

# KASB LIQUID FUND

ANNUAL REPORT  
JUNE 30, 2008

MANAGED BY





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## Fund Information

**Management Company**  
KASB Funds Limited

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

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

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

**Chief Financial Officer**  
Mr. Muhammad Imran Khalil

**Company Secretary**  
Mr. Irfan Saleem Awan

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

**Fund Rating - 5 star by PACRA**

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

**Bankers to the Fund**  
KASB Bank Limited

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

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

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

**Distributors**  
KASB Funds Limited  
KASB Bank Limited  
KASB Securities Limited  
IGI Investment Bank Limited  
Atlas Capital Markets (Private) Limited  
Standard Chartered Bank (Pakistan) Limited

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

## **Mission Statement**

KASB Liquid Fund seeks to maximize current income, consistent with low levels of risk and high liquidity.



## Report Of The Directors Of The Management Company For KASB Liquid Fund

The Board of Directors of KASB Funds Limited (KFL), the Management Company of KASB Liquid Fund (KLF, the Fund), is pleased to present the third Annual Report, together with the audited financial statements of the Fund for the year ended June 30, 2008.

### Financial Highlights

	FY 2008	FY 2007	Increase
Net Income (Rs. in Million)	896.48	628.89	42.55%
Net Assets as at June 30 (Rs. in Million)	8,828	6,481	36.21%
NAV per Unit as on June 30 (Rs.) **	103.29*	111.08	(0.49%)
Annualised yield	10.34%	10.96%	-5.66%

\* Ex-NAV after interim distribution of Rs. 7.25 per unit.

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

### Economic Environment

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

### Investment Strategy

The primary objective of the Fund is to maximise current income, consistent with low levels of risk and high liquidity. The Fund aims to primarily invest in low duration, liquid investments including money market and other debt instruments as well as fixed income transactions in the capital market.

Under the rising interest rate scenario, the fund remained primarily focused on short term placement avenues and floating rate good quality corporate debt. On average the total exposure in money market placements remained around 51% whereas TFCs constituted close to 33% of the total fund investments. The exposure to CFS remained under 10% in line with the fund's policy of low risk investments.

The fund achieved its objective of generating regular income by investing in high quality, low duration fixed income instruments within the guidelines provided under NBFC Regulations.

### Fund Performance

The Net Asset Value per unit of the Fund at the close of the period stood at Rs. 103.29 (Ex-NAV after interim distribution of Rs. 7.25 per unit), thus, giving an annualised yield of 10.34% for the year. The net income before distribution for the year ended June 30, 2008 was Rs. 896.48 million. Term Finance Certificates and Sukuk Certificates contributed Rs. 348.57 million, Placements with banks and financial institutions contributed Rs. 385.72 million towards the income, profit on bank deposits was Rs. 157.71 million and income from Continuous Funding System (CFS) was Rs. 65.68 million.

### Income Distribution

The Board of Directors of KASB Funds Limited approved the final

distribution for the financial year ended June 30, 2008 of Rs. 2.75 per unit. This distribution is in addition to the interim dividend of Rs. 7.25 per unit distributed in the month of April 2008. Therefore, the total distribution for the financial year ended June 30, 2008 totals to Rs. 10 per unit, which is equivalent to 10% of the par value of Rs. 100.

As the Fund has distributed more than 90% of the accounting income among the unit holders, its income will not be subject to income tax under clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001.

### Sale and redemption of units

The fund size of KLF was Rs. 6,481.04 million on June 30, 2007 which increased by 36.21% by the end of the financial year to close at Rs. 8,828.32 million on June 30, 2008. During the year, units worth Rs. 32,779 million were issued and units with a value of Rs. 31,137 million were redeemed. As on June 30, 2008, the total number of outstanding units was 85,473,099 with a value of Rs. 8,828.32 million.

### Code of Corporate Governance

The Board of Directors states that:

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

### Meetings of the Directors

Statement showing attendance of the directors in the meetings of the Board of Directors from July 1, 2007 to June 30, 2008 is disclosed in note 24 of the financial statements.

## Report Of The Directors Of The Management Company For KASB Liquid Fund

The trades 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 (No. of Units)	Redemption (No. of Units)
1.	Mr. Farid Arshad Masood	Director	14,026	8,875
2.	Ms. Naz Khan	Director & Chief Executive	51,561	38,792
3.	Mr. Muhammad Imran Khalil	CFO	17,299	14,297

### Pattern of Holding

The pattern of holdings (units) presents a diversified investor base. As on June 30, 2008, banks and financial institutions held 32.83% out of the total units; individuals 20.87% units; insurance companies and public limited companies 26.48% units; 19.82% units were held by other corporate sector entities, retirement funds and non profit organisations. Detailed pattern is also annexed.

### Future Outlook

The combination of global macro challenges and political uncertainty on the domestic front has put the economy through challenging times. Inflationary pressures are expected to persist through most of the year as oil subsidies will be revoked. The large trade and fiscal deficits leave the government with little fiscal space and will force the government to raise external and domestic debt. Therefore, interest rates are expected to remain firm, which will favourably impact the returns on your Fund. At the same time, the economic consolidation and tighter credit conditions will require more prudent credit risk management and investment in quality instruments.

### 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 Liquid Fund for the financial year ending June 30, 2009. The Board has approved the appointment.

### Acknowledgement

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

For and on behalf of the Board

August 20, 2008  
Karachi

Naz Khan  
Chief Executive Officer



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

	Units held	Units held (%)
<b>Associated companies</b>		
KASB Bank Limited	112,134	0.13
KASB BANK Limited Employees' Provident Fund	84,224	0.10
KASB Funds Limited	1,212,816	1.42
KASB Funds Limited Employees' Provident Fund	6,497	0.01
KASB Securities Limited Employees' Provident Fund	42,908	0.05
New Horizon Exploration & Production Ltd.	89	0.00
<b>Directors and Chief Executive</b>		
Chief Executive		
Ms. Naz Khan	74,362	0.09
Director		
Mr. Fareed Arshad Masood	18,076	0.02
<b>Spouse and Minor Children of Directors &amp; CEO</b>		
Mr. Zaheer Ahmed Khan	4,809	0.01
Ms. Nabigha Nasser Masood	17,304	0.02
Ms. Saba Kamal	9,626	0.01
<b>Executives</b>	6,657	0.01
<b>Public Limited Companies</b>	20,679,433	24.19
<b>Banks and Financial Institutions</b>	26,738,460	31.28
<b>Individuals</b>	17,712,372	20.72
<b>Retirement Funds</b>	4,677,324	5.47
<b>Insurance Companies</b>	1,954,225	2.29
<b>Other Corporate Sector Entities</b>	12,049,241	14.10
<b>Non Profit Organizations</b>	72,542	0.08
	<b>85,473,099</b>	<b>100.00</b>

## Performance Table

	2008	2007	2006
Total net asset value as at June 30 (Rs. '000)	<b>8,828,324</b>	6,481,037	730,692
Net asset value per unit as at June 30 (Rs.)	<b>103.29</b>	111.08	101.51
Selling price for units as at June 30 (Rs.)	<b>103.29</b>	111.08	101.51
Repurchase price for units as at June 30 (Rs.)	<b>103.29</b>	111.08	101.51
Repurchase price with contingent back-end load for units as at June 30 (Rs.)	<b>102.77</b>	110.52	101.00
Final dividend distribution per unit (Rs.)	<b>2.75</b>	10.72	1.40
Date of final distribution	<b>July 2, 08</b>	July 6, 07	July 6, 06
Interim dividend distribution per unit (Rs.)	<b>7.25</b>	-	-
Date of Interim distribution	<b>April 2, 2008</b>	-	-
Highest selling price per unit (Rs.)	<b>107.82</b>	111.08	101.51
Highest repurchase price per unit (Rs.)	<b>107.82</b>	111.08	101.51
Highest repurchase price with contingent back-end load per unit (Rs.)	<b>107.28</b>	110.52	101.00
Lowest selling price per unit (Rs.)	<b>100.37</b>	100.14	100.00
Lowest repurchase price per unit (Rs.)	<b>100.37</b>	100.14	100.00
Lowest repurchase Price with contingent back-end load per unit (Rs.)	<b>99.86</b>	99.63	99.50
Annualised return	<b>10.34%</b>	10.96%	10.60%
Weighted average portfolio duration	<b>85 days</b>	81 days	27 days

Return since inception is 10.56%.

Launch date of the Fund is May 9, 2006.

### Disclaimer

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

## Annual Fund Manager's Report

**Investment Objective**

The Fund seeks to maximise current income, consistent with low levels of risk and high liquidity.

