included in distribution statement. Previously, the Fund used to calculate element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed represented by distributable income was included in income statement and element of income / (loss) and capital gains / (losses) represented by unrealized appreciation / (diminution) on available for sale securities was recognized in distribution statement.

The revised calculation, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund. Had the calculation not been changed, the net income for the year ended June 30, 2011 would have been lower by Rs. 0.381 million.

3.5 Provisions

Provisions are recognised in the balance sheet when the Fund has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.6 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 amortized over a period of five years commencing from the last day of the IPO period as per the Trust Deed of the Fund.

3.7 Net asset value per unit

The net asset value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue.

3.8 Taxation

Current

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

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

3.9 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation 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 government securities is recognised on an accrual basis using the effective interest rate method.
- Profit on bank deposit is recognised on time proportion basis using effective interest rate method.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

3.10 Expenses

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

3.11 Cash and cash equivalents

Cash and cash equivalents comprise of deposit accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

3.12 Other assets

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

3.13 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

4 BALANCES WITH BANKS

Note	2011	2010
	----(Rupees in '000) ----	
In deposit accounts	15,221	16,911
In term deposit receipt	140,000	100,000
	<u>155,221</u>	<u>116,911</u>

4.1 These deposit accounts carry profit at the rate of 5% to 10.5% per annum (June 30, 2010: 5% to 10.5% per annum).

4.2 This term deposit receipt carries profit at the rate of 13.6% per annum (June 30, 2010: 12.5% per annum) and having maturity of 28 days (June 30, 2010: 41 days).

5. INVESTMENTS

2011	2010
----(Rupees in '000) ----	

At fair value through profit or loss

- Fixed income securities

5.2	<u>434,913</u>	<u>442,348</u>
-----	----------------	----------------

5.1 The cost of the above investments as at June 30, 2011 amounted to Rs. 435.135 million (June 30, 2010: 442.453 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

5.2 Fixed income securities - 'at fair value through profit or loss' - designated on initial recognition

5.2.1 Government securities

Issue date	----- Face Value -----					Market value as at June 30, 2011	Market value as a percentage of total Investments
	As at July 1, 2010	Purchases during the period	Sales during the period	Maturities during the period	As at June 30, 2011		
TreasurY bills							
----- (Rupees in '000) -----							
1 Year							
August 27, 2009	-	110,000	-	110,000	-	-	-
6 Months							
February 25, 2010	-	100,000	-	100,000	-	-	-
March 11, 2010	-	100,000	-	100,000	-	-	-
April 8, 2010	50,000	15,000	50,000	15,000	-	-	-
April 22, 2010	70,000	-	-	70,000	-	-	-
May 20, 2010	10,000	-	-	10,000	-	-	-
June 3, 2010	28,000	-	5,000	23,000	-	-	-
June 17, 2010	75,000	115,000	-	190,000	-	-	-
July 15, 2010	-	45,000	-	45,000	-	-	-
August 3, 2010	-	95,000	-	95,000	-	-	-
August 16, 2010	-	35,000	-	35,000	-	-	-
March 24, 2011	-	100,000	-	-	100,000	97,032	22.31
April 7, 2011	-	35,000	-	-	35,000	33,790	7.77
April 21, 2011	-	70,000	-	-	70,000	67,235	15.46
May 5, 2011	-	65,000	-	-	65,000	62,115	14.28
June 30, 2011	-	75,000	-	-	75,000	70,235	16.15
						330,407	
3 Months							
April 8, 2010	50,000	-	-	50,000	-	-	-
April 22, 2010	180,000	155,000	-	335,000	-	-	-
May 6, 2010	-	29,000	-	29,000	-	-	-
August 13, 2010	-	165,000	-	165,000	-	-	-
August 26, 2010	-	120,000	90,000	30,000	-	-	-
October 7, 2010	-	115,000	-	115,000	-	-	-
October 21, 2010	-	25,000	-	25,000	-	-	-
November 4, 2010	-	115,000	-	115,000	-	-	-
November 16, 2010	-	80,000	-	80,000	-	-	-
December 2, 2010	-	95,000	-	95,000	-	-	-
January 13, 2011	-	259,000	240,000	19,000	-	-	-
January 27, 2011	-	175,000	10,000	165,000	-	-	-
February 10, 2011	-	50,000	-	50,000	-	-	-
February 24, 2011	-	95,000	-	95,000	-	-	-
March 24, 2011	-	160,000	15,000	145,000	-	-	-
April 21, 2011	-	105,000	-	-	105,000	104,506	24.03
						434,913	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

