



managed by

KASB INCOME OPPORTUNITY FUND

(formerly KASB Liquid Fund)

HALF YEARLY REPORT
December 31, 2010

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

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

KASB INCOME OPPORTUNITY FUND

(formerly KASB Liquid Fund)

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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) 3263 9188

URL: www.kasbfunds.com

Board of Directors of KASB Funds Limited

Mr. Robert John Richard Owen - Chairman

Mr. Muhammad Imran Khalil - Chief Executive

Mr. Syed Muhammad Rehmanullah

Mr. Muzaffar Ali Shah Bukhari

Chief Financial Officer

Mr. Muhammad Imran Khalil

Company Secretary

Mr. Mansoor Ali

Audit Committee

Mr. Robert John Richard Owen

Mr. Syed Muhammad Rehmanullah

Trustee

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

Fund Rating

BBB+(f) by PACRA
(July 2010)

Bankers to the Fund

KASB Bank Limited

Auditors

A.F. Ferguson & Co. - Chartered
Accountants, State Life Building I-C Off:
I.I.Chundrigar Road, P.O.Box 4716,
Karachi 74000, Pakistan.

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
Mezzanine Floor, House of Habib Building
(Siddiqsons Tower) 3-Jinnah Cooperative
Housing Society, Main Shakra-e-Faisal
Karachi-75350

Distributors

KASB Funds Limited

KASB Bank Limited

KASB Securities Limited

IGI Investment Bank Limited

Summit Capital (Private) Limited

Standard Chartered Bank (Pakistan) Limited

Management Company Rating

Rated AM3+ by JCR-VIS
(May 2010)

MISSION STATEMENT

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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the six months ended December 31, 2010

The Board of Directors of KASB Funds Limited ("KFL" or "the Company"), the Management Company of KASB Income Opportunity Fund (formerly KASB Liquid Fund) ("KIOF" or "the Fund"), is pleased to present the condensed interim financial information of the Fund for the six months ended December 31, 2010.

Investing Activities and Fund's Performance

The country's economy is going through difficult times but more troublesome is the delay in the much needed reforms on the fiscal and administrative fronts. The country, after taking a huge economic hit due to devastating floods last year, needs to take crucial economic decisions in a timely manner so as to address the structural issues that the economy faces especially to resolve the energy crisis and persistent inflation.

As the government remained under stress in order to finance its fiscal deficit, it kept financing the gap through SBP and commercial banks. Due to continuous need of financing and tight monetary policy stance from SBP, the money market rates remained on higher side during the period under review. The SBP raised policy rate by 150 bps during 1HFY11 to 14.0%. The treasury bills cut-offs increased by 115,116 and 136 bps in 3M, 6M and 12M papers respectively. The activity in the corporate bonds remained dull and only highly rated TFCs/Sukuks were traded.

The Fund recorded a return of 1.70% since inception and -3.87% p.a. for the six month period ended December 31, 2010 while the benchmark returns were 11.49% and 12.11% respectively. Overall asset allocation of the Fund stood at 81.5% TFC/Sukuk/Government backed securities and 18.5% Cash/Placements/other assets as at December 31, 2010. The lower returns are due to credit issues in some of the instruments held in the portfolio as well as revaluation losses due to change in prices of fixed income instruments.

The Fund earned a gross income of Rs. 47.33 mln during the period under consideration while the net income of the Fund for the same period was Rs.32.50 mln. The total net assets of the Fund stood at Rs. 734.16 mln at the end of the period translating into a NAV per unit of Rs. 83.9228 (Par Rs. 100).

Future Outlook

The increasing revenue-expenditure gap is the most urgent issue the government is facing right now, especially after the floods. The targeted fiscal deficit seems too optimistic (4.7% of GDP) as the 1HFY11 deficit has already reached 2.9%. Although, the IMF has extended the SBA program by nine months, the next review will be critical to satisfy the IMF on the reformed GST and improved fiscal measures. The SBP's monetary policy is expected to remain contractionary due to persistent inflation and higher government borrowing.

