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**FUND INFORMATION**

**Management Company**

KASB Funds Limited  
**Registered Office:**  
9th Floor, Trade Centre, I.I. Chundrigar  
Road, Karachi-74200, Pakistan  
**Principal Office**  
5th Floor, Trade Centre, I.I. Chundrigar  
Road, Karachi-74200, Pakistan  
UAN: (92-21) 111 535 535  
Fax: (92-21) 3263 9188  
URL: www.kasbfunds.com

**Board of Directors of KASB Funds Limited**

Mr. Robert John Richard Owen - Chairman  
Mr. Amer Maqbool - Chief Executive  
Mr. Qaiser P. Mufti  
Mr. Muzaffar Ali Shah Bukhari

**Chief Financial Officer & Company Secretary**

Syed Adnan Abdali

**Audit Committee**

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

**Trustee**

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

**Fund Ranking**

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

**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**

KASB Funds Limited  
5th Floor, Trade Centre, I.I. Chundrigar  
Road, Karachi-74200, Pakistan

**Distributors**

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

**Management Company Rating**

Rated AM3 by JCR-VIS

**MISSION STATEMENT**

The Funds seeks to generate long term capital appreciation and income, from a portfolio that is substantially constituted of equity and equity related securities.

**REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY**

*For the six months ended December 31, 2011*

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

**Investing Activities and Fund's Performance**

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

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

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

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

While the benchmark KSE-30 posted a return of -12.12% for the six month period, the Fund recorded a return of -10.19%. The out performance is the result of careful stock selection and pursuance of a research driven strategy in a volatile market.

The Fund earned a net loss of Rs. 12.69 million during period under consideration and the total net assets of the Fund stood at Rs. 111.47 million at the end of the period translating into a NAV per unit of Rs. 23.68 (Par Rs. 50).

**Future Outlook**

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

The Fund is continuously providing its investors higher returns in the equity category. Going forward, the Fund will keep providing its investors good returns.

**REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY**

*For the six months ended December 31, 2011*

**Acknowledgement**

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

For and on behalf of the Board

February 15, 2012  
Karachi

Amer Maghool  
Chief Executive

## TRUSTEE REPORT TO THE UNIT HOLDERS

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

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

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

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

Karachi: February 27, 2012

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

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of KASB Stock Market Fund as at December 31, 2011 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement 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, 2011. 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 distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarters ended December 31, 2011 and December 31, 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

### *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, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### *Emphasis of matter paragraph*

We draw attention to note 8 to the condensed interim financial information which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which litigation is currently pending adjudication at the Honorable High Court of Sindh. Our conclusion is not qualified in respect of this matter.

### *Other information*

The financial statements of the Fund for the year ended June 30, 2011 and half year ended December 31, 2010 were audited and reviewed respectively by another auditor whose reports dated September 15, 2011 and February 17, 2011 expressed unqualified opinion / conclusion on those financial statements.

**A.F. Ferguson & Co.**  
Chartered Accountants  
Engagement Partner: **Rashid A. Jafer**  
Dated: February 15, 2012  
Karachi

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES**

As at December 31, 2011

Note	(Un-audited)	(Audited)
	December 31 2011	June 30 2011
----- (Rupees in '000) -----		
<b>ASSETS</b>		
Balances with Banks	26,497	11,631
Investments	86,707	111,716
Accrued income	300	528
Advances, deposits and prepayments	2,773	2,753
Preliminary expenses and floatation costs	115	376
Receivable against sale of investments	-	5,017
<b>Total assets</b>	<b>116,392</b>	<b>132,021</b>
<b>LIABILITIES</b>		
Payable against purchase of investments	2,287	4,745
Payable to the Management Company	281	29
Payable to the Trustee	59	60
Payable to the Securities and Exchange Commission of Pakistan	57	198
Accrued expenses and other liabilities	2,235	2,569
<b>Total liabilities</b>	<b>4,919</b>	<b>7,601</b>
<b>Net assets</b>	<b>111,473</b>	<b>124,420</b>
<b>Unit holders' funds</b>	<b>111,473</b>	<b>124,420</b>
(Number of units)		
<b>Number of units in issue</b>	<b>4,707,957</b>	<b>4,235,783</b>
(Rupees)		
<b>Net asset value per unit</b>	<b>23.66</b>	<b>29.37</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive

For KASB Funds Limited  
(Management Company)

Director

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

For the six months and quarter ended December 31, 2011

Note	Six months ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
----- (Rupees in '000) -----				
<b>INCOME</b>				
Capital (loss) / gain on sale of investments	(4,265)	23,578	1,862	16,896
Dividend income	3,897	3,851	2,538	2,351
Profit on bank deposits	1,622	2,973	889	1,714
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'	(9,426)	14,645	(12,704)	16,857
	(8,172)	45,047	(7,415)	37,618
<b>EXPENSES</b>				
Remuneration of the Management Company	1,793	3,366	891	1,708
Sindh Sales Tax expense	239	-	119	-
Remuneration of the Trustee	352	353	776	177
Annual fee - Securities and Exchange Commission of Pakistan	57	107	28	55
Transaction costs on securities	1,036	953	627	536
Settlement and bank charges	145	143	80	73
Legal and professional charges	213	262	113	147
Fees and subscription	90	71	54	36
Auditor's remuneration	277	263	143	123
Amortisation of preliminary expenses and floatation costs	261	262	131	131
Printing expenses	60	61	30	31
	4,523	5,841	2,392	3,018
	(12,695)	38,206	(9,807)	34,600
Element of income/ (loss) and capital gains/ (losses) in the prices of units issued less those in units redeemed	8	(70,691)	558	(11,056)
<b>Net (loss) / income for the period before taxation</b>	<b>(12,687)</b>	<b>(31,485)</b>	<b>(9,249)</b>	<b>23,544</b>
Taxation	-	-	-	-
<b>Net (loss) / income for the period after taxation</b>	<b>(12,687)</b>	<b>(31,485)</b>	<b>(9,249)</b>	<b>23,544</b>
Other Comprehensive income / (loss) for the period	-	-	-	-
<b>Total Comprehensive income / (loss) for the period</b>	<b>(12,687)</b>	<b>(31,485)</b>	<b>(9,249)</b>	<b>23,544</b>
<b>(Loss) / earnings per unit</b>				

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive

For KASB Funds Limited  
(Management Company)

Director

Chief Executive

For KASB Funds Limited  
(Management Company)

Director

Chief Executive

For KASB Funds Limited  
(Management Company)

Director

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

For the six months and quarter ended December 31, 2011

	Six months ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
	(Rupees in '000)			
Accumulated losses brought forward	(127,041)	(80,676)	(143,186)	(204,290)
Final Distribution at the rate of Rs. 3.00 per unit for the year ended June 30, 2011 (2010: Rs. 11.50 per unit)	(12,707)	(68,585)	-	-
Net (loss) / income for the period	(12,687)	(31,485)	(9,249)	23,544
	(25,394)	(100,070)	(9,249)	23,544
Accumulated losses carried forward	(152,435)	(180,746)	(152,435)	(180,746)

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

For the six months and quarter ended December 31, 2011

	Six months ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
	(Rupees in '000)			
Net assets at beginning of the period	124,420	217,946	121,277	213,009
Issue of 22,205 units (2010: 1,107,932 units) and 13,204 units (2010: 1,049,955 units) for the six months and quarter respectively	545	32,170	231	30,683
Issue of 481,888 bonus units (2010: 2,739,701 units) and Nil units (2010: Nil units) for the six months and quarter respectively	12,707	68,575	-	-
Redemption of 31,928 units (2010: 908,663 units) and 9,210 units (2010: 486,526 units) for the six months and quarter respectively	(797)	(24,490)	(228)	(13,570)
Element of income/ loss and capital gain/ losses in the prices of units issued less those in units redeemed:	12,455	76,255	3	17,113
- amount representing accrued income/ loss and capital gain/ losses - transferred to the Income Statement	(8)	70,691	(558)	11,056
Distribution during the period:				
- Issue of bonus units	(12,707)	(68,575)	-	-
- Cash dividend	-	(10)	-	-
	(12,707)	(68,585)	-	-
Net income / (loss) for the period (excluding unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital (losses) / gains)	1,004	(69,708)	1,593	(10,009)
Capital (loss) / gain on sale of investments	(4,265)	23,578	1,862	16,896
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'	(9,426)	14,645	(12,704)	16,657
Net (loss) / income for the period	(12,687)	(31,465)	(9,249)	23,544
Net assets as at end of the period	111,473	264,722	111,473	264,722

