



KASB Modaraba

(Formerly known as First Mehran Modaraba)



KASB MODARABA

An Islamic Financial Institution

**Condensed Interim Financial Statements
For the Half Year Ended December 31, 2008
(Un-Audited)**

Managed by

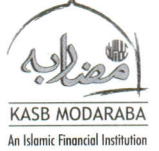
KASB Modaraba Management (Pvt) Ltd.

(Formerly Technology Ventures (Pvt) Ltd.)

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CORPORATE INFORMATION



Board of Directors	S. M. Rehmanullah – Chairman Syed M. Husaini – CEO Mr. Muhammad Hamidullah S. M. Rehmanullah Mir Mujahid Ali Khan
Company Secretary & Chief Financial Officer	Mr. Muhammad Sohail
Management Company	KASB Modaraba Management(Private) Limited (Formerly Technology Ventures (Private) Limited)
Auditors	A.F. Ferguson & Co. Chartered Accountants Member PriceWaterHouseCoopers
Audit Committee	Mir Mujahid Ali Khan – Chairman Mr. Muhammad Hamidullah S. M. Rehmanullah
Bankers	KASB Bank Limited Dawood Islamic Bank Limited Habib Metropolitan Bank Limited Al Baraka Islamic Bank Bank Al Falah Limited
Registered Office	407, Gul Tower, I. I. Chundrigar Road, Karachi, Pakistan Telephone: (92-21) 2424616, 2424655 Telefax (92-21) 2443547
Share Registrar	C&K Management Associates (Private) Limited 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel Karachi – 75530 Telephone:5687839-5685930

DIRECTORS' REPORT

The Board of Directors of KASB Modaraba Management (Private) Limited [formerly Technology Ventures (Private) Limited], the management company of KASB Modaraba, is pleased to present the un-audited financial statements for half year ended December 31, 2008.

Financials

Financial results are summarized as under:

	December 31 2008	December 31 2007
	Rupees	Rupees
Total Income	15,363,501	3,727,523
Total Operating and Financial Expenses	9,499,144	1,634,926
Operating Profit	5,864,357	2,092,597
Modaraba Company Management Fee	586,436	209,260
Profit for the Period Before Taxation	5,277,921	1,883,337
Earning per Modaraba Certificate	0.24	0.17

KASB Modaraba has continued to expand its business. Pursuing a philosophy of quality growth in its operations, the Modaraba has earned a total income of Rs.15.36 million after recognizing a subjective impairment loss of Rs. 1.80 million resulting from delay in receipt of installment of Sukuk Bond. The net profit for the period under review was Rs. 5.28 million compared to Rs.1.9 million in the corresponding period of last year. The apparent rise in total expenses is largely on account of financial charges of Rs.2.82 million and outlays made to establish the Modaraba infrastructure. As the Modaraba has successfully completed its right issue and injected additional capital of Rs.199.58 million, the earning per Modaraba Certificate works out to Rs.0.24 as compared to Rs.0.17 for the previous year.

The Auditors have pointed out that the Modaraba has not yet implemented the Islamic Financial Accounting Standard ("IFAS-2") on "Ijarah", notified by Securities & Exchange Commission of Pakistan (SECP) on May 27, 2007. The management has noted their observation. The Modaraba is presently in the process of transforming its MIS system, and will adopt the standard before the close of the year 2009.

The Modaraba has also launched the Certificates of Musharaka (COMs) which will provide an avenue to the individual and corporate sectors to invest their savings in accordance with Shariah-compliant principles of Islam. The investment in COMs will be in Pak Rupees. The tenure of these Certificates will be 3 Months, 6 Months and One Year. The funds raised through issuance of COMs will be used strictly in Shariah-compliant products. The response to the Certificates of Musharaka has been encouraging.

The COMs will strengthen the resource base of the Modaraba, and enable it to further expand its business operations.

In spite of the severe liquidity crunch in the market, we are pleased to inform the Certificate Holders that your Modaraba has continued to maintain a healthy liquid financial position. The Management will continue to follow a prudent policy towards sustained growth in operations and profits of the Modaraba.

Acknowledgement

The Board wishes to place on record its appreciation for the dedication and hard work put in by officers and staff of the Modaraba. The Board also expresses its appreciation for the guidance and support provided by the Registrar of Modaraba, Securities and Exchange Commission of Pakistan (SECP).