During the last six months the policy rate has increased by 150 bps, which has increased the required yields on the outstanding TFCs/Sukuks resulting in the decline in secondary market prices of TFCs. Moreover, as the trading activities in the corporate bonds remained subdued the prices of majority of the TFCs were affected due to debt-repricing. Going forward, the Fund will continue its efforts to reduce its debt portfolio and replace it with short term government papers / placements.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

For the six months ended December 31, 2010

Acknowledgement

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

For and on behalf of the Board

**February 17, 2011
Karachi**

**Muhammad Imran Khalil
Chief Executive**

**TRUSTEE REPORT TO THE UNIT HOLDERS
KASB INCOME OPPORTUNITY FUND
(formerly KASB Liquid Fund)**

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

The KASB Income Opportunity Fund [formerly KASB Liquid Fund] (the Fund), an open-ended 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 period from July 01, 2010 to December 31, 2010 in accordance with the provisions of the following:

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

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

Karachi, February 22, 2011

**AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **KASB Income Opportunity Fund (formerly KASB Liquid Fund)** as at December 31, 2010, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2010. The Management Company (KASB Funds Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010. The financial statements of the Fund for the year ended June 30, 2010 and half year ended December 31, 2009 were audited and reviewed respectively by another auditor whose reports dated August 27, 2010 and February 12, 2010 expressed unqualified opinion / conclusion on those financial statements.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A.F. Ferguson & Co.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: February 17, 2011

Karachi

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

As at December 31, 2010

	Note	(Un-audited)	(Audited)
		December 31	June 30
		2010	2010
		----(Rupees in '000)----	
Assets			
Bank balances	4	30,518	5,646
Investments	5	604,097	885,815
Letter of Placement	6	51,600	60,550
Certificates of Investment	7	10,374	10,374
Income receivable		40,285	25,560
Advances, deposits, prepayments and other receivables		3,966	3,975
Preliminary expenses and floatation costs		210	513
Total assets		741,050	992,433
Liabilities			
Payable to Management Company		1,243	1,532
Payable to Trustee		124	170
Payable to Securities and Exchange Commission of Pakistan		314	1,243
Borrowing against redemption of units		-	25,000
Accrued expenses and other liabilities		5,209	5,087
Total liabilities		6,890	33,032
Net assets		734,160	959,401
Unit Holders' Fund (as per statement attached)		734,160	959,401
Contingencies and commitments ¹⁰			
(Number of units)			
Number of units in issue		8,748,035	11,210,112
(Rupees)			
Net asset value per unit		83.9228	85.5835

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

For KASB Funds Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

For the six months and quarter ended December 31, 2010

	Note	Six months ended		Quarter ended	
		December 31	December 31	December 31	December 31
		2010	2009	2010	2009
		----- (Rupees in '000) -----			
Income					
Income from term finance and sukuk certificates		59,225	118,098	20,554	48,909
Income from term deposit receipts		-	17,089	-	-
Income from government securities		144	-	123	-
Income from placements		-	8,329	-	4,539
Income from certificates of investment		784	2,130	392	412
Profit on bank deposits		1,833	5,004	1,505	813
Capital loss on sale of investments		(18,037)	(69,365)	(24,195)	(24,299)
Unrealised appreciation in value of investments at fair value through profit or loss - net		3,380	8,714	37,315	12,431
Total Income		47,329	89,999	35,694	42,805
Expenses					
Remuneration of Management Company		8,371	15,728	3,788	5,229
Remuneration of Trustee		837	1,553	379	601
Annual fee - Securities and Exchange Commission of Pakistan		314	786	142	261
Transaction costs on securities		119	246	12	105
Settlement and bank charges		110	66	56	58
Legal and professional charges		311	274	162	187
Fees and subscription		121	71	61	36
Auditors' remuneration		275	364	133	119
Amortisation of preliminary expenses and floatation costs		303	303	151	151
Printing and other expenses		61	73	30	38
Financial Charges		638	1,210	-	848
Provision against non-performing placements		2,450	36,000	5,600	36,000
Provision against non-performing investments		39,956	195,538	12,682	182,020
(Reversal) / Provision for doubtful income receivable		(950)	16,687	(1,135)	16,687
Total Expenses		52,916	268,899	22,061	242,340
		(5,587)	(178,900)	13,633	(199,535)
Net element of accrued income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		38,537	(19,645)	20,550	10,617
Provision for Workers' Welfare Fund	8	(449)	-	(449)	-
Net income / (loss) for the period		32,501	(198,545)	33,734	(188,918)
Earnings per unit ¹¹					

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

For KASB Funds Limited
(Management Company)

Chief Executive

Director

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

For the six months and quarter ended December 31, 2010

	Six months ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
Net income / (loss) for the period	32,501	(198,545)	33,734	(188,918)
Other comprehensive income:				
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale' - net	(28,239)	53,756	(5,256)	25,197
Provision against non-performing 'available for sale' investments	14,533	117,938	(10,960)	116,253
Other comprehensive income / (loss) for the period	(13,706)	171,694	(16,216)	141,450
Total comprehensive income / (loss) for the period	18,795	(26,851)	17,518	(47,468)

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

Chief Executive

For KASB Funds Limited
(Management Company)

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)