**Inception Date**

May 9, 2006

**Type & Category of Fund**

Open-ended money market

**Fund Size**

PKR 8,828 million

**Current NAV**

PKR 103.29 (30-06-08)

**Fund Rating**

5 Star by PACRA

**Load Structure**

Front-end	Nil
Back-end	Nil
Back-end (contingent)	0.50% (if redeemed within 15 days)

**Performance Return (p.a. basis)**

	KLF	KIBOR 1 month*
Since Inception	10.56%	9.78%
1 year	10.34%	10.10%
6 month	9.98%	10.59%
3 month	10.85%	11.26%
1 month	10.93%	12.73%

\* For comparison purposes only

**Indicators (since Inception)**

Sharpe Ratio	-0.157
Standard Deviation	0.015%

**Accomplishment Of Objective**

The fund has achieved its objective of generating regular income by investing in low duration fixed income instruments within the guidelines provided under NBFC rules.

**Strategies And Policies Employed During The Period**

Under the rising interest rate scenario, the fund remained primarily focused on short term placement avenues and floating rate good quality corporate debt. On average total exposure in money market placements remained around 51% whereas TFCs constituted close to 33% of the total fund investments. Investments in CFS remained low as per policy.

**Review Of The Markets Invested In**

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

**Fund Performance**

For the year ended June 30, 2008, the fund clocked a return of 10.34%. At the start of the year the NAV of the fund was

PKR 100.36 which appreciated up to PKR 107.82 by March 31st. The fund gave out a dividend of PKR 7.25 per unit. At the close of the year the fund recorded a NAV of PKR 103.29 per unit.

**Significant Changes In Asset Allocation During The Period**

When compared with the start of the year, the fund has significantly increased its exposure in TFCs which stand at 46% when compared with 10% a year ago. The investments in CFS and placements have been brought down from 16% and 53% to 4% and 38% respectively.

**Distribution**

Total dividend distribution for the year was PKR 10 per unit, i.e. PKR 7.25 per unit in March 2008 for a period of nine months and PKR 2.75 per unit as final dividend at end of June 30, 2008. The effects on NAV were as follows;

	31 March 2008	30 June 2008
NAV	PKR 107.82	PKR 103.29
Distribution	PKR 7.25	PKR 2.75
Ex-NAV	PKR 100.57	PKR 100.54

**Unit Splits**

There were no unit splits during the period.

**Significant Changes In The State Of Affairs**

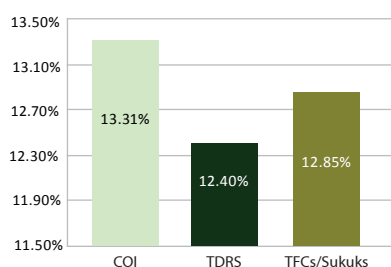
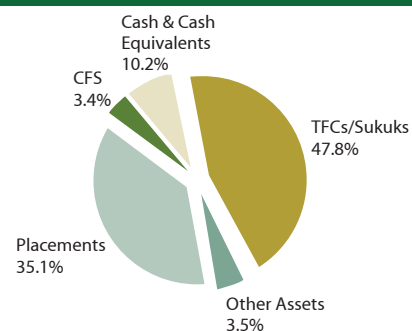
There were no significant changes in the state of affairs during the period under review.

**Circumstances Materially Affecting The Interests Of Unitholders**

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

**Soft Commission**

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

**Average Return on Investments****Weighted Asset Allocation for June 2008**

## Trustee Report To The Unit Holders

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

KASB Liquid Fund (Fund), an open-end scheme was established under a trust deed dated February 20, 2006 executed between KASB Funds Limited, as the management company and Central Depository Company of Pakistan Limited, as the trustee.

In our opinion, the management company has in all material respects managed the Fund during the year ended June 30, 2008 in accordance with the provisions of the following:

- (i) limitations imposed on the investment powers of the management company under the constitutive documents of the Fund;
- (ii) the pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and the constitutive documents of the Fund.

Muhammad Hanif  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 17, 2008

## Statement Of Compliance With The Code Of Corporate Governance

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

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

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

1. The Management Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. All the directors except the Chief Executive Officer (CEO) are non-executive directors and none of the Directors represent minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies in Pakistan, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring in the Board on June 20, 2007 was filled by the Directors within 30 days thereof on July 18, 2007. However, this appointment became effective after the approval of the Securities and Exchange Commission of Pakistan in accordance with the requirements of the Non - Banking Finance Companies (Establishment and Regulation) Rules, 2003.
5. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Management Company.
6. The Board has developed a vision/mission statement and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. An orientation course was conducted in a meeting of the Board held on September 07, 2007, to apprise them of their duties and responsibilities.
10. The Board has approved the appointment of the CFO, Company Secretary and the Internal Auditors including remuneration and terms and conditions of appointment.
11. The Directors' report for this 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 interim and final results of the Fund as required by the Code. The terms of reference of the Audit Committee have been formed and advised to the Committee for compliance.
17. The Management Company has outsourced the internal audit function to a firm of Chartered Accountants which is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Fund.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold Units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors of the Fund or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

August 20, 2008  
Karachi

Naz Khan  
Chief Executive Officer

## Review Report to the unit holders on statement of compliance with the best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of KASB Funds Limited ("the Management Company") of **KASB Liquid Fund** ("the Fund") to comply with the listing regulation of the Karachi Stock Exchange (Guarantee) Limited, where the Fund is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2008.

20 August 2008  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Independent Auditors' Report to the Unit Holders

We have audited the accompanying financial statements of KASB Liquid Fund ("**the Fund**"), which comprise the statement of assets and liabilities as at 30 June 2008, and the income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds for the year then ended, 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 trust deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC Regulations) and the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

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

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

### Opinion

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

### Other matters

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

20 August 2008  
Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Statement of Assets and Liabilities

### As at June 30, 2008

	Note	2008	2007
(Rupees in '000)			
<b>Assets</b>			
Bank balances	4	3,305,884	4,624,755
Placements	5	100,000	400,000
Certificates of investment	6	775,000	375,000
Receivable against Continuous Funding System	7	311,893	95,657
Investments	8	4,142,803	917,112
Income receivable	9	216,809	76,058
Deposits, prepayments and other receivables	10	5,565	1,756
Preliminary expenses and floatation costs	11	1,717	2,320
<b>Total assets</b>		<b>8,859,671</b>	6,492,658
<b>Liabilities</b>			
Payable against purchase of investments		2,967	54
Payable on redemption of units		7,482	1,335
Payable to KASB Funds Limited - Management Company	12	9,558	5,493
Payable to Central Depository Company of Pakistan Limited - Trustee	13	883	535
Payable to The Securities and Exchange Commission of Pakistan	14	8,823	2,050
Accrued expenses and other liabilities	15	1,634	2,154
<b>Total liabilities</b>		<b>31,347</b>	11,621
<b>Commitments</b>	16		
<b>Net assets</b>		<b>8,828,324</b>	6,481,037
<b>Unit holders' funds (as per statement attached)</b>		<b>8,828,324</b>	6,481,037
<b>(Number of units)</b>			
<b>Number of units in issue</b>		<b>85,473,099</b>	58,347,582
<b>(Rupees)</b>			
<b>Net asset value per unit</b>		<b>103.29</b>	111.08

The annexed notes 1 to 29 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, 2008

	Note	2008 (Rupees in '000)	2007
<b>Income</b>			
Income from Term Finance Certificates and Sukuk Certificates		348,572	36,760
Income from Continuous Funding System		65,683	26,376
Income from Term Deposit Receipts		273,050	85,336
Income from Placements		29,042	17,158
Income from Certificates of Investment		83,624	19,792
Income from Commercial Papers		20,221	3,575
Profit on bank deposits		157,705	46,415
Capital gain on sale of investments		7,545	4,911
Unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'	8.4	22,259	6,027
<b>Total income</b>		<b>1,007,701</b>	246,350
<b>Expenses</b>			
Remuneration of KASB Funds Limited - Management Company	12.1	114,703	26,653
Remuneration of Central Depository Company of Pakistan Limited - Trustee	13.1	9,823	3,029
Annual fee - The Securities and Exchange Commission of Pakistan	14.1	8,823	2,050
Transaction costs on securities		6,032	5,893
Settlement and bank charges		1,848	709
Legal and professional charges		108	126
Fees and subscription		320	34
Auditors' remuneration	17	741	674
Amortisation of preliminary expenses and floatation costs		603	602
Printing expenses		221	17
<b>Total expenses</b>		<b>143,222</b>	39,787
		<b>864,479</b>	206,563
Net realised element of income and capital gains included in prices of units issued less those in units redeemed		32,001	422,324
<b>Net income for the year</b>		<b>896,480</b>	628,887
<b>Earnings per unit</b>			
	18		

The annexed notes 1 to 29 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, 2008