We owe special gratitude to our Certificate Holders and the clients for their support.

S. M. Rehmanullah
Chairman

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



We have reviewed the accompanying condensed interim balance sheet of KASB Modaraba, as of December 31, 2008, and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the condensed interim financial information) for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2007 and 2008 have not been reviewed as we are required only the cumulative figures for the half year ended December 31, 2008.

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.

Basis for Adverse Opinion

As stated in note 3.3 to the accompanying condensed interim financial information, the Modaraba has not adopted IFAS 2 'Ijarah' in the preparation of these condensed interim financial information. IFAS 2 is operative for financial statements covering periods beginning on or after July 1, 2007 and is required to be followed on those Ijarahs which commence after the above mentioned effective date. IFAS 2 does not permit recognition of an Ijarah transaction as a finance lease and requires Ijarah transactions to be accounted for in the following manner:

- Muj'ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.
- Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

However, consistent with prior years, the Modaraba has continued to account for Ijarah transactions entered after July 1, 2007 as finance leases in accordance with the requirements set out in IAS 17, 'Leases' and these arrangements are shown as 'Net investment in ijarah finance' at an amount equal to the present value of lease payments. Finance income is recognized over the term of the ijarah so as to produce a constant rate of return on the net investment in ijarah.

The Modaraba Association of Pakistan has approached the SECP for deferment of IFAS 2. However, no notification has been issued by the SECP to date for deferment of IFAS 2. The impact of non-adoption of IFAS 2 on the condensed interim financial information has not been quantified by the management as it is considered impracticable to do so.

Adverse Conclusion

Because of the significance of the matter stated in the preceding paragraph, the accompanying condensed interim financial information does not give a true and fair value of financial position of KASB Modaraba as of December 31, 2008, and of its financial performance, its cash flows and changes in equity for the half year ended December 31, 2008 in accordance with approved accounting standards and other statutory requirements applicable in Pakistan.

February 26, 2009
Karachi

A.F. Ferguson & Co
Chartered Accountants

CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2008

	Notes	December 31 2008	June 30 2008
		Rupees (Un-audited)	Rupees (Audited)
ASSETS			
Current assets			
Cash and bank balances		75,440,183	33,845,102
Short-term investments	4	5,530,718	3,950,889
Murabaha finance	5	14,453,658	19,014,375
Modaraba finance		15,000,000	-
Current portion of Musharika finance	6	11,853,432	24,968,800
Current portion of net investment in Ijarah finance	7	46,219,913	41,275,094
Advances, deposits, prepayments and other receivables		2,380,889	1,046,800
Accrued profit		2,243,171	265,312
Taxation recoverable		535,858	671,171
Total current assets		173,657,822	125,037,543
Non-current assets			
Long-term investments	4.4	15,267,866	-
Long-term deposits		25,000	25,000
Long-term portion of net investment in Ijarah finance	7	87,991,113	105,641,031
Fixed assets	8	1,797,787	1,803,427
Total non-current assets		105,081,766	107,469,458
Total Assets		278,739,588	232,507,001
LIABILITIES			
Current liabilities			
Current maturity of security deposits		874,750	50,000
Certificates of Musharika		8,600,000	-
Creditors, accrued and other liabilities		1,723,236	4,781,889
Short-term finance		-	75,000,000
Unclaimed profit distribution		477,068	477,068
Total current liabilities		11,675,054	80,308,957
Non-current liabilities			
Long-term finance		-	70,000,000
Security deposits		19,398,812	19,310,262
Deferred liabilities - staff gratuity		234,902	214,000
Total non-current liabilities		19,633,714	89,524,262
Total Liabilities		31,308,768	169,833,219
NET ASSETS		247,430,820	62,673,782
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital			
Authorised:			
50,000,000 (June 30, 2008: 50,000,000) certificates of Rs 10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	9	282,744,000	83,160,000
Statutory reserve		9,759,847	8,733,559
Accumulated loss		(45,073,027)	(49,178,177)
Right certificates subscription money		-	19,958,400
CONTINGENCIES AND COMMITMENTS	10	-	-
		247,430,820	62,673,782

The annexed notes 1 to 16 form an integral part of these financial statements.