For the six months and quarter ended December 31, 2010

	Six months ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
Accumulated (loss) / undistributed income brought forward	(153,568)	41,418	(154,928)	26,469
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing (loss) / income that form part of the unit holders' fund	2,172	36,724	2,299	2,476
Net income / (loss) for the period	32,501	(198,545)	33,734	(188,919)
Final distribution @ Rs. Nil per unit (June 30, 2009: Rs. 1.25 per unit)	-	(39,571)	-	-
	34,673	(201,392)	36,033	(186,443)
(Accumulated loss) / Undistributed income carried forward	(118,895)	(159,974)	(118,895)	(159,974)

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

Chief Executive

For KASB Funds Limited
(Management Company)

Director

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

For the six months and quarter ended December 31, 2010

	Six months ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	------(Rupees in '000)-----			
Net assets at beginning of the period	959,401	3,145,099	838,270	1,574,178
Issue of 9,477 units (2009: 2,481,492 units) and 4,779 units (2009: 763,157 units) for the six months and quarter ended respectively	793	243,532	389	74,038
Issue of Nil bonus units (2009: 143,226 units)	-	14,050	-	-
Redemption of 2,471,554 units (2009: 19,540,575 units) and 1,244,048 units (2009: 1,850,548 units) for the six months and quarter ended respectively	(206,292)	(1,932,089)	(101,467)	(169,685)
	(205,499)	(1,674,507)	(101,078)	(95,647)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing accrued (income) / losses and capital (gains) / losses - transferred to income statement	(38,537)	19,645	(20,550)	(10,617)
- amount representing (income) / losses that form part of the unit holders' fund - transferred to Distribution Statement	(2,172)	(36,724)	(2,299)	(2,476)
	(40,709)	(17,079)	(22,849)	(13,093)
Unrealised diminution in fair value of investments classified as 'available for sale' at beginning of the period	221,661	118,578	-	-
Provision against non-performing investments charged during the period - net of reversals	14,533	117,938	(10,960)	116,253
Unrealised diminution in fair value of investments classified as 'available for sale' at end of the period	(249,900)	(182,760)	(5,256)	(91,056)
Unrealised appreciation / (diminution) in fair value of investments classified as 'available for sale' during the period	(13,706)	53,756	(16,216)	25,197
Distribution during the period:				
- Issue of bonus units	-	(14,050)	-	-
- Cash Dividend	-	(25,521)	-	-
	-	(39,571)	-	-
Other net income for the period	47,158	(137,894)	20,614	(175,366)
Capital loss on sale of investments	(18,037)	(69,365)	(4,789)	(24,299)
Unrealised appreciation / (diminution) on re-measurement of investments at fair value through profit or loss - net	3,380	8,714	17,909	12,431
Net Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing income / (losses) that form part of the unit holders fund	2,172	36,724	2,299	2,476
	34,673	(161,821)	36,033	(184,758)
Net assets at end of the period	734,160	1,305,877	734,160	1,305,877

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

For KASB Funds Limited
(Management Company)

Chief Executive

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the six months and quarter ended December 31, 2010

	Six months ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income / (loss) for the period	32,501	(198,545)	33,734	(188,918)
Adjustments for:				
Unrealised appreciation on re-measurement of Investments classified as 'financial assets at fair value through profit or loss' - net	(3,380)	(8,714)	(17,909)	(12,431)
Provision against non-performing placements	2,450	36,000	5,600	36,000
Provision against non-performing investments (Reversal) / Provision for doubtful income receivable	39,956	195,538	12,682	182,020
	(950)	16,687	(1,135)	16,687
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(38,537)	19,645	(20,550)	(10,617)
Amortisation of preliminary expenses and floatation costs	303	303	151	151
	(158)	259,459	(21,161)	211,810
Decrease / (increase) in assets				
Placements	6,500	24,298	3,000	43,170
Certificate of investment	-	34,626	-	626
Investments - net	231,436	794,893	97,790	182,804
Income receivable	(13,775)	37,458	3,985	(16,432)
Advances, deposits, prepayments and other receivables	9	(145)	25	5,656
	224,170	891,130	104,800	215,824
Increase / (decrease) in liabilities				
Payable to Management Company	(289)	(2,395)	(190)	(701)
Payable to Trustee	(46)	(157)	(19)	(44)
Payable to Securities and Exchange Commission of Pakistan	(929)	(3,727)	142	261
Borrowing against redemption of units	(25,000)	20,000	-	(5,000)
Accrued expenses and other liabilities	122	(2,035)	(149)	(86,522)
	(26,142)	11,686	(216)	(92,006)
Net cash generated from operating activities	230,371	963,730	117,157	146,710
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend Paid	-	(25,521)	-	-
Net receipts / (payments) from sale and redemption of units	(205,499)	(1,687,701)	(101,078)	(94,743)
Net cash generated from / (used in) financing activities	(205,499)	(1,713,222)	(101,078)	(94,743)
Net (decrease) / increase in cash and cash equivalents during the period	24,872	(749,492)	16,079	51,967
Cash and cash equivalents at beginning of the period	5,646	818,684	14,439	17,225
Cash and cash equivalents at end of the period	30,518	69,192	30,518	69,192