	2011	July 20, 2009 to June 30, 2010
	----- (Rupees in '000) -----	
5.3 Net unrealised diminution in fair value of Investments classified as 'at fair value through profit or loss'		
Fair value of investments	434,913	442,348
Less: Cost of investments	<u>(435,135)</u>	<u>(442,453)</u>
	<u>(222)</u>	<u>(105)</u>
	2011	2010
	----- (Rupees in '000) -----	
6. INCOME RECEIVABLE		
Income accrued on term deposit receipts	1,304	103
Income accrued on bank deposits	<u>258</u>	<u>104</u>
	<u>1,562</u>	<u>207</u>
7. PREPAYMENTS AND OTHER RECEIVABLES		
Receivable from KASB Islamic Income Fund	-	720
Receivable from KASB Liquid Fund	-	44
Prepaid brokerage	5	6
Others	<u>673</u>	<u>664</u>
	<u>678</u>	<u>1,434</u>
8. PRELIMINARY EXPENSES AND FLOATATION COSTS		
Preliminary expenses and floatation costs	2,857	3,469
Less: Amortisation during the year / period	<u>(694)</u>	<u>(612)</u>
	<u>2,163</u>	<u>2,857</u>
9. PAYABLE TO KASB FUNDS LIMITED – MANAGEMENT COMPANY		
Management fee payable	9.1 26	378
Sales load payable	<u>289</u>	<u>20</u>
	<u>315</u>	<u>398</u>

9.1 Under the provisions of Non Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. During the year the Management Company has charged its remuneration at the rate of 0.80 percent per annum of the average annual net assets of the Fund. However, the management has not charged its remuneration for the period from July 24, 2010 to August 3, 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

10. PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE

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 Rs. 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.

11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

As per Schedule II of the NBFC Regulations 2008, an money market fund is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Scheme.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	2011	2010
	----- (Rupees in '000) -----	
Auditors' remuneration	335	303
Credit rating fee payable	200	200
Brokerage payable	11	31
Unclaimed redemption payable	31	-
Others	1,326	861
	<u>1,903</u>	<u>1,395</u>

13. NUMBER OF UNITS IN ISSUE

	-----Units-----	
Total outstanding at beginning of the year / period	5,387,839	-
Sales during the year / period	4,635,669	15,031,384
Bonus units issued	496,744	233,641
Redemption during the year / period	(4,794,454)	(9,877,186)
Total units in issue at the end of the year / period	<u>5,725,798</u>	<u>5,387,839</u>

Face value of the unit is Rs. 100 each

14. AUDITORS' REMUNERATION

	2011	2010
	----- (Rupees in '000) -----	
Audit fee	275	250
Half yearly review	75	66
Other certifications and services	60	68
Out of pocket expense	32	24
	<u>442</u>	<u>408</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

15. PROVISION FOR WORKERS WELFARE FUND

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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

On July 15, 2010, the 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 pending in the Honorable High Court of Sindh. 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 Honorable High Court of Sindh. The case has been heard on March 12, 2011 by the full bench judge of Honorable High Court of Sindh and judgment in this respect has been reserved.

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court 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 hence struck them down. The Management Company is hopeful that the decision of the Honorable Lahore High Court will lend further support to the Constitutional Petition which is pending in the Honorable High Court of Sindh. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs. 1.15 million in these financial statements representing charge accrued up to November 26, 2011.