**For KASB Modaraba Management (Private) Limited
(Management Company)**

Chief Executive

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2008



	Half year ended December 31		Quarter ended December 31	
	2008	2007	2008	2007
	Rupees		Rupees	
Ijarah Finance Income	10,698,082	184,901	5,205,663	75,999
Income on Musharika Finance	2,064,050	7,981	472,730	7,981
Income on Murabaha Finance	2,158,990	-	826,772	-
Income on Term Finance Certificates	16,861	187,543	7,799	187,543
Income on Sukuk Bonds	805,324	-	805,324	-
Gain on sale of marketable securities - net	-	1,132,597	-	905,677
Unrealised (diminution) / appreciation in the value of investments classified as 'financial assets at fair value through profit or loss'	(2,349,993)	(88,832)	(1,084,262)	-
Impairment on Investments classified as 'held to maturity'	(1,801,216)	-	(1,801,216)	-
Income on deposit with banks	3,532,884	2,031,654	2,223,526	906,260
	15,124,982	3,455,844	6,656,336	2,123,364
Financial charges	(2,819,305)	(24,349)	(34,244)	(1,125)
	12,305,677	3,431,495	6,622,092	2,122,239
Allowance for potential Ijarah & Musharika losses	-	(200,000)	-	(200,000)
	12,305,677	3,231,495	6,622,092	1,922,239
Other income	238,519	271,679	88,299	229,806
Administrative and operating expenses	(6,679,839)	(1,410,577)	(3,574,858)	(923,858)
	5,864,357	2,092,597	3,135,533	1,228,187
Modaraba management company fee	(586,436)	(209,260)	(313,554)	(122,819)
Profit before taxation	5,277,921	1,883,337	2,821,979	1,105,368
Taxation				
- current	-	-	-	7,515
- prior	(146,483)	-	(146,483)	-
- deferred	-	(650,000)	-	(650,000)
Profit for the period after taxation	5,131,438	1,233,337	2,675,496	462,883
Earnings per certificate	0.241	0.168	0.095	0.063

The annexed notes 1 to 16 form an integral part of these financial statements.

**For KASB Modaraba Management (Private) Limited
(Management Company)**

Chief Executive

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2008

	Note	Half year ended December 31 2008	Half year ended December 31 2007
CASH FLOW FROM OPERATING ACTIVITIES		Rupees	Rupees
Profit before taxation		5,277,921	1,883,337
Adjustments for non-cash charges and other items:			
Dividend income		(44,000)	(7,321)
Gain on sale of marketable securities-net		-	(1,132,597)
Profit on redemption of Term Finance Certificates and Sukuk Bonds		(311,306)	-
Unrealised diminution / (appreciation) on remeasurement of investments classified as 'financial assets at fair value through profit and loss'		2,349,993	88,832
Impairment on investment classified as 'held to maturity'		1,801,216	-
Gain on disposal of fixed assets		-	(15,000)
Deferred income		-	(26,873)
Depreciation		240,940	107,497
Amortisation		-	18,000
Gratuity expense		20,902	91,768
Financial charges		2,819,305	24,349
Provision for potential Ijarah & Musharika losses		-	200,000
		<u>12,154,971</u>	<u>1,231,992</u>
(Increase) / decrease in assets			
Net investment in Ijarah finance		12,705,099	(38,693,446)
Musharika finance		13,115,368	-
Murabaha finance		4,560,717	-
Modaraba finance		(15,000,000)	-
Advances, deposits, prepayments and other receivables		(1,334,089)	(594,509)
Accrued profit		(1,977,859)	8,976
Long-term deposits		-	90,000
		<u>12,069,236</u>	<u>(39,188,979)</u>
Increase / (decrease) in liabilities			
Security deposits on lease contracts		913,300	4,668,745
Creditors, accrued and other liabilities		(2,041,037)	170,888
		<u>(1,127,737)</u>	<u>4,839,633</u>
Taxes paid		(11,170)	(226,793)
Dividend paid		-	(1,808,956)
Financial charges paid		(3,836,921)	(24,349)
Gratuity paid		-	(26,675)
		<u>(3,848,091)</u>	<u>(2,086,773)</u>
Net cash generated from / (used in) operating activities		<u>19,248,379</u>	<u>(35,204,127)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Sale proceeds from disposal of fixed assets		-	15,000
Dividends received		44,000	7,321
Purchase of fixed assets		(235,300)	-
Purchase of investments-net		(70,328,704)	-
Proceeds from sale of investments-net		49,641,106	3,566,718
Net cash (outflow) / inflow from investing activities		<u>(20,878,898)</u>	<u>3,589,039</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of liabilities against asset subject to Ijarah Finance		-	(485,262)
Short-term finance		(75,000,000)	-
Long-term finance		(70,000,000)	-
Proceeds from issue of Certificates of musharika		8,600,000	-
Proceeds from issue of certificate capital		179,625,600	-
Net cash inflow / (outflow) from financing activities		<u>43,225,600</u>	<u>(485,262)</u>
Net increase / (decrease) in cash and cash equivalents		<u>41,595,081</u>	<u>(32,100,350)</u>
Cash and cash equivalents at the beginning of the period		<u>33,845,102</u>	<u>42,795,347</u>
Cash and cash equivalents at the end of the period	12	<u>75,440,183</u>	<u>10,694,997</u>