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

 For KASB Funds Limited  
(Management Company)

Chief Executive

Director

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

For the six months and quarter ended December 31, 2011

	Six months ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
	(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net (loss) / income for the period	(12,687)	(31,465)	(9,249)	23,544
<b>Adjustments for:</b>				
Dividend income	(3,897)	(8,851)	(2,538)	(2,351)
Profit on bank deposits	(1,622)	(2,979)	(889)	(1,714)
Amortisation of preliminary expenses and floatation costs	261	252	131	131
Unrealised diminution / (appreciation) in fair value of investments classified as 'at fair value through profit or loss'	9,426	(14,645)	12,704	(16,657)
Element of income/ (loss) and capital gains/ (losses) included in the prices of units issued less those in units redeemed	(8)	70,691	(558)	11,056
	4,160	49,484	8,850	(9,535)
<b>(Increase) / decrease in assets</b>				
Receivable against sale of investments	5,017	(13,778)	-	(8,962)
Investments	15,583	4,328	(10,034)	(44,710)
Advances, deposits and prepayments	(20)	(20)	(129)	10
	20,580	(9,470)	(10,163)	(53,662)
<b>Increase / (decrease) in liabilities</b>				
Payable against purchase of investments	(2,458)	4,208	2,287	2,784
Payable to KASB Funds Limited - Management Company	252	99	3	35
Payable to Central Depository Company of Pakistan Limited - Trustee	(1)	1	(3)	4
Payable to The Securities and Exchange Commission of Pakistan	(141)	(145)	(170)	55
Accrued expenses and other liabilities	(334)	10	(1,254)	345
	(2,682)	4,173	863	3,223
Dividend received	9,371	12,700	(9,699)	(36,430)
Profit on bank deposits received	4,278	3,846	3,409	3,596
	1,469	2,617	1,028	1,876
<b>Net cash generated from / (used in) operating activities</b>	15,118	19,163	(5,262)	(30,958)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payable on redemption of units	-	(6)	-	-
Net (payments) / receipts against sale and redemption of units	(252)	7,670	3	17,113
<b>Net cash (used in) / generated from financing activities</b>	(252)	7,664	3	17,113
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	14,866	26,827	(5,259)	(13,845)
Cash and cash equivalents at beginning of the period	11,631	20,737	31,756	61,409
<b>Cash and cash equivalents at end of the period</b>	26,497	47,564	26,497	47,564

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

 For KASB Funds Limited  
(Management Company)

Chief Executive

Director

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

For the six months and quarter ended December 31, 2011

**1 LEGAL STATUS AND NATURE OF BUSINESS**

KASB Stock Market 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 January 9, 2007 and the Fund was approved by The Securities and Exchange Commission of Pakistan (SECP) on February 23, 2007 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to undertake asset management and investment advisory services as a non-banking finance company under the NBFC Rules issued by the SECP. The registered office of the Management Company is situated at 9th Floor, Trade Centre, I. I. Chundrigar Road, Karachi, Pakistan. The JCR-VIS has assigned management quality rating of AM3 to the Management Company and Pakistan Credit Rating Agency Limited (PACRA) has assigned long term rating of 3 star and short term rating of 2 star to the Fund.

The Fund is an open end stock 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. The details of non-compliant investments with the investment criterion of assigned category as at December 31, 2011 is disclosed in note 7.3 of this condensed interim financial information. The Fund is categorized as an Open-End "Equity Scheme" as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CIS).

The primary objective of the scheme is to seek to generate long term capital appreciation and income, from a portfolio that is substantially constituted of equity and equity related securities. The scheme may also invest a certain portion of its funds in short term government securities in order to meet liquidity requirements from time to time.

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

On July 15th 2011, The Securities and Exchange Commission of Pakistan (SECP) vide its letter reference number SCD/PR&DD/AMCW/CAML&KFL/333/2011 has sanctioned the scheme of amalgamation in terms of section 282L of the Companies Ordinance 1984, for acquisition and simultaneous merger of Crosby Asset Management (Pakistan) Limited (CAML) with and into KASB Funds Limited (KFL) and the rights to manage Crosby Phoenix Fund, Crosby Dragon Fund, and AMZ Plus Income Fund have been transferred to KFL with effect from July 20, 2011.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting', the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the 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 IAS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

**2.2** This condensed interim financial information is unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance.

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

For the six months and quarter ended December 31, 2011

**2.3** The directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state affairs of the Fund.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2011.