	2008	2007
	(Rupees in '000)	
Undistributed income brought forward	635,088	10,895
Net unrealised element of income and capital gains included in prices of units issued less those in units redeemed	3,723	5,383
Net income for the year	896,480	628,887
Final distribution @ Rs. 10.72 per unit (June 30, 2006: Rs. 1.4 per unit) for the year ended June 30, 2007.	(625,486)	(10,077)
Interim distribution @ Rs. 7.25 per unit on April 01, 2008	(647,766)	-
	(373,049)	624,193
Undistributed income carried forward	<u>262,039</u>	<u>635,088</u>

*The annexed notes 1 to 29 form an integral part of these financial statements.*

For KASB Funds Limited  
(Management Company)

Chief Executive

Director

## Statement of Movement in Unit Holders' Funds For the year ended June 30, 2008

	Note	2008 (Rupees in '000)	2007
Net assets at beginning of the year		6,481,037	730,692
Issue of 316,606,236 units (2007: 117,838,305 units)		<b>32,779,251</b>	12,801,442
Issue of 11,011,238 bonus units (2007: 100,661 units)		<b>1,106,092</b>	10,077
Redemption of 300,491,957 units (2007: 66,789,354 units)		<b>(31,137,067)</b>	(7,268,852)
		<b>2,748,276</b>	5,542,667
Element of income and capital gains included in prices of units issued less those in units redeemed:			
- amount representing realised capital gains - transferred to the Income Statement		<b>(32,001)</b>	(422,324)
- amount representing unrealised appreciation in fair value of investments - transferred directly to the Distribution Statement		<b>(3,723)</b>	(5,383)
		<b>(35,724)</b>	(427,707)
Unrealised appreciation in fair value of investments classified as 'available for sale' during the year	8.8	<b>18,976</b>	11,192
Unrealised appreciation in fair value of investments classified as 'available for sale' at the beginning of the period		<b>(11,192)</b>	-
		<b>7,784</b>	11,192
Distribution during the year:			
- Issue of bonus units		<b>(1,106,092)</b>	(10,077)
- Dividend		<b>(167,160)</b>	-
		<b>(1,273,252)</b>	(10,077)
Net income available for distribution (excluding net unrealised appreciation in fair value 'of investments classified as at fair value through profit or loss')		<b>877,944</b>	628,243
Unrealised appreciation in fair value of investments classified as 'at fair value through 'profit or loss'		<b>22,259</b>	6,027
Net income available for distribution (Including unrealised element of income and capital gains included in prices of units issued less those in units redeemed)		<b>900,203</b>	634,270
Net assets at end of the year		<b>8,828,324</b>	6,481,037
		<b>(Rupees)</b>	
<b>Net asset value per unit as at the beginning of the year</b>		<b>111.08</b>	100.16
<b>Net asset value per unit as at the end of the year</b>		<b>103.29</b>	111.08

The annexed notes 1 to 29 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, 2008

	2008	2007
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	896,480	628,887
<b>Adjustments</b>		
Unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'	(22,259)	(6,027)
Realised element of income and capital gains included in prices of units issued less those in units redeemed	(32,001)	(422,324)
Amortisation of preliminary expenses and floatation costs	603	602
Profit before working capital changes	842,823	201,138
<b>(Increase) / decrease in assets</b>		
Receivable against sale of investments	-	18,462
Receivable against Continuous Funding System	(216,236)	24,737
Investments	(3,195,648)	(597,025)
Placements	300,000	(475,000)
Certificates of Investment	(400,000)	(325,000)
Term Deposits Receipts with maturity of more than three months	(1,800,000)	-
Income receivable	(140,751)	(71,481)
Deposits, prepayments and other receivables	(3,809)	(53)
	(5,456,444)	(1,425,360)
<b>Increase / (decrease) in liabilities</b>		
Payable against purchase of investments	2,913	(51,917)
Payable on redemption of units	6,147	586
Payable to KASB Funds Limited - Management Company	4,065	429
Payable to Central Depository Company of Pakistan Limited - Trustee	348	361
Payable to The Securities and Exchange Commission of Pakistan	6,773	1,937
Accrued expenses and other liabilities	(520)	1,857
	19,726	(46,747)
<b>Net cash outflow from operating activities</b>	<b>(4,593,895)</b>	<b>(1,270,969)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(167,160)	-
Net receipts from sale and redemption of units	1,642,184	5,532,590
<b>Net cash flow from financing activities</b>	<b>1,475,024</b>	<b>5,532,590</b>
Net increase in cash and cash equivalents during the year	(3,118,871)	4,261,621
Cash and cash equivalents at beginning of the year	4,624,755	363,134
Cash and cash equivalents at end of the year	<b>1,505,884</b>	<b>4,624,755</b>

The annexed notes 1 to 29 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, 2008

### 1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Liquid Fund ("KLF", the "Fund") was established under a Trust Deed executed between KASB Funds Limited (KFL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on February 20, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on March 17, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to undertake asset management and investment advisory services as Non-Banking Finance Company under the NBFC Rules issued by the SECP. The registered office of the Management Company is situated at 9th Floor, Trade Center, I. I. Chundrigar Road, Karachi, Pakistan. The Pakistan Credit Rating Agency Limited has assigned management quality rating of AM3+ to the Management Company and JCR-VIS has assigned management quality rating of AM2- to the Management Company.

KLF is an open-ended 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.

KLF seeks to maximise current income, consistent with low levels of risk and high liquidity by primarily investing in low duration, liquid investments including money market and other debt instruments as well as fixed income transactions in the capital market.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

#### 2.2 Initial application of a standard or an interpretation

During the year, amendments to International Accounting Standards (IAS) 1, Presentation of Financial Statements relating to capital disclosures became effective and have resulted in an additional disclosure. International Financial Reporting Standard (IFRS) 2 – Share Based Payment, IFRS 3 – Business Combinations, IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, IFRS 6 – Exploration for and Extraction of Mineral Resources, IFRIC 8 – Scope of IFRS 2 – Share Based Payment and IFRIC 10 – Interim Financial Reporting and Impairment became effective during the year. The application of these standards and

interpretations did not have any material effect on the Fund's financial statements.

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

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after July 1, 2008 are either not relevant to Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain increased disclosures:

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

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

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

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

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

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

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

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

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

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

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

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

#### 2.4 Basis of measurement

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

## Notes to the Financial Statements For the year ended June 30, 2008

### 2.5 Functional and presentation currency

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

### 2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have most significant effect on the amount recognised in the financial statements are given in note 26 to these financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

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

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

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

- b) *Held to maturity*  
These are investments with fixed or determinable payments and fixed maturity in respect of which the Fund has positive intent and ability to hold such investments to maturity. These investments are stated at amortised cost less impairment losses, if any. Amortisation is determined using the effective yield method.
- c) *Available-for-sale*  
Available for sale financial assets are non-derivative that are either designated in this category or not classified in any other category.
- d) *Loans and receivables originated by the enterprise*  
Loans and receivables are non-derivative financial assets with

fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as fair value through profit or loss or available for sale. This includes receivable against sale of investments, receivable against continuous funding system (CFS) and other receivables and are carried at amortised cost using effective yield method, less impairment losses, if any.

e) *Financial liabilities*

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

### Recognition

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

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract the contract is a derivative contract.

### Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not at 'fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Transaction costs on financial instrument at fair value through profit or loss are expensed out immediately.

Subsequent to initial recognition, financial instruments classified as at 'fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in Unit Holders' Fund until derecognised or impaired, when the accumulated adjustments recognised in Unit Holders' Fund are included in the Income Statement. Unquoted securities are carried at investment price or break-up value which ever is lower, except for government and debt securities which are stated at fair value.

### Fair value measurement principles

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

### Basis of valuation of Term Finance Certificates and Sukuk Certificates

During the year, management changed the basis for the determination of the fair value of investments in listed and unlisted TFCs and sukuk certificates, with effect from December 31, 2007 and April 28, 2008 respectively. The investment of the Fund in the TFCs and Sukuk Certificates is now valued at the rates, notified by the Mutual Funds Association of Pakistan (MUFAP).

## Notes to the Financial Statements For the year ended June 30, 2008

However, securities for which rates are not notified by MUFAP are carried at cost.

Previously the Fund carried its investments in listed Term Finance Certificates (TFCs) using the average of the mid-rates obtained from reputable brokerage houses, while Rule 2(xxxiv)(i) of NBFC Rules prior to the amendment required that securities which are quoted on the stock exchange should be valued at its last sale price on such exchange on the date on which it is valued. Further, the investment of the Fund in unlisted TFCs and Sukuk certificates was carried at cost.

Had the listed TFCs been valued at last sale price quoted on stock exchange and unlisted TFCs and Sukuk Certificates valued at cost, the Net Asset Value (NAV) of the Fund during the year would have been different and consequently the number of units issued / redeemed during the year as well as the element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed recorded by the Fund would also have been different. These effects have not been quantified as it was not practical to do so.