The annexed notes 1 to 16 form an integral part of these financial statements.

For KASB Modaraba Management (Private) Limited
(Management Company)

Chief Executive

Director

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2008



	Certificate capital	Statutory reserve	Right certificates subscription money	Accumulated loss	Surplus on revaluation of investments	Total
	Rupees					
Balance as at June 30, 2007	83,160,000	8,733,559	-	(39,020,907)	-	52,872,652
Profit for the half year ended December 31, 2007	-	-	-	1,233,337	-	1,233,337
Transfer to statutory reserve	-	-	-	-	-	-
Profit distribution for the year ended June 30, 2007 @ Re 0.25 per certificate	-	-	-	(2,079,000)	-	(2,079,000)
Balance as at December 31, 2007	83,160,000	8,733,559	-	(39,866,570)	-	52,026,989
Loss for the period from January 1, 2008 to June 30, 2008	-	-	-	(9,311,607)	-	(9,311,607)
Right share subscription	-	-	19,958,400	-	-	19,958,400
Balance as at June 30, 2008	83,160,000	8,733,559	19,958,400	(49,178,177)	-	62,673,782
Profit for the half year ended December 31, 2008	-	-	-	5,131,438	-	5,131,438
Transfer to statutory reserve	-	1,026,288	-	(1,026,288)	-	-
Subscription money received during the period	-	-	179,625,600	-	-	179,625,600
Issue of right shares	199,584,000	-	(199,584,000)	-	-	-
Balance as at December 31, 2008	<u>282,744,000</u>	<u>9,759,847</u>	<u>-</u>	<u>(45,073,027)</u>	<u>-</u>	<u>247,430,820</u>

The annexed notes 1 to 16 form an integral part of these financial statements.

**For KASB Modaraba Management (Private) Limited
(Management Company)**

_____ Chief Executive	_____ Director	_____ Director
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KASB MODARABA

An Islamic Financial Institution

**NOTES TO AND FORMING PART OF
THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2008**

1 STATUS AND NATURE OF BUSINESS

1.1 KASB Modaraba (formerly First Mehran Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder and is managed by KASB Modaraba Management (Private) Limited [formerly Technology Ventures (Private) Limited], a company incorporated in Pakistan. The address of its registered office is 407, Gul Tower, I.I. Chundrigar Road, Karachi.

1.2 As at December 31, 2008 the management company was a subsidiary of Network Leasing Corporation Limited (NLCL), which held 3,985,000 shares out of total issued capital of 4,000,000 shares of KASB Modaraba Management (Private) Limited [formerly Technology Ventures (Private) Limited].

Network Leasing corporation Limited and KASB Capital Limited have been merged into KASB Bank under a scheme of merger approved by the State Bank of Pakistan vide letter no. # BPRD (LCGD - 04)/625-93/2009/29 dated January 1, 2009. The merger of Network Leasing Corporation Limited into KASB Bank has been approved by the Securities and Exchange Commission of Pakistan vide their letter SC/NBFC/IR/16/2008 dated January 23, 2009. Previously, the management control of Network Leasing Corporation Limited was acquired by KASB Capital Limited, by acquiring 53.90% of its total issued capital; with the approval of the Securities and Exchange Commission of Pakistan vide their letter number SC/NBFC - 1/HM/NLCL/2007 dated May 11, 2007.

1.3 The Modaraba is a multipurpose perpetual modaraba and is primarily engaged in ijarah financing, musharika financing, murabaha financing, modaraba financing, issuing of certificates of musharika and investing in listed securities. The Modaraba is listed on the Karachi and Lahore Stock Exchanges.