**3.1** Standards, interpretations and amendments to published approved accounting standards that are effective in the current period:

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 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 adoption of the revised standard did not have any impact on the Fund's condensed interim financial information.

IFRS 7 (amendment) 'Financial Instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have any impact on the Fund's condensed interim financial information.

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 July 1, 2011 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

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

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in this condensed interim financial information.

**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 period / year end.

**4 ESTIMATES AND JUDGMENTS**

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

**5 FINANCIAL RISK MANAGEMENT**

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



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

For the six months and quarter ended December 31, 2011

6	BALANCES WITH BANKS	Note	(Un-audited)	(Audited)
			December 31 2011	June 30 2011
	In current accounts		14	14
	In saving accounts	6.1	26,483	11,617
			<u>26,497</u>	<u>11,631</u>
6.1	These saving accounts carry mark-up at the rate of 5% to 12% per annum (June 30, 2011: 5% to 12% per annum).			
7	INVESTMENTS		(Un-audited)	(Audited)
			December 31 2011	June 30 2011
	'At fair value through profit or loss' - 'held for trading'		(Rupees in '000)	
	- Quoted equity securities	7.1	86,707	111,716
	'Available for sale'		-	-
	- Fixed income and other debt securities	7.2	-	-
			<u>86,707</u>	<u>111,716</u>

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

For the six months and quarter ended December 31, 2011

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

Name of the investee company	Note	(Number of shares)					Balance as at Dec. 31, 2011			Market value as a percentage of net assets	Fair value as percentage of issued capital of investee company
		As at July 1, 2011	Purchases during the period	Bonus issue during the period	Sales during the period	As at December 31, 2011	Carrying Value	Market value	Appreciation/(diminution)		
<b>SHARES OF LISTED COMPANIES</b>											
- Fully paid up ordinary shares of Rs. 10 each unless otherwise stated											
<b>BANKS</b>											
MCB Bank Limited		43,381	125,200	-	109,881	65,700	10,665	8,843	(1,822)	7.29%	1.00%
National Bank of Pakistan		87,500	326,600	-	414,100	-	-	-	-	0.03%	0.00%
United Bank Limited		130,738	-	-	20,332	60,206	3,727	3,154	(573)	2.62%	1.00%
NIB Bank Limited		282,448	500	-	282,948	-	-	-	-	0.03%	0.00%
						<u>14,392</u>	<u>11,997</u>	<u>(2,395)</u>			
<b>OIL AND GAS</b>											
Oil and Gas Development Company Limited	7.1	2,132	78,700	-	57,832	21,000	2,947	3,184	237	2.63%	1.00%
Pakistan Oilfield Limited	7.2	31,728	110,100	-	120,228	21,500	7,668	7,485	(215)	6.11%	0.01%
Pakistan Petroleum Limited	7.2	48,861	71,600	4,236	87,200	37,197	6,754	6,311	(443)	5.29%	1.00%
Pakistan State Oil Company Limited		36,654	123,075	-	133,054	26,675	6,615	6,061	(554)	3.03%	0.02%
Attock Petroleum Limited		10,018	28,550	-	39,568	-	-	-	-	0.03%	0.00%
National Refinery Limited		-	32,967	-	32,967	-	-	-	-	0.03%	0.00%
Attock Refinery Limited		10,400	99,200	-	109,200	-	-	-	-	0.03%	1.00%
						<u>24,005</u>	<u>23,039</u>	<u>(966)</u>			
<b>FINANCIAL SERVICES</b>											
Jahangir Siddiqui & Company Limited		170,000	-	-	170,000	-	-	-	-	0.03%	0.00%
<b>ELECTRICITY</b>											
Hub Power Company Limited		60,501	556,400	-	386,300	229,601	8,904	7,852	(1,052)	6.47%	0.02%
Nisat Power Limited		75,000	832,000	-	125,000	782,000	11,989	10,135	(1,854)	8.36%	0.21%
Nisat Chashma Power Limited		1,105,200	-	-	254,000	855,200	11,900	10,904	(996)	-	-
Kit Abdul Power Company Limited		124,907	-	-	124,907	-	-	-	-	-	-
						<u>32,796</u>	<u>28,861</u>	<u>(3,937)</u>			
<b>CONSTRUCTION AND MATERIALS</b>											
Lucky Cement Limited		35,530	157,000	-	91,530	101,000	8,238	7,579	(659)	6.25%	2.00%
D G Khan Cement Company Limited		-	319,000	-	319,000	-	-	-	-	-	-
Attock Cement Company Limited		62,709	-	-	62,709	-	-	-	-	0.03%	0.00%
						<u>8,238</u>	<u>7,579</u>	<u>(659)</u>			
<b>PERSONAL GOODS</b>											
Nisat Mills Limited		45,000	262,655	-	302,000	5,855	238	229	(9)	0.19%	1.00%
Nisat (Chunab) Limited		48,965	-	-	48,965	-	-	-	-	0.03%	0.00%
Ibrahim Fibres Limited		272,554	-	-	272,554	-	-	-	-	0.00%	0.00%
						<u>238</u>	<u>229</u>	<u>(9)</u>			
<b>NON LIFE INSURANCE</b>											
Adanjee Insurance Company Limited		98,389	-	-	98,389	-	-	-	-	0.03%	0.00%
<b>FIXED LINE TELECOMMUNICATION</b>											
Pakistan Telecommunication Company Limited 'A'		63,800	663,700	-	685,744	41,636	444	435	(9)	0.20%	1.00%
						<u>444</u>	<u>435</u>	<u>(9)</u>			
<b>CHEMICALS</b>											
Engro Chemical Corporation Limited		30,251	230,000	-	176,251	84,000	8,274	7,787	(487)	6.42%	0.03%
Fauji Fertilizer Company Limited		38,850	183,250	-	222,100	-	-	-	-	0.03%	0.00%
Fauji Fertilizer Bin Qasim Company Limited		-	483,300	-	483,300	-	-	-	-	-	-
Falima Fertilizer Company Limited		-	1,281,500	-	887,000	294,500	6,744	6,750	6	5.57%	0.21%
						<u>16,018</u>	<u>14,337</u>	<u>(1,681)</u>			
<b>GENERAL INDUSTRIES</b>											
Ecopack Limited		23,301	-	-	23,301	-	-	-	-	0.03%	0.00%
<b>AUTOMOBILE AND PARTS</b>											
Pakistan Suzuki Motor Company Limited		20,000	-	-	20,000	-	-	-	-	0.03%	0.00%
<b>MEDIA</b>											
Huon Network Limited		244,265	-	-	244,265	-	-	-	-	0.03%	0.00%
						<u>96,133</u>	<u>85,707</u>	<u>(10,426)</u>			
						<u>101,914</u>	<u>111,716</u>	<u>9,802</u>			