### **Securities under repurchase/ resale agreements**

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

### **Impairment**

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

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

### **Derecognition**

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial asset 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 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net asset value per unit as of the close of the previous business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable on units for which the distributors receive redemption applications during business hours on that day. The redemption price represents the net asset value per unit as of the close of the previous business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

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

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

### **3.4 Net asset value - per unit**

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

### **3.5 Taxation**

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

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

However, the Fund intends to continue availing the tax exemption by distributing at least ninety percent of its accounting income for the period / year as reduced by capital gains, whether realised

## Notes to the Financial Statements For the year ended June 30, 2008

or unrealised, to its unit holders. Accordingly, no current tax and deferred tax has been recognised in these financial statements.

### 3.6 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on the valuation of investments classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in the year / period in which they arise.
- Income on reverse repurchase transactions, continuous funding system transactions and bank deposits is recognised on a time proportionate basis using effective interest rate method.
- Income on debt securities is recognised on time proportion basis using effective interest rate method.
- Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to the Income Statement.
- Dividend income is recognised when the right to receive the dividend is established.
- Element of income / loss and capital gains / losses included in the prices of units issued less those in units redeemed is included in the income statement on the date of issue and redemption of units.

### 3.7 Expenses

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

### 3.8 Provisions

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

### 3.9 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of five years commencing from the last day of the IPO period as per the Trust Deed of the Fund.

### 3.10 Cash and cash equivalents

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

### 3.11 Other assets

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

### 3.12 Dividend and bonus units

Dividends declared subsequent to the balance sheet date are considered as a non-adjusting event and are recognised in the period in which they are authorised or approved.

## 4. BANK BALANCES

	2008	2007
	(Rupees in '000)	
In current accounts	10	10
In deposit accounts	4.1 855,874	1,949,745
Term deposit receipts	4.2 2,450,000	2,675,000
	<b>3,305,884</b>	<b>4,624,755</b>

4.1 Profit rates on deposit accounts range between 8.5% to 12.5% per annum (2007: 9.5% to 12.2% per annum).

4.2 Term deposit receipts carry profit rates ranging from 10.55% to 19% per annum (2007: 10.45% to 12.30 % per annum) and maturity ranging from 7 to 157 days (2007: 19 to 366 days).

## 5. PLACEMENTS - UNSECURED

This placement carries a profit rate of 17 % per annum (2007: 10.65% to 12.69% per annum) having a maturity of 10 days (2007: 4 to 159 days).

## 6. CERTIFICATES OF INVESTMENT - unsecured

These certificates of investment carry profit rates ranging from 11.31% to 16.4% per annum (2007: 10.76% to 11.30% per annum) and maturity ranging from 42 to 231 days (2007: 91 to 546 days).

## 7. RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM

The rates of return on these transactions range between 17.51% to 24.02% per annum (2007: 11.99% to 18.92% per annum), with a maximum maturity of 22 days at the option of financee (2007: 22 days). Fair value of the collaterals accepted against the above receivable balance as at June 30, 2008 amounted to Rs. 305.676 million (2007: Rs.100.253 million).

## 8. INVESTMENTS

Note	2008	2007
	(Rupees in '000)	
<b>At fair value through profit or loss</b>		
Designated on initial recognition		
- Term Finance Certificates-Listed	8.2.1 684,307	131,520
- Advance against Pre-IPO	8.2.2 1,044,017	175,000
Held for trading		
- Equity Securities - Ordinary shares of listed companies	8.3 8,204	-
- Future Contracts	8.5 58	-
	<b>1,736,586</b>	306,520
<b>Available for sale</b>		
- Term finance certificates - Listed	8.6.1 265,727	418,415
- Term finance certificates and Sukuk certificates - Unlisted	8.6.2 2,065,645	74,955
- Commercial papers - Unsecured	8.7 74,845	117,222
	<b>2,406,217</b>	610,592
	<b>4,142,803</b>	<b>917,112</b>

8.1 The cost of these securities as at June 30, 2008 amounted to Rs. 4,101.568 million (2007: Rs.720.862 million).



## Notes to the Financial Statements For the year ended June 30, 2008

### 8.2 At fair value through profit or loss - Term Finance Certificates and Advance against Pre-IPO

2008

Name of the Investee Company	Profit / markup rate %	As at July 01, 2007	Purchased during the year	Sold during the year	As at June 30, 2008	Market Value as at June 30, 2008	Percentage of total investments on the basis of market value
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-----Number of certificates ----- (Rupees in '000)

#### 8.2.1 Term Finance Certificates-Listed

Pakistan Mobile								
Communications Limited	8.2.1.1	16.00	15,000	-	-	15,000	80,568	1.94
Jahangir Siddiqui & Company								
Limited	8.2.1.2	13.83	5,000	-	-	5,000	25,110	0.61
Allied Bank Limited	8.2.1.3	11.93	5,000	-	-	5,000	26,494	0.64
Engro Chemicals Pakistan - III	8.2.1.4	14.81	-	10,000	-	10,000	50,530	1.22
United Bank Limited - IV	8.2.1.5	11.10	-	30,000	-	30,000	149,175	3.60
Pace Pakistan Limited	8.2.1.6	11.76	-	30,000	-	30,000	151,935	3.67
Pak Arab Fertilizers Limited	8.2.1.7	11.77	-	30,000	-	30,000	149,875	3.62
NIB Bank Limited	8.2.1.8	11.41	-	10,000	-	10,000	50,620	1.22
<b>684,307</b>								

#### 8.2.2 Advance against Pre-IPO

Pakistan Mobile								
Communications Limited	8.2.2.1	14.72	-	120,000	-	120,000	611,280	14.76
WorldCall Telecom Limited	8.2.2.2	12.47	-	46,000	-	46,000	232,737	5.62
Trust Investment Bank								
Limited	8.2.2.3	11.95	-	10,000	-	10,000	50,000	1.21
Dewan Cement Limited	8.2.2.4	12.04	-	30,000	-	30,000	150,000	3.62
<b>1,044,017</b>								

2007

Name of the Investee Company	Profit / markup rate %	As at July 01, 2006	Purchased during the year	Sold during the year	As at June 30, 2007	Market Value as at June 30, 2007	Percentage of total investments on the basis of market value
------------------------------	------------------------------	------------------------	---------------------------------	-------------------------	------------------------	-------------------------------------	-----------------------------------------------------------------------

-----Number of certificates ----- (Rupees in '000)

#### Term Finance Certificates-Listed

Pakistan Mobile Communications								
Limited		12.99	15,000	-	-	15,000	79,655	8.69
Jahangir Siddiqui & Company Limited		12.66	-	5,000	-	5,000	25,870	2.82
Allied Bank Limited		11.93	-	5,000	-	5,000	25,995	2.83
<b>131,520</b>								

#### Advance against Pre-IPO

Pak Elektron Limited		12.69	5,000	-	5,000	25,000	2.73	
Engro Chemicals Pakistan Limited		11.57	10,000	-	10,000	50,000	5.45	
Jahangir Siddiqui & Company Limited		11.72	20,000	-	20,000	100,000	10.90	
<b>175,000</b>								

8.2.1.1 These term finance certificates are secured and will mature on May 30, 2013. They carry mark-up equal to the 6 month KIBOR plus 285 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.

8.2.1.2 These term finance certificates will mature on May 21, 2012. They carry mark-up equal to the 6 month KIBOR plus 250 basis points per annum receivable semi annually in arrears with no

floor or cap. The principal redemption is also on semi-annual basis

8.2.1.3 These term finance certificates are unsecured and subordinated, with maturity on December 05, 2014. They carry mark-up equal to the 6 month KIBOR plus 190 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.

## Notes to the Financial Statements For the year ended June 30, 2008

- 8.2.1.4 These term finance certificates are secured, and will mature on November 30, 2015 and carry mark-up equal to the 6 month KIBOR plus 155 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.2.1.5 These term finance certificates are unsecured, and will mature on February 14, 2018 and carry mark-up equal to the 6 month KIBOR plus 85 basis points per annum in first five years & 1.85 basis points from 5 to 10 years receivable, semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.2.1.6 These term finance certificates are secured, and will mature on February 15, 2013. They carry mark-up equal to the 6 month KIBOR plus 150 basis points per annum, receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.2.1.7 These term finance certificates are secured, and will mature on February 28, 2013. They carry mark-up equal to the 6 month KIBOR plus 150 basis points per annum, receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.2.1.8 These term finance certificates are unsecured and subordinated, with maturity on March 05, 2016. They carry mark-up equal to the 6 month KIBOR plus 115 basis points per annum, receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.2.2.1 These term finance certificates are unsecured. They carry mark-up equal to the 6 month KIBOR plus 165 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.2.2.2 These term finance certificates are secured. They carry mark-up equal to the 6 month KIBOR plus 160 basis point per annum, receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.2.2.3 The term finance certificates are unsecured & subordinated. They carry mark-up equal to the 6 month KIBOR plus 190 basis point per annum, receivable semi annually in arrears with no floor or cap.
- 8.2.2.4 The term finance certificates are secured. They carry mark-up equal to the 6 month KIBOR plus 200 basis point per annum, receivable semi annually in arrears with no floor or cap.