2 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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of Companies Ordinance, 1984, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of Companies Ordinance, 1984, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Rules, 1981 or directives issued by SECP prevail.

These condensed interim financial statements comprise of balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof. The disclosures made in these financial statements have, however, been limited based on the requirements of International Accounting Standard 34, "Interim Financial Reporting". These do not include all the information and disclosures made in the annual published financial statements and therefore should be read in conjunction with the annual published financial statements of the Modaraba for the year ended June 30, 2008. The comparative information of the profit and loss account for the half year ended December 31, 2007 and quarter ended December 31, 2008 and December 31, 2007 and cash flow statement and statement of changes in equity for the half year ended December 31, 2007 are unaudited and have been included to facilitate comparison only.

3 ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation of balances adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2008.

3.2 SECP vide its circular No. 10 of 2004 dated February 13, 2004 has deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from July 1, 2003 and advised the management companies of modarabas that they may continue to prepare the financial

statements of the Modarabas without applying the requirements of the said IAS to the Modarabas. However, the requirements of the above IAS have been considered for the purpose of preparation of these condensed interim financial statements.

3.3 Islamic Financial Accounting Standard 2 'Ijarah' was notified by the Securities and Exchange Commission of Pakistan vide an SRO dated May 22, 2007. Under the above IFAS 2, the 'Ijarah' transactions shall be accounted for in the following manner:

- Muj'ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.
- Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

The above IFAS is operative for financial statements covering the period beginning on or after July 1, 2007 and is required to be followed on those Ijarahs which commence after the above mentioned date.

The Modaraba Association of Pakistan, has approached the SECP for the deferment of the above IFAS. Continuous follow up is being performed by the Modaraba Association of Pakistan. A clarification in this regard is expected from SECP by June 30, 2009.

Pending deferment of the application of the standard the Modaraba has not adopted IFAS-2 in the preparation of these condensed interim financial statements and has accounted for Ijarah transactions as finance leases consistent with prior years.

	Notes	December 31 2008	June 30 2008
		Rupees (Un-audited)	Rupees (Audited)
4 INVESTMENTS			
Short-term investments			
'Financial assets at fair value through profit and loss' - held for trading			
- Term Finance Certificates - listed	4.1	-	438,600
- Mutual Fund Units - listed	4.2	1,814,216	-
- Equity securities - listed	4.3	1,736,502	3,512,289
		3,550,718	3,950,889
Held to maturity			
Current portion of Sukuk Bonds held to maturity - unlisted	4.4	1,980,000	-
		5,530,718	3,950,889

4.1 Term Finance Certificates - listed

Name of the investee company	Number of certificates				Profit / mark- up rate	Balance as at December 31, 2008		
	As at July 01, 2008	Purchases during the period	Sales during the period	As at December 31, 2008		Carrying cost	Market value	Appreciation / (diminution)

Term Finance Certificates of

Rs. 5,000 each unless stated otherwise

Al-Zamin Leasing Modaraba	258	-	258	-	8%	-	-	-
Total listed Term Finance Certificates						-	-	-

4.2 Mutual Fund Units - listed

Name of the investee company	Number of certificates				Balance as at December 31, 2008		
	As at July 01, 2008	Purchases during the period	Sales during the period	As at December 31, 2008	Carrying cost	Market value	Appreciation / (diminution)
KASB Islamic Income fund	-	19,828	-	19,828	1,812,432	1,814,216	1,784
Total Mutal funds units					<u>1,812,432</u>	<u>1,814,216</u>	<u>1,784</u>

4.3 Equity Securities - listed

Name of the investee company	Number of shares					Balance as at December 31, 2008		
	As at July 01, 2008	Purchases during the period	Bonus / rights issue	Sales during the period	As at December 31, 2008	Carrying cost	Market value	Appreciation / (diminution)
Fully paid ordinary shares of Rs.10 each unless stated otherwise								
Crescent Jute Products Limited	1,021	-	-	-	1,021	2,807	562	(2,245)
Engro Chemical Pakistan Limited	11,000	5,000	-	-	16,000	3,920,455	1,543,360	(2,377,095)
Fauji Fertilizers Bin Qasim Limited	-	3,000	-	-	3,000	41,250	38,700	(2,550)
Lucky Cement Limited	4,000	-	-	-	4,000	490,964	125,080	(365,884)
Saleem Denim Industries Limited	19,200	-	-	-	19,200	19,200	28,800	9,600
Total listed equity securities						<u>4,474,676</u>	<u>1,736,502</u>	<u>(2,738,174)</u>