16. EARNINGS PER UNIT

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

17. 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 NBFC Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner explained above, no provision for taxation has been made in these financial statements.

18. 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 Stock Market Fund, KASB Income Opportunity Fund (formerly KASB Liquid Fund), KASB Islamic Income Opportunity Fund (formerly KASB Islamic Income Fund), KASB Asset Allocation Fund (formerly KASB Balanced Fund), KASB Capital Protected Gold Fund, Crosby Dragon Fund, Crosby Phoenix Fund and AMZ Plus Income Fund) and directors, key management personnel and officers of the Management Company, personnel and officers of the Management Company.

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 year end are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

July 20,
2009 to
June 30,

2011

2010

----- (Rupees in '000) -----

18.1 Transactions

KASB Funds Limited

Remuneration	9.1	<u>4,275</u>	<u>3,283</u>
Sales load		<u>707</u>	<u>448</u>
Investment in the Fund: 24,743 units (2010: 614,685 units)		<u>2,500</u>	<u>61,737</u>
Redemption from the Fund: 263,733 units (2010: 519,503 units)		<u>26,760</u>	<u>52,737</u>
Bonus units: 289 units (2010: 33,190 units)		<u>29</u>	<u>3,332</u>
Conversion in the Fund: 41,889 units (2010: Nil units)		<u>4,240</u>	<u>-</u>
Transfer in the Fund: 60,007 units (2010: 1,000,000 units)		<u>6,080</u>	<u>100,362</u>
Transfer out of the Fund: Nil units (2010: 500,000 units)		<u>-</u>	<u>50,096</u>
Units pledged with KASB Bank Limited: 17,416 units (2010: 500,000 units)		<u>1,757</u>	<u>50,373</u>

KASB Funds Limited Employees' Provident Fund

Investment in the Fund: Nil units (2010: 24,761 units)		<u>-</u>	<u>2,527</u>
Redemption from the Fund: Nil units (2010: 12,473 units)		<u>-</u>	<u>1,277</u>
Bonus units: Nil units (2010: 186 units)		<u>-</u>	<u>19</u>

KASB Bank Limited

Investment in the Fund: Nil units (2010: 787,190 units)		<u>-</u>	<u>78,961</u>
Redemption from the Fund: Nil units (2010: 500,000 units)		<u>-</u>	<u>50,200</u>
Conversion in the Fund: Nil units (2010: 500,000 units)		<u>-</u>	<u>50,000</u>
Transfer in the Fund: Nil units (2010: 500,000 units)		<u>-</u>	<u>50,096</u>
Transfer out of the Fund: Nil units (2010: 1,000,000 units)		<u>-</u>	<u>100,362</u>
Dividend paid		<u>2,944</u>	<u>1,500</u>

KASB Securities Limited

Brokerage	18.3	<u>79</u>	<u>52</u>
Investment in the Fund: Nil units (2010: 1,471,339 units)		<u>-</u>	<u>150,000</u>
Redemption from the Fund: 1,263,559 units (2010: 512,043 units)		<u>130,000</u>	<u>51,960</u>
Conversion in the Fund: 835,018 units (2010: Nil units)		<u>84,793</u>	<u>-</u>
Bonus units: 133,497 units (2010: 19,498 units)		<u>13,396</u>	<u>1,957</u>

MCB Financial Services Limited - Trustee

Remuneration		<u>1,096</u>	<u>735</u>
--------------	--	--------------	------------