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements

For KASB Funds Limited
(Management Company)

Chief Executive

Director

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

For the six months and quarter ended December 31, 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

KASB Income Opportunity Fund (formerly KASB Liquid Fund) ("the Fund") was established under a Trust Deed executed between KASB Funds Limited (KFL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 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 Fund has been categorized as "Aggressive Fixed Income Fund".

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 9th floor, Trade Centre, I.I. Chundrigar Road, Karachi.

The Fund is an open ended mutual 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 also be redeemed by surrendering to the Fund.

JCR-VIS Credit Rating Company Limited has assigned a management quality rating of 'AM3+' to the Management Company and Pakistan Credit Rating Agency (PACRA) has assigned a fund stability rating of "BBB+(f)" to the Fund.

The Investment objective of the portfolio is to provide an efficient investment medium whereby investors can participate in a portfolio that will seek to generate high level of current income, as well as the potential for capital growth. Title of the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the 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 SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.2 These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2010.

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

For the six months and quarter ended December 31, 2010

3.1 Standards, interpretations and amendments to published approved accounting standards effective from July 1, 2010

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or have any significant effect on the Fund's operations and are, therefore, not disclosed in these condensed interim financial statements.

3.2 Standards, interpretations and amendments to published approved accounting standards as adopted in Pakistan, that are not yet effective

The following revised standard has been published and is mandatory for accounting periods beginning on or after January 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on Fund's operations and are therefore not detailed in these condensed interim financial statements.

3.3 Net Asset Value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.4 Earning / (loss) per unit

Earnings / (loss) per unit has not been disclosed as in the opinion of the management determination of cumulative weighted average number of outstanding units for calculating income / (loss) per unit is not practicable.

4 BANK BALANCES

	(Un-audited) December 31 2010	(Audited) June 30 2010
	----(Rupees in '000)----	
In current accounts	6	6
In deposit accounts	4.1 30,512	5,640
	<u>30,518</u>	<u>5,646</u>

4.1 Profit rates on deposit accounts range between 5% to 12% per annum (June 30, 2010: 5% to 12%)

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

For the six months and quarter ended December 31, 2010

5 INVESTMENTS		(Un-audited)	(Audited)
		December 31 2010	June 30 2010
-----(Rupees in '000)----			
'At fair value through profit or loss'			
<i>Designated on initial recognition</i>			
- Fixed income and other debt securities	5.2 & 5.3	176,819	325,816
'Available for sale'			
- Fixed income and other debt securities	5.5	427,278	559,999
		<u>604,097</u>	<u>885,815</u>

5.1 The cost of the above investments as at December 31, 2010 amounted to Rs. 1,017.28 million (June 30, 2010: Rs. 1,221.96 million).

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

Name of the investee company	----- Number of certificates -----				Profit / mark-up rate	Market value as at December 31, 2010	Market value as a percentage of net assets	Market value as a percentage of total investment	Outstanding principal value as a percentage of total debt issue
	As at July 01, 2010	Purchases during the period	Sales / Redeemed during the period	As at December 31, 2010					
(Rupees in '000)									
Term Finance Certificates									
Allied Bank Limited	11,000	-	-	11,000	6 months KIBOR+0.85% for the first 5 years & for the remaining 6 months KIBOR+1.30%	52,889	7.20%	8.76%	1.10%
NIB Bank Limited	2,000	-	-	2,000	6 months KIBOR+1.15%	9,724	1.32%	1.61%	0.25%
Pace Pakistan Limited	1,000	-	-	1,000	6 months KIBOR+1.50%	4,850	0.66%	0.80%	0.33%
Pakistan Mobile Communications Limited - IV	48,620	-	33,810	14,810	6 months KIBOR+1.65%	64,646	8.81%	10.70%	1.23%
Trust Investment Bank Limited - III	10,000	-	-	10,000	6 months KIBOR+1.85%	35,206	4.80%	5.83%	8.33%
United Bank Limited - IV	2,000	-	-	2,000	6 months KIBOR+0.85% for the first 5 years & for the remaining 6 months KIBOR+1.35%	9,504	1.29%	1.57%	1.67%
Total						<u>176,819</u>			
Carrying value as at December 31, 2010						<u>173,439</u>			
Appreciation in the value of investments						<u>3,380</u>			