### 8.3 Equity Securities - Ordinary shares of listed companies (of Rs. 10/- each)

Name of the Investee Company	2008					
	As at July 01, 2007	Purchased during the year	Sold during the year	As at June 30, 2008	Market Value as at June 30, 2008	Percentage of total investment on the basis of market value
	-----Number of shares-----			(Rupees in '000)		
<b>Refinery</b>						
Attock Refinery Limited	-	15,000	15,000	-	-	-
<b>Commercial Banks</b>						
MCB Bank Limited	-	1,000	1,000	-	-	-
<b>Fertilizers</b>						
Engro Chemical Pakistan Limited	-	4,000	4,000	-	-	-
<b>Cement</b>						
Lucky Cement Limited	-	54,000	-	54,000	5,288	0.13
<b>Investment Banks/ Cos./ Securities</b>						
Jahangir Siddiqui & Company Limited	-	47,500	42,000	5,500	2,916	0.07
					8,204	

Name of the Investee Company	2007					
	As at July 01, 2006	Purchased during the year	Sold during the year	As at June 30, 2007	Market Value as at June 30, 2008	Percentage of total investment on the basis of market value
	-----Number of shares-----			(Rupees in '000)		
<b>Commercial Banks</b>						
Faysal Bank Limited	113,500	100,000	213,500	-	-	-
National Bank of Pakistan	200,000	987,500	1,187,500	-	-	-
MCB Bank Limited	-	250,000	250,000	-	-	-
<b>Cement</b>						
Pioneer Cement Limited	36,500	2,000	38,500	-	-	-
Maple Leaf Cement Factory Limited	20,000	-	20,000	-	-	-
<b>Power Generation &amp; Distribution</b>						
Karachi Electric Supply Corporation Limited	10,000	-	10,000	-	-	-
					-	

## Notes to the Financial Statements For the year ended June 30, 2008

### 8.4 Unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss'

	2008	2007
	(Rupees '000)	
Fair value of investments	1,736,586	306,520
Less: Cost of investments	<u>(1,714,327)</u>	<u>(299,960)</u>
	<b>22,259</b>	6,560
Less: Net unrealised appreciation in fair value of investments at beginning of the year	<b>(6,027)</b>	(139)
Less: Realised during the year	<b>6,027</b>	(394)
	-	(533)
	<b>22,259</b>	<b>6,027</b>

8.5 This represents the unrealized gain on contract for future sale of 5,500 shares against holding of 5,500 shares of Jahangir Siddiqui & Company Limited and 54,000 shares against the holding of 54,000 shares of Lucky Cement Limited with settlement date of July 29, 2008.

### 8.6 Available for sale - Term Finance Certificates and Sukuk Certificates

		2008							
Name of the Investee Company	Profit / markup rate %	As at July 01, 2007	Purchased during the year	Sold during the year	As at June 30, 2008	Market value as at June 30, 2008	Percentage of total investments on the basis of market value		
		-----Number of certificates-----				(Rupees in '000)			
<b>8.6.1 Listed investments</b>									
Azgard Nine Limited - II	8.6.2.1	12.77	9,000	-	-	9,000	46,519	1.12	
Orix Leasing Pakistan Limited - III	8.6.2.2	15.30	10,000	-	-	10,000	50,795	1.23	
Allied Bank Limited	8.6.2.3	15.00	23,000	-	10,000	13,000	68,885	1.66	
Askari Bank Limited	8.6.2.4	11.84	4,252	-	-	4,252	21,948	0.53	
Bank Alfalah Limited - III	8.6.2.5	15.30	15,000	-	-	15,000	77,580	1.87	
Bank Al Habib Limited - II	-	-	10,000	-	10,000	-	-	-	
						<b>265,727</b>			
<b>8.6.2 Unlisted investments</b>									
<b>Term Finance Certificates</b>									
Azgard Nine Limited - III	-	-	15,000	-	15,000	-	-	-	
Orix Leasing Pakistan Limited	8.6.2.6	11.46	-	10,000	-	10,000	50,085	1.21	
Engro Chemicals Pakistan Limited	8.6.2.7	12.06	-	80,000	18,000	62,000	315,425	7.61	
Gharibwal Cement Limited	8.6.2.8	14.08	-	8,000	-	8,000	39,992	0.97	
Pak American Fertilizers Limited	8.6.2.9	15.01	-	30,000	-	30,000	150,300	3.63	
Azgard Nine Limited - IV	8.6.2.10	15.31	-	50,000	-	50,000	250,900	6.06	
Maple Leaf Cement Factory Limited	-	-	-	40,000	40,000	-	-	-	
KASB Securities Limited	8.6.2.11	15.95	-	10,000	-	10,000	50,770	1.23	
Jahangir Siddiqui & Company Limited -V	8.6.2.12	11.69	-	10,000	-	10,000	50,530	1.22	
New Allied Electronics Limited	8.6.2.13	13.45	-	18,000	5,000	13,000	65,305	1.58	
Pakistan Mobile Communications Limited	8.6.2.14	11.65	-	20,000	-	20,000	99,580	2.40	
First Dawood Investment Bank	-	-	-	6,900	6,900	-	-	-	
Pak American Fertilizers Limited	8.6.2.15	11.82	-	40,000	-	40,000	200,320	4.84	

## Notes to the Financial Statements For the year ended June 30, 2008

2008								
Name of the Investee Company	Profit / markup rate %	As at July 01, 2007	Purchased during the year	Sold during the year	As at June 30, 2008	Market value as at June 30, 2008	Percentage of total investments on the basis of market value	
			-----Number of certificates-----			(Rupees in '000)		
Avari Hotels Limited	8.6.2.16	13.69	-	19,760	-	19,760	98,800	2.38
Pakistan Mobile Communications Limited - IV	-	-	-	40,000	40,000	-	-	-
						<b>1,372,007</b>		
<b>Sukuk Certificates</b>								
New Allied Electronics Limited	8.6.2.17	12.83	-	192,000	160,000	32,000	10,067	0.24
Karachi Shipyard & Engineering Works Limited	-	-	-	4,000	4,000	-	-	-
Karachi Shipyard & Engineering Works Limited - II	-	-	-	41,000	41,000	-	-	-
Maple Leaf Cement Factory Limited	-	-	-	30,000	30,000	-	-	-
Maple Leaf Cement Factory Limited - II	8.6.2.18	14.85	-	57,000	14,000	43,000	216,247	5.22
New Allied Electronics Limited	8.6.2.19	15.06	-	15,000	-	15,000	75,502	1.82
Sitara Chemical Industries Limited	8.6.2.20	11.17	-	20,000	-	20,000	100,000	2.41
Kohat Cement Company Limited	8.6.2.21	14.97	-	20,000	-	20,000	96,822	2.34
House Building Finnacle Company	8.6.2.22	11.48	-	15,000	-	15,000	75,000	1.81
Al-Zamin Leasing Modaraba Security Leasing Corporation Limited	8.6.2.23	12.43	-	14,000	-	14,000	70,000	1.69
	8.6.2.24	15.07	10,000	-	-	10,000	50,000	1.21
						693,638		
<b>Total unlisted Term Finance Certificates and Sukuk Certificates</b>						<b>2,065,645</b>		

2007							
Name of the Investee Company	Profit / markup rate %	As at July 01, 2006	Purchased during the year	Sold during the year	As at June 30, 2007	Market value as at June 30, 2007	Percentage of total investments on the basis of market value
			-----Number of certificates-----			(Rupees in '000)	
<b>Listed investments</b>							
Azgard Nine Limited	12.84	-	19,000	10,000	9,000	47,109	0.73
Security Leasing Corporation Limited-Sukuk	12.04	-	10,000	-	10,000	50,000	0.77
Orix Leasing Pakistan Limited - II	11.67	-	10,000	-	10,000	50,750	0.78
Allied Bank Limited	11.93	-	23,000	-	23,000	119,576	1.85
Askari Bank Limited	12.05	-	4,252	-	4,252	21,774	0.34
Bank Alfalah Limited - III	11.67	-	15,000	-	15,000	76,456	1.18
Bank Al Habib Limited - II	12.45	-	10,000	-	10,000	52,750	0.81
						418,415	
<b>Unlisted investments</b>							
Azgard Nine Limited	13.26	-	15,000	-	15,000	74,955	1.16