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

	2011	July 20, 2009 to June 30, 2010
Directors and Officers of the Management Company		
Investment in the Fund: 15,101 units (2010: 70,262 units)	<u>1,537</u>	<u>7,124</u>
Redemption from the Fund: 20,483 units (2010: 306,234 units)	<u>2,081</u>	<u>31,020</u>
Bonus units: 3,334 units (2010: 1,363 units)	<u>330</u>	<u>137</u>
Conversion in the Fund: 21,663 units (2010: 301,866 units)	<u>2,193</u>	<u>30,289</u>
Conversion out of the Fund: 10 units (2010: 38,116 units)	<u>1</u>	<u>3,826</u>
Transfer in the Fund: 246 units (2010: 98 units)	<u>25</u>	<u>10</u>
18.2 Balances	2011	2010
	----- (Rupees in '000)-----	
KASB Funds Limited		
Receivable from the Management Company	<u>661</u>	<u>664</u>
Payable to Management Company	<u>315</u>	<u>398</u>
Units held: Nil units (2010: 628,373 units)	<u>-</u>	<u>64,308</u>
KASB Funds Limited Employees' Provident Fund		
Units held: Nil units (2010: 12,473 units)	<u>-</u>	<u>1,277</u>
KASB Bank Limited		
Units held: 287,190 units (2010: 287,190 units)	<u>29,684</u>	<u>29,391</u>
KASB Securities Limited		
Brokerage payable	<u>11</u>	<u>9</u>
Units held: 683,751 units (2010: 978,794 units)	<u>70,672</u>	<u>100,170</u>
MCB Financial Services Limited - Trustee		
Payable to the Trustee	<u>96</u>	<u>91</u>
KASB Islamic Income Opportunity Fund (formerly KASB Islamic Income Fund)		
Receivable from the Fund	<u>-</u>	<u>720</u>
KASB Income Opportunity Fund (formerly KASB Liquid Fund)		
Receivable from the Fund	<u>-</u>	<u>44</u>
Directors and Officers of the Management Company		
Units held: 35,038 units (2010: 29,239 units)	<u>3,539</u>	<u>2,992</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

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.

19. RISK MANAGEMENT

The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies. The management of these risks is carried out by investment committee under policies approved by Board of Directors.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks such as:

- Market risk
- Credit risk and
- Liquidity risk

Market risk

Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP).

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and future cash flows.

The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. The Fund holds investment in government securities carrying fixed interest rates that expose the Fund to fair value interest rate risk.

As at June 30, 2011 the investment in securities exposed to interest rate risk is detailed in note 5.2 to the financial statements

Sensitivity analysis for fixed rate instruments

In case of 100 basis points increase / decrease in rates notified by Financial Market Association on June 30, 2011 with all other variables held constant, the net income for the year and net assets would be lower / higher by Rs. 4.06 million (2010: Rs. 0.83 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association is expected to change overtime. Accordingly, the sensitivity prepared as of June 30, 2011 is not necessarily indicative of the impact on Fund's net assets of future movement in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund resulting in financial loss to the Fund. It arises primarily from bank balances, income receivable and deposits.

The Fund's maximum exposure to credit risk (before collateral and other credit enhancements) at June 30, 2011 is represented by carrying amount of bank balances and investments in statement of assets and liabilities

Balances with banks

The Fund's cash and cash equivalents are held with commercial banks and financial institutions having credit rating ranging from AAA to AA based on ratings assigned by a reputable credit rating agency.

Investments

Management believes that investment in government securities does not expose the Fund to credit risk as counterparty to the securities is the Government of Pakistan.

Concentration of credit risk

As at June 30, 2011 there is no concentration of credit risk to any individual issuer / counter party, apart from investment in government securities to which the Fund believes it has no material credit exposure

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund. Units of the Fund are redeemable on demand at the holder's option.