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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5.3 Advance against Pre Initial Public Offer Investments - designated as 'at fair value through profit or loss' on initial recognition

Name of the investee company	----- Number of certificates -----				Profit / mark-up rate	Market value as at December 31, 2010	Market value as a percentage of net assets	Market value as a percentage of total investment	Outstanding principal value as a percentage of total debt issue
	As at July 01, 2010	Purchases during the period	Sales / Redeemed during the period	As at December 31, 2010					
(Rupees in '000)									
Dewan Cement Limited - note 5.3.1	30,000	-	-	30,000	6 months KIBOR+2.00%	-	-	-	3.00%

5.3.1 The Fund had advanced an amount of Rs 150 million in respect of Pre-IPO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was January 9, 2008). Dewan Cement Limited (DCL) failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit for the said period. The Fund has provided for the amount of the investment by 100 percent in accordance with the provisioning policy approved by the Board of Directors of the Management Company and related SECP Circulars. Management is continuously monitoring the Fund's exposure to this investment and is making necessary efforts for the recovery of the amount. The above is without prejudice to the Fund's claim against the above company for the entire exposure and unrecognised mark-up and other charges etc.

5.4 Government Securities - designated as 'at fair value through profit or loss' on initial recognition

Issue date	-----Face value-----				Market value as at December 31, 2010	Market value as a percentage of net assets
	As at July 01, 2010	Purchases during the period	Sales during the period	Maturities during the period		
(Rupees in '000)						
Treasury bills						
6 Months						
April 8, 2010	-	50,000	-	50,000	-	-
3 Months						
July 15, 2010	-	15,000	-	15,000	-	-

Treasury bills

6 Months

April 8, 2010

3 Months

July 15, 2010

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5.5 Fixed income and other debt securities - available for sale

Name of the investee company	Number of certificates				Profit / mark-up rate	Market / Carrying value as at December 31, 2010	Market / Carrying value as a percentage of net assets	Market value as a percentage of total investment	Outstanding principal value as a percentage of total debt issue
	As at July 01, 2010	Purchases during the period	Sales / Redeemed during the period	As at December 31, 2010					
(Rupees in '000)									
Term Finance Certificates									
Avani Hotels Limited	19,760	-	-	19,760	6 months KIBOR+3.25%	80,951	11.03%	13.40%	2.63%
Azgard Nine Limited - IV - note 5.5.1	44,400	-	-	44,400	6 months KIBOR+2.25% 6 months KIBOR+1.70% for the first 6 years 6 months KIBOR+1.50% for the next one years 6 months KIBOR+2.10% for the next years 6 months KIBOR+2.30% for the next years 6 months KIBOR+2.50% for the final years	124,221	16.92%	20.56%	8.88%
Engro Chemicals Pakistan Limited -II Gharibwal Cement Limited - note 5.5.2	360 8,000	-	-	360 8,000	- 6 months KIBOR+3%	1,593	0.22%	0.26%	0.05%
New Allied Electronics Industries (Private) Limited - note 5.5.3	13,000	-	-	13,000	3 months KIBOR+2.75%	-	-	-	7.22%
Optimus Limited	10,000	-	-	10,000	6 months KIBOR+2.10%	48,701	6.63%	8.06%	10.00%
Al-Zamin Leasing Modaraba - note 5.5.4	14,000	-	-	14,000	6 months KIBOR+1.90%	38,281	5.21%	6.34%	10.00%
Total						<u>293,747</u>			
Carrying value as at December 31, 2010						<u>427,656</u>			
Appreciation in the value of investments						<u>(133,909)</u>			
Sukuk Certificates									
Eden Builders Limited	1,720	-	-	1,720	3 months KIBOR+2.30%	6,837	0.93%	1.13%	0.34%
Eden Housing Limited	5,185	-	-	5,185	6 months KIBOR+2.50%	13,060	1.78%	2.16%	3.55%
Karachi Shipyard & Engineering Works Limited - II	200	-	-	200	6 months KIBOR+0.40%	950	0.13%	0.16%	0.03%
Kohat Cement Company Limited	7,650	-	-	7,650	3 months KIBOR+1.80%	24,886	3.39%	4.12%	1.53%
Maple Leaf Cement Factory Limited - I - note 5.5.5	26,600	-	-	26,600	6 months KIBOR+1.70%	83,333	11.35%	13.79%	1.66%
Maple Leaf Cement Factory Limited - II	998	-	-	998	6 months KIBOR+1.70%	3,513	0.48%	0.58%	1.66%
New Allied Electronics Industries (Private) Limited - I - note 5.5.6	32,000	-	-	32,000	3 months KIBOR+2.60%	-	-	-	1.33%
New Allied Electronics Industries (Private) Limited - II - note 5.5.7	8,600	-	-	8,600	3 months KIBOR+2.20%	-	-	-	5.73%
Pak Elektron Limited - II	14,000	-	14,000	-	3 months KIBOR+1.0%	-	-	-	-
Security Leasing Corporation Limited	500	-	-	500	6 months KIBOR+2.00%	952	0.13%	0.16%	0.33%
Total						<u>133,531</u>			
Carrying value as at December 31, 2010						<u>249,522</u>			
Appreciation in the value of investments						<u>(115,991)</u>			
						<u>427,278</u>			