## Notes to the Financial Statements For the year ended June 30, 2008

- 8.6.2.1 These term finance certificates are secured, and will mature on September 20, 2012. They carry mark-up equal to the 6 month KIBOR plus 240 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.2 These term finance certificates are secured, and will mature on May 25, 2012. They carry mark-up equal to the 6 month KIBOR plus 150 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.3 These term finance certificates are unsecured and subordinated, with maturity on December 05, 2014. They carry mark-up equal to the 6 month KIBOR plus 190 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.4 These term finance certificates are unsecured and subordinated, with maturity on February 04, 2013. They carry mark-up equal to the 6 month KIBOR plus 150 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.5 These term finance certificates are unsecured and subordinated, with maturity on November 24, 2013. They carry mark-up equal to the 6 month KIBOR plus 150 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.6 These privately placed term finance certificates will mature on January 15, 2013. They carry mark-up equal to the 6 month KIBOR plus 325 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.7 These privately placed term finance certificates are secured & subordinated, with maturity on March 18, 2018. They carry mark-up equal to the 6 month KIBOR receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.8 These privately placed term finance certificates will mature on November 17, 2012. They carry mark-up equal to the 6 month KIBOR plus 300 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.9 These privately placed term finance certificates are secured, and will mature on January 14, 2015. They carry mark-up equal to the 6 month KIBOR plus 175 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.10 These privately placed term finance certificates are subordinated, and will mature on December 04, 2014. They carry mark-up equal to the 6 month KIBOR plus 225 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.11 These privately placed term finance certificates, and will mature on June 27, 2011. They carry mark-up equal to the 6 month KIBOR plus 190 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.12 These privately placed term finance certificates are secured, and will mature on July 04, 2013. They carry mark-up equal to the 6 month KIBOR plus 170 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.13 These privately placed term finance certificates will mature on May 15, 2011. They carry mark-up equal to the 3 month KIBOR plus 275 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.14 These privately placed term finance certificates will mature on October 01, 2010. They carry mark-up equal to the 6 month KIBOR plus 130 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.15 These privately placed term finance certificates are secured, will mature on November 29, 2014. They carry mark-up equal to the 6 month KIBOR plus 175 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.16 These privately placed term finance certificates, will mature on November 01, 2014. They carry mark-up equal to the 6 month KIBOR plus 325 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.17 These privately placed Sukuk will mature on July 27, 2012. They carry mark-up equal to the 6 month KIBOR plus 260 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.18 These privately placed Sukuk will mature on December 03, 2013. They carry mark-up equal to the 6 month KIBOR plus 100 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.19 These privately placed Sukuk are diminishing musharaka based, and will mature on December 03, 2012 and carry mark-up equal to the 3 month KIBOR plus 220 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.20 These privately placed Sukuk are diminishing musharaka based, will mature on January 02, 2013. They carry mark-up equal to the 6 month KIBOR plus 100 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.21 These privately placed Sukuk will mature on December 20, 2012. They carry mark-up equal to the 6 month KIBOR plus 180 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.
- 8.6.2.22 These term finance certificates are unsecured and subordinated, with maturity on May 08, 2014. They carry mark-up equal to the 6 months KIBOR plus 100 basis points per annum, receivable semi annually in arrears with no floor

## Notes to the Financial Statements For the year ended June 30, 2008

or cap. The principal redemption is also on semi-annual basis.

8.6.2.23 These privately placed Sukuk will mature on May 12, 2012. They carry mark-up equal to the 6 month KIBOR plus 190 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.

8.6.2.24 These privately placed Sukuk are secured, and will mature on June 01, 2012. They carry mark-up equal to the 6 month KIBOR plus 200 basis points per annum receivable semi annually in arrears with no floor or cap. The principal redemption is also on semi-annual basis.

### 8.7 Commercial Papers - unsecured

2008								
Name of the Investee Company	Profit / markup rate %	As at July 01, 2007	Purchased during the year	Sold during the year	As at June 30, 2008	Carrying value as at June 30, 2008	Percentage of total investments on the basis of carrying value	
-----Number of Commercial Papers -----						(Rupees in '000)		
Dewan Cement Limited	-	-	25	25	-	-	-	
Dewan Farooq Motors Company Limited	-	-	50	20	70	-	-	
Azgard Nine Limited - II	-	-	50	-	50	-	-	
Azgard Nine Limited - III	-	-	-	50	50	-	-	
World Telecom Limited	-	-	-	65	65	-	-	
Pak American Fertilizers Limited	8.7.1	11.20	-	50	-	50	49,942	1.21
Pakistan Electronics Limited Packages Limited	8.7.2	10.62	-	25	-	25	24,903	0.60
	-	-	-	30	30	-	-	-
						<b>74,845</b>		

2007							
Name of the Investee Company	Profit / markup rate %	As at July 01, 2007	Purchased during the year	Sold during the year	As at June 30, 2007	Carrying value as at June 30, 2007	Percentage of total investments on the basis of carrying value
-----Number of Commercial Papers -----						(Rupees in '000)	
Dewan Cement Limited	13.70	-	25	-	25	24,932	0.38
Dewan Farooq Motors Company Limited	13.36	-	50	-	50	46,570	0.72
Azgard Nine Limited	13.30	-	50	-	50	45,720	0.71
						<b>117,222</b>	

8.7.1 These Commercial Papers have a face value of Rs. 1 million each and carry mark-up of 11.2 % per annum with a maturity on July 5, 2008 in lump sum.

8.7.2 These Commercial Papers have a face value of Rs. 1 million each and carry mark-up of 10.62 % per annum with a maturity on July 15, 2008 in lump sum.

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

	2008	2007
	(Rupees in '000)	
Fair value of investments	<b>2,406,217</b>	610,592
Less: Cost of investments	<b>(2,387,241)</b>	599,400
	<b>18,976</b>	11,192
Less: Unrealised appreciation in fair value of investments classified as available for sale' at the beginning of the period	<b>(11,192)</b>	-
Less: Realised during the year	-	-
	<b>(11,192)</b>	-
	<b>7,784</b>	11,192

### 9. INCOME RECEIVABLE

	2008	2007
	(Rupees in '000)	
Income accrued on bank deposits	<b>18,798</b>	8,629
Income accrued on term deposit receipts	<b>80,262</b>	44,518
Income accrued on placements	<b>47</b>	4,768
Income accrued on certificates of investment	<b>10,902</b>	5,143
Income accrued on continuous funding system	<b>1,657</b>	1,415
Income accrued on term finance certificates and sukuk certificates	<b>105,143</b>	11,585
	<b>216,809</b>	76,058

## Notes to the Financial Statements For the year ended June 30, 2008

### 10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		2008	2007
		(Rupees in '000)	
Deposit with National Clearing Company of Pakistan Limited	10.1	3,500	1,000
Deposit with Central Depository Company of Pakistan Limited	10.1	100	100
Prepaid expenses		1,331	656
Receivable from KASB Stock Market Fund		355	
Receivable from KASB Balanced Fund		279	-
		<u>5,565</u>	<u>1,756</u>

10.1 These deposits are non remunerative.

### 11. PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs	2,320	2,922
Less: Amortisation during the year	<u>(603)</u>	<u>(602)</u>
Balance as at June 30	<u>1,717</u>	<u>2,320</u>

Preliminary expenses and floatation costs represent expenditure incurred for the launching of the Fund and are being amortised over a period of five years commencing from May 9, 2006, in accordance with the Trust Deed of the Fund.

### 12. PAYABLE TO KASB FUNDS LIMITED – MANAGEMENT COMPANY

Management fee payable	12.1	<u>9,558</u>	<u>5,493</u>
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12.1 Under the provision of Non Banking Finance Companies and Notified Entities Regulations 2007, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 1.3 percent per annum of the average annual net assets of the Fund for the year.

### 13. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED – TRUSTEE

Trustee fee payable	13.1	816	505
CDS charges payable		<u>67</u>	<u>30</u>
		<u>883</u>	<u>535</u>

13.1 The trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed at the higher of 0.7 million or 0.2% per annum on amount upto Rs. 1 billion of average daily net assets of the Fund and Rs. 2 million plus 0.1% per annum on amount exceeding Rs. 1 billion of average daily net assets of the Fund.

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

	<u>8,823</u>	<u>2,050</u>
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14.1 Under the provisions of Non Banking Finance Companies and Notified Entities Regulations, 2007, an open end scheme is required to pay as annual fee to the SECP, an amount equal to one-tenth of one percent of the average annual net assets of the Scheme.