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

For the six months and quarter ended December 31, 2011

**7.1.1** Investments include quoted equity securities with market value as at December 31, 2011 aggregating to Rs. 9.778 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

**7.2 Fixed income and other debt securities- available for sale**

Name of the investee company	Note	(Number of certificates)		As at December 31, 2011	Carrying value as at December 31, 2011	Carrying value as a percentage of net assets	Outstanding principal value as a percentage of total debt issue
		As at July 01, 2011	Purchases during the period				
New Allied Electronics Industries (Private) Limited - II	7.2.1	6,400	-	6,400	-	-	4.27

(Rupees in '000)

**7.2.1** On December 3, 2008, New Allied Electronics Industries (Private) Limited defaulted on account of payment of profit amounting to Rs. 2.42 million. However, subsequently the Fund received partial payments against the outstanding mark-up. Moreover, during the last financial year the Fund received an amount of 0.605 million in respect of insurance proceeds. The Fund recognised full provision against the said investment and outstanding profit receivable accordingly and suspended further accruals of profit there against. The investment is fully provided as at December 31, 2011.

The above provision against this investment and related profit are according to 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 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 profit and other charges etc.

**7.3 Details of non-compliant investments with the investment criterion of assigned category**

Name of non-compliant investment	Type of instrument	Value of investment before provision	Provision held (if any)	Value of investment after provision	%age of net assets	%age of gross assets
New Allied Electronics Industries (Private) Limited - II	Sukuk	32,000	32,000	-	-	-

(Rupees in '000)

**8 CONTINGENCIES**

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

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

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

For the six months and quarter ended December 31, 2011

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the KASB Stock Market Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company from July 1, 2010. However, as a matter of abundant caution the Management Company has decided to retain the provision for WWF amounting to Rs 1.49 million representing a charge accrued upto June 30, 2010. The aggregate unrecognized amount of WWF as at December 31, 2011 amounted to Rs 0.444 million.