The Fund's approach to managing liquidity is to have sufficient liquidity to meet its liabilities including estimated redemption of units as and when due without incurring undue losses or risk damages to the Fund's reputation.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

The liquidity position of the Fund is monitored by Fund Manager and Risk and Compliance Department on daily basis.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

	June 30, 2011			Total
	Up to three months	More than three months and upto one year	More than one year	
	----- (Rupees in '000) -----			
Payable on redemption of units	-	-	-	-
Payable to KASB Funds Limited - Management Company	315	-	-	315
Payable to MCB Financial Services Limited - Trustee	96	-	-	96
Accrued expenses and other liabilities	749	-	-	749
	1,160	-	-	1,160

	June 30, 2010			Total
	Up to three months	More than three months and upto one year	More than one year	
	----- (Rupees in '000) -----			
Payable on redemption of units	10,212	-	-	10,212
Payable to KASB Funds Limited - Management Company	398	-	-	398
Payable to MCB Financial Services Limited - Trustee	91	-	-	91
Accrued expenses and other liabilities	643	-	-	643
	11,344	-	-	11,344

Unit Holders' Funds risk management

As a result of the ability to issue and repurchase/ redeem units except for core investors, the Unit Holders' Funds can vary depending on the demand for redemptions, and subscription to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue and repurchase / redemption of units, except for Rs. 50 million at the time of launching of the Fund.

The Fund's objectives in managing the unit holders' fund are to ensure a stable base to maximise return to all investors and also to manage liquidity risk arising from redemptions.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments on the Statement of Assets and Liabilities are carried at fair value . The Management Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs.

The fair value of investment in government securities are included within level 2 of the fair value hierarchy as mentioned above, as the inputs used for the valuation are based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

21. DISTRIBUTIONS BY THE FUND

21.1 Final and interim distributions

Date of distributions	For the year ended June 30, 2011				
	Distribution per unit	No. of bonus units issued	Bonus -----	Cash (Rupees)	Total -----
<i>Final distribution</i>					
July 03, 2010	2.25	114,627	11,473	650	12,123
<i>Interim distributions</i>					
October 1, 2010	2.50	108,040	10,830	722	11,552
December 10, 2010	2.00	89,032	8,934	578	9,512
February 17, 2011	2.00	103,118	10,369	577	10,946
March 31, 2011	1.50	81,927	8,223	433	8,656
			<u>38,356</u>	<u>2,310</u>	<u>40,666</u>

Date of distributions	For the period from July 20, 2009 to June 30, 2010				
	Distribution per unit	No. of bonus units issued	Bonus -----	Cash (Rupees)	Total -----
<i>Interim distributions</i>					
October 23, 2009	1.50	45,494	4,558	1,500	6,058
February 11, 2010	2.75	93,966	9,439	-	9,439
April 22, 2010	2.00	94,181	9,452	-	9,452
			<u>23,449</u>	<u>1,500</u>	<u>24,949</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

21.2 Non-adjusting event after the balance sheet date

The Board of Directors of the Management Company has approved a final dividend distribution of Rs. 3.25 per unit for the year ended June 30, 2011 amounting to Rs. 18.61 million in total in their meeting held on July 4, 2011. The financial statements for the year ended June 30, 2011 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2012.

22. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

22.1 Pattern of unitholding

Unit holding pattern of the Fund as at June 30 is as follows:

Category	Number of unit holders		Investment amount		Percentage of total investment	
	2011	2010	2011	2010	2011	2010
	----- (Numbers) -----		--- (Rupees in '000) ---		----- (%) -----	
Individuals	256	144	202,365	142,921	34.19	25.92
Associated companies and directors	4	7	153,219	199,191	25.89	36.13
Retirement funds	10	6	56,697	32,030	9.58	5.81
Others	12	7	179,530	177,249	30.34	32.15
Total	282	164	591,811	551,391	100.00	100.00