### 15. ACCRUED EXPENSES AND OTHER LIABILITIES

	2008	2007
	(Rupees in '000)	
Auditors' remuneration	395	535
Legal and professional charges payable	140	
Brokerage Payable	504	1,187
Others	595	432
	<u>1,634</u>	<u>2,154</u>

### 16. COMMITMENTS

Continuous Funding System transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transactions have not been settled as at June 30	<u>82,102</u>	<u>15,162</u>
Purchase of listed Term Finance Certificates	<u>50,000</u>	-
Purchase of Sukuk Certificates	<u>80,000</u>	-

### 17. AUDITORS' REMUNERATION

Audit fee	150	150
Other certifications and services	505	505
Out of pocket expenses	86	19
	<u>741</u>	<u>674</u>

### 18. EARNINGS PER UNIT

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

### 19. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons include KASB Funds Limited (the Management Company), KASB Capital Limited (Holding Company of the Management Company), KASB Bank Limited, KASB Securities Limited, Network Leasing Corporation Limited and New Horizon Exploration and Production Limited (associated companies of the Management Company), KASB Stock Market Fund, KASB Balanced Fund and KASB Islamic Income Fund (Funds managed by the Management Company), Central Depository Company of Pakistan Limited (trustee of the Fund) and directors and key management personnel of the Management Company. The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates. Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations 2007 and the Trust Deed respectively. Details of transactions with connected persons and balances with them at year end are as follows:

## Notes to the Financial Statements For the year ended June 30, 2008

19.1 Transactions with connected persons can be summarised as follows:

	2008	2007
	(Rupees in '000)	
<b>KASB Funds Limited</b>		
Remuneration expense	114,703	26,653
Investment in the Fund: 928,976 units (2007: 668,469 units)	96,631	67,700
Bonus Units: 107,101 units (2007: Nil units)	10,764	67,700
Redemption from the Fund: 145,930 units (2007: 345,799 units)	15,000	37,050
Payments during the year	110,638	22,050
<b>KASB Funds Limited Employees' Provident Fund</b>		
Investment in the Fund: 3,766 units (2007: 2,073 units)	400	216
Bonus Units: 658 units (2007: Nil units)	66	-
<b>KASB Capital Limited</b>		
Investment in the Fund: 7,792,961 units (2007: 189,018 units)	800,000	20,000
Bonus Units: 215,761 units (2007: Nil units)	21,699	-
Transfer in the Fund: 2,387,866 units (2007: Nil units)	250,000	-
Redemption from the Fund: 8,021,743 units (2007: 189,018 units)	831,138	20,346
Conversion out of the Fund: 2,374,846 units (2007: Nil units)	250,000	-
<b>KASB Securities Limited</b>		
Brokerage expense	371	704
Investment in the Fund: Nil units (2007: 542,383 units)	-	55,000
Redemption from the Fund: Nil units (2007: 542,383 units)	-	55,209
Purchase of 10,000 units of Term Finance Certificates issued by KASB Securities Limited	50,000	-
<b>KASB Bank Limited</b>		
Bank charges	65	18
Term Deposit Receipts	300,000	-
Income accrued on Term Deposit Receipts	1,377	-
Profit accrued on bank deposits	55,236	34,911
Bonus units: 270,773 units (2007: 34,962 units)	27,175	3,500
Transfer in the Fund: 2,805,735 units (2007: 7,605,885 units)	288,317	831,696
Transfer out of the Fund: 5,193,600 units (2007: 7,604,885 units)	538,261	831,493
Redemption from the Fund: 305,735 units (2007: Nil units)	32,185	-
<b>KASB Bank Limited Employees' Provident Fund</b>		
Bonus units: 13,245 units (2007: 979 units)	1,330	98
<b>KASB Islamic Income Fund</b>		
Sale of Sukuk Certificate: (14,000 units)	70,721	-
<b>New Horizon Exploration and Production Ltd.</b>		
Investment in the Fund: 2,162,413 units (2007: Nil units)	220,000	-
Redemption from the Fund: 2,162,324 units (2007: Nil units)	221,158	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	9,823	3,029
CDS charges	1,170	450
Investment in the Fund: 1,195,847 units (2007: 194,402 units)	125,000	20,000
Bonus units: 64,280 units (2007: Nil units)	6,460	-
Payments during the year	10,645	3,118
<b>Directors and officers of the Management Company</b>		
Investment in the Fund: 199,840 units (2007: 85,542 units)	20,721	8,911
Redemption from the Fund: 155,084 units (2007: 30,045 units)	16,003	3,132
Conversion in the Fund: 54,573 units (2007: Nil units)	5,696	-
Conversion out of the Fund: 92,290 units (2007: 4,590 units)	9,536	500



## Notes to the Financial Statements For the year ended June 30, 2008

	2008	2007
	(Rupees in '000)	
Transfer in the Fund: 2,147 units (2007: Nil units)	221	-
Transfer out of the Fund: 2,147 units (2007: Nil units)	221	-
Bonus units: 30,269 units (2007: 834 units)	3,041	83

### 19.2 Balances with connected persons can be summarised as follows:

<b>KASB Funds Limited</b>			
Payable to the Management Company	12	9,558	5,493
Units held: 1,212,816 units (2007: 322,670 units)		125,223	35,823
<b>KASB Stock Market Fund</b>			
Receivable from KASB Stock Market Fund		355	-
<b>KASB Balanced Fund</b>			
Receivable from KASB Balanced Fund		279	-
<b>KASB Funds Limited Employees' Provident Fund</b>			
Units held: 6,497 units (2007: 2,073 units)		671	230
<b>KASB Securities Limited</b>			
Receivable against Continuous Funding System		-	3,363
Brokerage payable		13	432
<b>KASB Bank Limited</b>			
Bank	19.4	849,833	812,232
Profit receivable on bank deposits		10,168	4,203
Term Deposit Receipts		300,000	-
Income receivable on Term Deposit Receipts		1,377	-
Units held: 112,134 units (2007: 2,534,962 units)		11,578	281,431
<b>KASB Bank Limited Employees' Provident Fund</b>			
Units held: 84,224 units (2007: 70,979 units)		8,696	7,880
<b>Central Depository Company of Pakistan Limited -Trustee</b>			
Payable to the Trustee		883	535
Security deposit		100	100
Units held: 892,257 units (2007: 194,402 units)		92,126	21,583
<b>Directors and officers of the Management Company</b>			
Units held: 174,621 (2007: 91,103 units)		18,030	10,114

19.3 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.

19.4 The rates of return on this deposit account range between 9.5% to 12.5% per annum (2007: 9.5% to 12.2% per annum).

## Notes to the Financial Statements For the year ended June 30, 2008

### 20. MATURITIES OF ASSETS AND LIABILITIES

	2008					
	Total	Not later than one month	Later than one month and upto three months	Later than three months and not later than one year	Later than one year and not later than five years	Later than five years
	----- (Rupees in '000) -----					
<b>Assets</b>						
Bank balances	3,305,884	1,305,884	900,000	1,100,000	-	-
Placements	100,000	100,000	-	-	-	-
Certificates of investment	775,000	200,000	375,000	200,000	-	-
Receivable against Continuous Funding System	311,893	311,893	-	-	-	-
Investments	4,142,803	83,107	1,044,017	-	1,234,873	1,780,806
Income receivable	216,809	216,809	-	-	-	-
Deposits, prepayments and other receivables	5,565	1,965	-	-	3,600	-
Preliminary expenses and floatation costs	1,717	51	101	452	1,113	-
	<b>8,859,671</b>	<b>2,219,709</b>	<b>2,319,118</b>	<b>1,300,452</b>	<b>1,239,586</b>	<b>1,780,806</b>
<b>Liabilities</b>						
Payable against purchase of investments	2,967	2,967	-	-	-	-
Payable on redemption of units	7,482	7,482	-	-	-	-
Payable to KASB Funds Limited - Management Company	9,558	9,558	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	883	883	-	-	-	-
Payable to The Securities and Exchange Commission of Pakistan	8,823	8,823	-	-	-	-
Accrued expenses and other liabilities	1,634	1,634	-	-	-	-
	31,347	31,347	-	-	-	-
<b>Net Assets</b>	<b>8,828,324</b>	<b>2,188,362</b>	<b>2,319,118</b>	<b>1,300,452</b>	<b>1,239,586</b>	<b>1,780,806</b>
	----- (Rupees in '000) -----					
	2007					
	Total	Not later than one month	Later than one month and upto three months	Later than three months and not later than one year	Later than one year and not later than five years	Later than five years
	----- (Rupees in '000) -----					
<b>Assets</b>						
Bank balances	4,624,755	2,499,755	525,000	1,600,000	-	-
Placements	400,000	240,000	100,000	60,000	-	-
Certificates of investment	375,000	-	100,000	275,000	-	-
Receivable against Continuous Funding System	95,657	95,657	-	-	-	-
Investments	917,112	199,932	74,955	92,290	173,729	376,206
Income receivable	76,058	76,058	-	-	-	-
Deposits, prepayments and other receivables	1,756	656	-	-	1,100	-
Preliminary expenses and floatation costs	2,320	51	101	452	1,716	-
	6,492,658	3,112,109	800,056	2,027,742	176,545	376,206
<b>Liabilities</b>						
Payable against purchase of investments	54	54	-	-	-	-
Payable on redemption of units	1,335	1,335	-	-	-	-
Payable to KASB Funds Limited - Management Company	5,493	5,493	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	535	535	-	-	-	-
Accrued expenses and other liabilities	4,204	4,204	-	-	-	-
	11,621	11,621	-	-	-	-
<b>Net Assets</b>	<b>6,481,037</b>	<b>3,100,488</b>	<b>800,056</b>	<b>2,027,742</b>	<b>176,545</b>	<b>376,206</b>

### 21. RISK MANAGEMENT

The Fund has a policy to invest in low duration, liquid investments including money market and other debt instruments as well as fixed income transactions in the capital market.