There were no other contingencies outstanding as at December 31, 2011.

**9 REMUNERATION OF THE MANAGEMENT COMPANY**

The management company is entitled is entitled to remuneration for services rendered to the Fund under the provisions of the NBFC Regulation, of an amount not exceeding 3 percent of the average daily net assets of the Fund during the first five years of the Fund's existence and thereafter an amount equal to 2 percent of such assets of the Fund. The management company has charged remuneration at the rate 3% per annum of the average daily net assets of the Fund during the period.

**10 TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. The management intends to distribute at least 90% of the income earned by the year end by this Fund to the unit holders. 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. Accordingly, no provision has been made in this condensed interim financial information.

**11 EARNINGS PER UNIT**

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

**12 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

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

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

For the six months and quarter ended December 31, 2011

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 the NBFC Regulations 2008 and the Trust Deed respectively.

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

**12.1 Transactions:**

**KASB Funds Limited - Management Company**

Remuneration	2,032	3,366	1,011	1,709
Sales load	5	11	-	1
Conversion out of the Fund: Nil units (2010: 65,482 units) and Nil units (2010: Nil units) for the six months and quarter respectively	-	1,686	-	-
Bonus units: Nil units (2010: 20,615 units) and Nil units (2010: Nil units) for the six months and quarter respectively	-	516	-	-

**KASB Securities Limited - Brokerage house**

Brokerage	104	180	13	105
Additional units: Nil units (2010: 9,025 units) and Nil units (2010: 4,537 units) for the six months and quarter respectively	-	241	-	125
Bonus units: Nil units (2010: 841,082 units) and Nil units (2010: Nil units) for the six months and quarter respectively	-	21,052	-	-

**KASB Securities Limited Employees' Provident Fund**

Bonus units: Nil units (2010: 35,418 units) and Nil units (2010: Nil units) for the six months and quarter respectively	-	887	-	-
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**KASB Bank Limited**

Profit accrued on bank deposits	1,547	2,960	814	1,701
Bank charges	16	2	10	-
Additional units: 11,751 units (2010: 11,030 units) and 5,545 units (2010: 5,546 units) for the six months and quarter respectively	277	294	133	153
Bonus units: 411,776 units (2010: 1,132,551 units) and Nil units (2010: Nil units) for the six months and quarter respectively	10,859	26,348	-	-

**Central Depository Company of Pakistan Limited - Trustee**

Remuneration	352	353	176	177
CDS charges	21	26	10	13

**Directors and Officers of the Management Company**

Investment in the Fund: 390 (2010: 1,301 units) and Nil units (2010: Nil units) for the six months and quarter respectively	10	35	-	-
Redemption from the Fund: Nil units (2010: 2,166 units) and Nil units (2010: 1,784 units) for the six months and quarter respectively	-	60	-	50
Conversion out of the Fund: 390 units (2010: 53,300 units) and 330 units (2010: 1,521 units) for the six months and quarter respectively	9	1,371	9	42
Bonus units: 8 units (2010: 17,399 units) and Nil units (2010: Nil units) for the six months and quarter respectively	2	435	-	-

Note	Six months ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			

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

For the six months and quarter ended December 31, 2011

**12.2 Balances**

**KASB Funds Limited - Management Company**

Payable to the Management Company	281	29
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**KASB Securities Limited - Brokerage house**

Brokerage payable	8	20
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**KASB Bank Limited**

Profit receivable on bank deposits	262	109
Bank balance	26,033	10,906
Units held: 4,042,500 units (June 30, 2011: 3,619,573 units)	95,726	106,307

**Central Depository Company of Pakistan Limited - Trustee**

Payable to the Trustee	59	80
Security Deposit	100	100

**Directors and Officers of the Management Company**

Units held: Nil (June 30, 2011: 781 units)	-	79
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**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.

**13 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue on February 15, 2012 by the Board of Directors of the Management Company.

**14 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and better presentation. During the current period, there were no major reclassifications.

**15 GENERAL**

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

For KASB Funds Limited  
(Management Company)

Chief Executive

Director