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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5.5.1 Azgard Nine Limited (ANL) defaulted in payment of the amount of principal and profit amounting to Rs. 22.18 million and Rs. 16.22 million respectively on June 4, 2010 (the scheduled redemption date). ANL is in the process of restructuring arrangement with term finance certificate holders. The Fund has made provision for this investment in accordance with the provisioning policy approved by the Board of Directors of the Management Company and related SECP Circulars. The mark-up previously accrued had already been suspended by the Fund in prior year and no further mark-up is being accrued.

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

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

5.5.2 On July 18, 2009, i.e. the scheduled redemption date Gharibwal Cement Limited defaulted on the amount of profit and principal amounting to Rs. 3.67 million and Rs. 0.008 million respectively. However, principal due was subsequently received on August 11, 2009. Last year, the Fund provided for the amount of investment by 100 percent and suspended the mark-up accrued thereon in accordance with the provisioning policy approved by the Board of Directors of the Management Company and related SECP Circulars.

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

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

5.5.3 On November 15, 2008, i.e. the scheduled redemption date New Allied Electronic Industries (Private) Limited defaulted on the amount of mark-up and principal amounting to Rs. 2.41 million and Rs. 5.42 million respectively. However, a partial payment of Rs 2.17 million has been received on a pro-rata basis against the outstanding mark-up. The Fund recognised provision against the said investment and full provision against mark-up receivable. Moreover, the Fund suspended further accrual of mark-up there against. During the current period an amount of Rs 3.215 million has been received in respect of insurance proceeds. The amount of investment is fully provided for as at December 31, 2010.

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

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

5.5.4 On August 12, 2010, i.e. the scheduled redemption date Al-Zamin Leasing Modaraba (AZLM) defaulted on the amount of mark-up and principal amounting to Rs. 0.71 million and Rs. 1.46 million respectively. However, principal and mark-up due on August 12, 2010 and September 12, 2010 were received subsequently on October 11, 2010 and October 28, 2010. The Fund has made provision in accordance with the provisioning policy approved by the Board of Directors and related SECP circulars. The amount of excess provision recognised amounted to Rs. 2.55 million. Further, the Fund has suspended the amount of mark-up accrued and no further accrual is being made in respect of mark-up.

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

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

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5.5.5 During the current period, due to reclassification of sukuk of Maple Leaf Cement Factory Limited from non-performing to performing category by the Mutual Funds Association of Pakistan (MUFAP), the impairment loss amounting to Rs 4.66 million recognised in the prior year in respect of Maple Leaf Cement Factory Limited has been reversed. Further, the amount of mark-up previously suspended amounting to Rs 13.26 million (Rs 10.19 million pertaining to the year ended June 30, 2010 and Rs 3.07 million pertaining to the current period) has been recognised as income during the current period. The amount of provision recognised against "Maple Leaf Cement Factory Limited Sukuk II" received in satisfaction of partial mark-up due on December 3, 2009 has been reversed by the Fund by Rs 3.67 million during the current period.

5.5.6 On October 25, 2008, owing to financial difficulties, New Allied Electronics Industries (Private) Limited (NAEIL) paid full mark-up amounting to Rs. 0.42 million, however, no payment was made against the principal due amounting to Rs. 0.63 million. Subsequently NAEIL continuously defaulted on every repayment date. The Fund recognised full provision against the investment and suspended further accrual of mark-up thereagainst. The amount of investment is fully provided as at December 31, 2010. The above provision recognised against the investment and related mark-up are in accordance with the provisioning policy of the Fund duly approved by the Board of Directors of the Management Company and related SECP circulars.

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

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

5.5.7 On December 3, 2008, New Allied Electronics Industries (Private) Limited (NAEIL) defaulted on the amount of mark-up amounting to Rs. 3.25 million. On February 11, 2009 and March 20, 2009 the Fund received a partial payment amounting to Rs. 1.57 million and Rs. 0.84 million respectively against the outstanding mark-up. The Fund recognised full provision against the said investment and outstanding mark-up receivable accordingly. Moreover, the Fund suspended further accrual of mark-up thereagainst. The amount of investment is fully provided as at December 31, 2010. The above provision recognised against the investment and related mark-up are in accordance with the provisioning policy of the Fund duly approved by the Board of Directors of the Management Company and related SECP circulars.