## Notes to the Financial Statements For the year ended June 30, 2008

The Fund has invested in diversified portfolio of investments primarily including Continuous Funding System transactions, Money Market Instruments, Term Finance Certificates and Sukuk certificates etc. The Fund aims to keep the overall duration of the investment portfolio at one year or less. Investments by the Fund are subject to varying degree of risks. These risks emanate from various factors that include, but are not limited to:

### 21.1 Market risk

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

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

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

### 21.2 Interest rate risk

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

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

### Market rate of return risk

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

Effective yield/ Interest rate (%)	2008						Non-interest bearing financial instruments
	Exposed to yield / interest risk						
	Total	Upto One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	
(Rupees in '000)							
<b>On-balance sheet financial instruments</b>							
<b>Financial Assets</b>							
Bank balances	8.50 -12.50	3,305,884	1,305,884	900,000	1,100,000	-	-
Placements	17.0	100,000	100,000	-	-	-	-
Certificates of investment	11.31-16.4	775,000	200,000	375,000	100,000	100,000	-
Receivable against Continuous Funding System	11.31-16.4	311,893	311,893	-	-	-	-
Investments	11.10-16.0	4,142,803	83,107	1,994,819	1,763,942	300,935	-
Income receivable		216,809	-	-	-	-	216,809
Deposits, prepayments and other receivables		5,565	-	-	-	-	5,565
		<b>8,857,954</b>	<b>2,000,884</b>	<b>3,269,819</b>	<b>2,963,942</b>	<b>400,935</b>	<b>222,374</b>
<b>Financial Liabilities</b>							
Payable against purchase of investments		2,967	-	-	-	-	2,967
Payable on redemption of units		7,482	-	-	-	-	7,482
Payable to KASB Funds Limited - Management Company		9,558	-	-	-	-	9,558
Payable to Central Depository Company of Pakistan Limited -Trustee		883	-	-	-	-	883
Payable to The Securities and Exchange Commission of Pakistan		8,823	-	-	-	-	8,823
Accrued expenses and other liabilities		1,634	-	-	-	-	1,634
		<b>31,347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,347</b>
<b>On-balance sheet gap - 2008</b>		<b>8,826,607</b>	<b>2,000,884</b>	<b>3,269,819</b>	<b>2,963,942</b>	<b>400,935</b>	<b>191,027</b>

## Notes to the Financial Statements For the year ended June 30, 2008

	Effective yield/ Interest rate (%)	2007						Non-interest bearing financial instruments
		Exposed to yield / interest risk						
		Total	Upto One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	
----- (Rupees in '000) -----								
<b>On-balance sheet financial instruments</b>								
<b>Financial Assets</b>								
Bank balances	9.5-12.22	4,624,755	2,499,745	525,000	1,050,000	550,000	-	10
Placements	10.65-12.69	400,000	240,000	100,000	60,000	-	-	-
Certificates of investment	10.76-11.30	375,000	-	100,000	275,000	-	-	-
Receivable against Continuous Funding System	11.99-18.92	95,657	95,657	-	-	-	-	-
Investments	11.67-13.70	917,112	406,408	-	418,415	92,289	-	-
Income receivable		76,058	-	-	-	-	-	76,058
Deposits, prepayments and other receivables		1,756	-	-	-	-	-	1,756
		6,490,338	3,241,810	725,000	1,803,415	642,289	-	77,824
<b>Financial Liabilities</b>								
Payable against purchase of investments		54	-	-	-	-	-	54
Payable on redemption of units		1,335	-	-	-	-	-	1,335
Payable to KASB Funds Limited – Management Company		5,493	-	-	-	-	-	5,493
Payable to Central Depository Company of Pakistan Limited – Trustee		535	-	-	-	-	-	535
Payable to The Securities and Exchange Commission of Pakistan		2,050	-	-	-	-	-	2,050
Accrued expenses and other liabilities		2,154	-	-	-	-	-	2,154
		11,621	-	-	-	-	-	11,621
On-balance sheet gap - 2007		6,478,717	3,241,810	725,000	1,803,415	642,289	-	66,203

### 21.3 Currency Risk

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

### 21.4 Credit risk

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

### Credit risk management

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

### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Financial assets subject to credit risk amount to Rs. 8.858 billion (2007: Rs. 6.490 billion). The Fund's portfolio of financial instruments is broadly diversified

and transactions are entered into with diverse credit-worthy counterparties thereby mitigating risk of significant concentration of credit. Moreover, the Fund limits its exposures to any group or sector in accordance with its investment policy, risk management guidelines and applicable Regulations of the Securities and Exchange Commission of Pakistan.

### 21.5 Liquidity risk

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

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

### 21.6 Capital management

The Fund seeks to maximise current income, consistent with low levels of risk and high liquidity by primarily investing in low duration, liquid investments including money market and other debt instruments as well as fixed income transactions in the capital market, with an aim to continue to provide returns for unit holders and benefits for other stake holders.

## Notes to the Financial Statements For the year ended June 30, 2008

The units of the Fund 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, as per the NBFC Regulations.

### 22. PATTERN OF UNITHOLDING

Category	Number of Unit Holders		Investment Amount		%age of total investment	
	2008	2007	2008	2007	2008	2007
			(Rupees in '000)			
Individuals	882	373	1,833,437	907,806	21	14
Associated companies	7	5	242,822	347,135	2	5
Directors	3	3	9,548	7,130	0	0
Bank / Financial Institution	7	10	2,761,755	2,735,504	31	42
Insurance Companies	3	4	201,848	180,789	2	3
Non Banking Finance Companies	7	8	379,067	329,793	4	5
Retirement Funds	46	17	483,110	207,000	6	3
Public Limited Companies	7	8	1,147,862	896,915	14	14
Others	31	5	1,768,875	869,177	20	13
	<b>993</b>	<b>433</b>	<b>8,828,324</b>	<b>6,481,249</b>	<b>100</b>	<b>100</b>

### 23. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker Name	2008 (%age)	2007 (%age)
Arif Habib Limited	26	32
Alfalah Securities (Pvt.) Ltd.	18	3
Invest Capital & Management	14	0
Live Securities (Pvt.) Ltd.	9	-
Atlas Investment Bank	9	0
KASB Securities Limited.	8	11
Invisor Securities (Pvt.) Ltd.	3	2
Ismail Iqbal Securities (Pvt.) Ltd.	3	0
AMZ Securities (Pvt.) Ltd.	2	2
Finex Securities Ltd.	2	0

### 24. 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 Owen	Chairman	8	6	2
Mr. Muneer Kamal*	Director	8	7	1
Mr. Farid Arshad Masood	Director	8	8	0
Ms. Naz Khan	Chief Executive & Director	8	8	0
Mr. Syed Muhammad Rehmanullah**	Director	6**	6	0
Mr. Muhammad Imran Khalil	Chief Financial Officer	8	8	0
Mr. Irfan Saleem Awan	Company Secretary	8	7	1

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

\*\*Appointed on July 18, 2007 in Place of Mr. Sheikh Sulaiman Ahmed Saeed Al-Hoqani. This appointment was approved by the Securities and Exchange Commission of Pakistan on September 04, 2007.

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

Sixteenth meeting	July 6, 2007
Seventeenth meeting	August 30, 2007
Eighteenth meeting	September 21, 2007
Nineteenth meeting	October 9, 2007
Twentieth meeting	October 29, 2007
Twenty-first meeting	February 23, 2008
Twenty-second meeting	April 2, 2008
Twenty-third meeting	April 21, 2008

### 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

### 26. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### Investments stated at fair value

The Management Company has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of judgement (e.g. valuation, interest rates, etc.) and therefore, cannot be determined with precision.

#### Other assets

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

## Notes to the Financial Statements For the year ended June 30, 2008

### 27. DETAILS OF MEMBERS OF INVESTMENT COMMITTEE

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

### 28. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company have approved the final dividend distribution of Rs. 2.75 per unit (2007: Rs. 10.72 per unit) to the unit holders of the Fund out of the distributable income for the year ended June 30, 2008, amounting to Rs. 235.051 million (2007: Rs. 625.486 million) in total in their meeting held on July 2, 2008 (2007: July 3, 2007). These financial statements do not reflect this approved issue.

### 29. DATE OF AUTHORISATION FOR ISSUE

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

For KASB Funds Limited  
(Management Company)

Chief Executive

Director