22.2 List of top ten brokers / dealers by percentage of commission paid

Broker Name	2011 (percentage)
KASB Securities Limited	70.70%
Alfalah Securities (Private) Limited	9.99%
JS Global Capital Limited	8.16%
Global Securities Pakistan Limited	4.26%
Invisor Securities (Private) Limited	3.49%
BMA Capital Management Limited	1.17%
ICON Securities (Private) Limited	1.12%
Invest Capital Market Limited	0.82%
Atlas Capital Markets (Private) Limited	0.29%
	2010 (percentage)
KASB Securities Limited	60.02
Icon Securites (Private) Limited	15.41
JS Global Capital Limited	7.89
Invisor Securites (Private) Limited	7.26
First Capital Securities Corporation Limited	5.48
Elixir Securities Pakistan Limited	1.71
Atlas Capital Market (Private) Limited	0.75
BMA Capital Management Limited	0.75
AlFalah Securities (Private) Limited	0.37
Global Securities Pakistan Limited	0.37

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

22.3 Dates, names of persons attending each meeting of the board of directors

Name of the person	Designation	Meetings		
		Total	Attended	Leave granted
Mr. Robert John Richard Owen	Chairman	10	10	-
Mr. Syed Muhammad Rehmanullah	Director	10	10	-
Mr. Muzaffar Ali Shah Bukhari	Director	10	10	-
Mr. Qaisar P. Mufti	Director	1	1	-
Mr. Masood Karim Shaikh*	Director	4	2	-
Mr. Amer Maqbool	Chief Executive and Director	1	1	-
Ms. Naz Khan**	Chief Executive and Director	2	2	-
Mr. Muhammad Imran Khalil	Chief Financial Officer	10	10	-
Mr. Mansoor Ali	Company Secretary	3	3	-
Mr. Muhammad Kashif Masood***	Company Secretary	1	1	-

* Mr. Masood Karim Shaikh resigned from the Board on January 17, 2011 and Mr. Qaisar P. Mufti was appointed Director after SECP granted approval on April 22, 2011.

** Ms. Naz Khan resigned from the Board on August 31, 2010 and Mr. Muhammad Imran Khalil was appointed as Director and Chief Executive after SECP granted approval on September 29, 2010. Subsequently, Mr. Amer Maqbool was appointed as Director and Chief Executive in place of Mr. Muhammad Imran Khalil after SECP granted approval on June 3, 2011.

*** Mr. Muhammad Kashif Masood was appointed as Company Secretary in place of Mr. Muhammad Imran Khalil in the Board meeting held on October 2, 2010. Mr. Muhammad Kashif Masood resigned on December 29, 2010. Thereafter, Mr. Mansoor Ali was appointed as Company Secretary in Board meeting held on February 17, 2011.

Dates of the meetings of the board of directors

The 40th, 41st, 42nd, 43rd, 44th, 45th, 46th, 47th, 48th and 49th Board meetings were held on July 03, 2010, August 27, 2010, October 02, 2010, October 28, 2010, November 26, 2010, January 17, 2011, February 17, 2011, March 31, 2011, April 25, 2011 and June 06, 2011 respectively.

22.4 Details of members of investment committee

Name	Designation	Qualification	Experience (years)
Amer Maqbool	Chief Executive Officer	MBA	15
Syed Khurram Qadri	Fund Manager	MBA	05
Shehzad Mubashir	Research Analyst	MBA	04

Subsequent to the year end, owing to scheme of acquisition and simultaneous merger of KASB Funds Limited with Crossby Asset Management (Pakistan) Limited, the Investment Committee has been reconstituted and recomposed as follows:

Amer Maqbool	Chief Executive Officer	MBA	15
Syed Khurram Qadri	Fund Manager	MBA	05
Jamshed Khan	Chief Investment Officer	BSc (Hons.)	13
Hussain Khoja	Head of Research	ACCA	08

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

22.4.1 Details of other funds managed by the Fund Manager

KASB Income Opportunity Fund (formerly KASB Liquid Fund) and KASB Islamic Income Opportunity Fund (formerly KASB Islamic Income Fund) under the management of KASB Funds Limited.

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 15, 2011.

24. GENERAL

The accounting period of the Fund started on July 20, 2009, therefore, comparative figures presented in income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' funds and the cash flow statement are from July 20, 2009 to June 30, 2010.

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

Chief Executive

Director