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

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

	(Un-audited)	
	Six months ended December 31	
	2010	2009
	----(Rupees in '000)----	
5.6 Net unrealised appreciation in fair value of investments classified as 'available for sale'		
Fair value of investments	427,278	695,827
Less: Cost of investments	(677,178)	(878,587)
	(249,900)	(182,760)
Unrealised diminution in fair value of investments classified as 'available for sale' at beginning of the period	221,661	118,578
Provision against non-performing investments	14,533	117,938
	236,194	236,516
	(13,706)	53,756

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5.7 Non-compliance status with the investment criteria as specified by the Securities and Exchange Commission of Pakistan

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. KASB Funds Limited (Management Company) classified KASB Income Opportunity Fund (formerly KASB Liquid Fund) as 'Aggressive Fixed Income Scheme' in accordance with the said circular.

In accordance with clause (ii) of the investment criteria laid down for 'Aggressive Fixed Income Scheme', the Fund is required to invest at least 10 percent of its net assets in cash and near cash instruments which include cash in bank accounts (excluding TDRs) and treasury bills not exceeding 90 days maturity. However, the AMC shall ensure that other assets are sold in due course of time (if possible without impacting investors' interests) or cash is generated through new subscriptions to comply with the minimum cash or near cash requirements and the Trustee of such scheme shall not hold redemption(s) if usage of such cash results in the cash balance falling below the minimum requirement. Furthermore, as per Regulation 55(5) of the NBFC Regulations 2008, exposure of a collective investment scheme to any single entity shall not exceed an amount equal to ten percent of the total net assets of the collective investment scheme. However, as at December 31, 2010, the Fund is non-compliant with the above-mentioned requirements, the details of which are as follows:

Name of the investee company	Type of Investment	Value of investment before provision	Provision held if any	Value of investment after provision	% of Net Assets	% of Gross Assets	Remarks
----(Rupees in '000)----							
Investment in cash and near cash instruments	Bank balances and treasury bills having maturity not exceeding 90 days	30,518	-	30,518	4.16%	4.12%	Non compliant with clause (ii).
Azgard Nine Limited - IV	Term Finance Certificates	221,822	97,601	124,221	16.92%	16.76%	Non compliant with regulation 55(5) of the NBFC Regulations
Maple Leaf Cement Factory Limited	Sukuk Certificates	86,846	-	86,846	11.83%	11.72%	
Avani Hotels Limited	Term Finance Certificates	80,951	-	80,951	11.03%	10.92%	

		(Un-audited) December 31 2010	(Audited) June 30 2010
----(Rupees in '000)----			
6 LETTER OF PLACEMENT	6.1 & 6.1.1	51,600	60,550
6.1 Letter of Placement	6.1.2	97,500	104,000
Provision against non-performing placements		(45,900)	(43,450)
		51,600	60,550

6.1.1 These represent placements with financial institutions and carry profit rate ranging from 13.11% to 13.42% (June 30, 2010: 12.51% to 13.42% per annum) and maturity of 19 days (June 30, 2010: 13 to 19 days).

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

Note	(Un-audited)	(Audited)
	December 31	June 30
	2010	2010
	----(Rupees in '000)----	

7 CERTIFICATES OF INVESTMENT 7.1 10,374 10,374

7.1 This represents certificate of investment with a financial institution and carries profit at the rate of 15% per annum (June 30, 2010: 15% per annum).

8 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

On December 14, 2010, the Ministry has filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

However, the Management Company believes that the aforementioned constitutional petition pending in the Court might be decided in favour of the mutual funds. As the matter relating to levy of WWF is currently pending in the court, the Management Company has decided to hold the provision for WWF amounting to Rs 3,821 million in these condensed interim financial statements, representing provision recognised upto November 25, 2010, after the withdrawal of notice of demand by FBR for collection of WWF to one of the mutual funds. The unrecognised amount of WWF as at December 31, 2010 amounts to Rs. 0.142 million.

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9 TAXATION

No provision for taxation has been made as 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 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund intends to distribute at least 90 percent of such accounting income relating to the year ending June 30, 2011 to its unit holders. Accordingly, no tax liability has been recorded in the current period.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

10 CONTINGENCIES AND COMMITMENTS

a) Contingencies

There were no other contingencies as at December 31, 2010 except for as disclosed in note 8. There were no contingencies as at June 30, 2010.

b) Commitments

There were no commitments outstanding as at June 30, 2010 and December 31, 2010

11 EARNINGS PER UNIT

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

12 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

12.1 Transactions	(Un-audited)			
	Six months ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	------(Rupees in '000)-----			
KASB Funds Limited - Management Company				
Remuneration expense	8,371	15,728	3,788	5,229
Units pledged with KASB Bank Limited: Nil units (2009: 457,759 units) and Nil units (2009: Nil units) for the six months and quarter ended respectively	-	45,602	-	-
Redemption from the Fund: Nil units (2009: 856,211 units) and Nil units (2009: Nil units) for the six months and quarter respectively	-	85,028	-	-
Conversion out of the Fund: 29,495 units (2009: Nil units) and Nil units (2009: Nil units) for the six months and quarter respectively	2,554	-	-	-
Bonus units: Nil units (2009: 5,384 units) and Nil units (2009: Nil units) for the six months and quarter ended respectively	-	528	-	-
KASB Securities Limited				
12.3 Brokerage expense	49	36	13	12
Sale of Term Finance Certificates of KASB Securities Limited: Nil units (2009: 5,000 units) and Nil units (2009: Nil units) for the six months and quarter ended respectively	-	20,794	-	-
KASB Bank Limited				
Bank charges	12	11	6	5
12.4 Profit on bank deposits	1,818	4,520	1,490	658
Dividend Paid	-	4,201	-	-
Financial Charges	638	1,210	-	848
Central Depository Company of Pakistan Limited - Trustee				
Remuneration	837	1,553	379	601
CDS charges	3	4	2	2

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	(Un-audited)			
	Six months ended December 31		Quarter ended December 31	
	2010	2009	2010	2009
	------(Rupees in '000)-----			
New Horizon Exploration and Production Limited				
Bonus units: Nil units (2009: 1 units) and Nil units (2009: Nil units) for the six months and quarter ended respectively	-	1	-	-
Redemption from the Fund: Nil units (2009: 95 units) and Nil units (2009: 95 units) for the six months and quarter ended respectively	-	8	-	8
Directors and Officers of the Management Company				
Redemption from the Fund: Nil units (2009: 57,154 units) and Nil units (2009: 3,101 units) for the six months and quarter ended respectively	-	5,633	-	279
Conversion in the Fund: Nil units (2009: 5,918 units) and Nil units (2009: Nil units) for the six months and quarter ended respectively	-	591	-	-
Conversion out of the Fund: Nil units (2009: 23,211 units) and Nil units (2009: 8,587 units) for the six months and quarter ended respectively	-	2,194	-	745
Switching in the Fund: Nil units (2009: 69,659 units) and Nil units (2009: 48,910 units) for the six months and quarter ended respectively	-	6,790	-	4,720
Switching out of the Fund: Nil units (2009: 66,116 units) and Nil units (2009: 60,697 units) for the six months and quarter ended respectively	-	6,334	-	5,797
Bonus units: Nil units (2009: 893 units) and Nil units (2009: Nil units) for the six months and quarter ended respectively	-	88	-	-

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	(Un-audited) December 31 2010	(Audited) June 30 2010
	----(Rupees in '000)----	
12.2 Balances		
KASB Funds Limited		
Payable to the Management Company	<u>1,243</u>	<u>1,532</u>
Units held: Nil units (June 30, 2010: 29,495 units)	<u>-</u>	<u>2,524</u>
KASB Cash Fund		
Payable to the Fund	<u>-</u>	<u>44</u>
KASB Securities Limited - Brokerage House		
Brokerage payable	<u>-</u>	<u>12</u>
KASB Bank Limited		
Bank balances	<u>29,908</u>	<u>5,414</u>
Profit receivable on bank deposits	<u>379</u>	<u>80</u>
Units held: 3,361,101 units (June 30, 2010: 3,361,101 units)	<u>282,073</u>	<u>287,655</u>
Borrowing against redemption of units	<u>-</u>	<u>25,000</u>
Central Depository Company of Pakistan Limited - Trustee		
Payable to the Trustee	<u>124</u>	<u>170</u>
Security deposit	<u>100</u>	<u>100</u>

12.3 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.

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

13 GENERAL
 Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison and better presentation. No significant rearrangements or reclassifications were made in these condensed interim financial statements.

The bifurcation of undistributed income / (accumulated loss) into realised and unrealised income / (loss) at the beginning and end of the period as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

14 DATE OF AUTHORISATION FOR ISSUE
 These condensed interim financial statements were authorised for issue on February 17, 2011 by the Board of Directors of the Management Company.

For KASB Funds Limited
 (Management Company)

Chief Executive

Director