4.4 Long-term Investments

Held to maturity

Sukuk bonds - unlisted

Name of the investee company	Number of certificates				Profit / mark-up rate	Carrying cost	
	As at July 01, 2008	Purchases during the period	Sales during the period	As at December 31, 2008		Balance as at December 31, 2008	Balance as at June 30, 2008
Sukuk bonds of Rs. 5,000 each unless stated otherwise							
Kohat Cement Company Limited (13-12-07)	-	2,000	-	2,000	14.97% (6 months KIBOR + 1.80%)	9,006,082	-
Maple Leaf Cement Factory Limited (3-12-07)	-	2,000	-	2,000	14.85% (6 months KIBOR + 1.70%)	10,043,000	-
Total Sukuk Bonds						<u>19,049,082</u>	<u>-</u>
Less: current portion of sukuk bonds						<u>(1,980,000)</u>	<u>-</u>
less: impairment						<u>(1,801,216)</u>	<u>-</u>
Long-term portion - redemption not yet due (note 4.5)						<u>15,267,866</u>	<u>-</u>

4.4.1 The Modaraba has invested an amount of Rs 9,686,082 in sukuk bonds of Kohat Cement Company Limited. The carrying cost net of redemption as at December 31, 2008 amounts to Rs 9,006,082. On December 20, 2008 i.e. the scheduled redemption date, principal redemption of Rs 340 per certificate (aggregating to Rs 680,000) was not received by the Modaraba. As a matter of prudence, the Modaraba has recognized an impairment loss of Rs 1,801,216 on this investment.

- 4.5 Long-term investment in Sukuk bonds amounting to Rs 17,069,082 have maturities ranging from December 20, 2012 to December 3, 2013.



	December 31 2008	June 30 2008
	Rupees	Rupees
5 MURABAHA FINANCE		
Murabaha receivables - gross	15,174,156	20,231,001
Less: unearned income	(720,498)	(1,216,626)
	14,453,658	19,014,375
Less: provision for non-performing assets	-	-
	14,453,658	19,014,375
Murabaha finance - due after one year	-	-
Current portion of Murabaha Finance	14,453,658	19,014,375

- 5.1 The profit rates on these murabaha arrangements range from 17.49% to 19.50%. (June 30, 2008: 14.36% to 17.93%).

	December 31 2008	June 30 2008
	Rupees	Rupees
6 MUSHARIKA FINANCE		
Musharika receivables - considered good	12,000,000	24,968,800
- considered doubtful	640,000	640,000
	12,640,000	25,608,800
Less: unearned income	(146,568)	-
	12,493,432	25,608,800
Less: provision for non-performing assets	(640,000)	(640,000)
	11,853,432	24,968,800
Less: Musharika finance - due after one year	-	-
Current portion of Musharika Finance	11,853,432	24,968,800

- 6.1 The modaraba has provided funds under Musharika arrangements for working capital requirements on profit and loss sharing basis. Expected rate of profit ranges from 12.81% to 30.23% (June 30, 2008: 12.81% to 28.76%) per annum. All musharika arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

7 NET INVESTMENT IN IJARAH FINANCE

	December 31, 2008			June 30, 2008		
	Not later than one year	Later than one year and less than five years	Total	Not later than one year	Later than one year and less than five years	Total
	-----Rupees-----					
Minimum ijarah payments receivable	61,996,666	77,929,695	139,926,361	57,832,300	99,123,494	156,955,794
Add: Residual value	874,750	19,398,812	20,273,562	50,000	19,310,262	19,360,262
	62,871,416	97,328,507	160,199,923	57,882,300	118,433,756	176,316,056
Less: Unearned finance income	(16,289,450)	(9,337,394)	(25,626,844)	(16,298,692)	(12,752,798)	(29,051,490)
Suspended income	(57,515)	-	(57,515)	(43,903)	-	(43,903)
Allowance for potential ijarah losses	(304,538)	-	(304,538)	(264,611)	(39,927)	(304,538)
	46,219,913	87,991,113	134,211,026	41,275,094	105,641,031	146,916,125

8 FIXED ASSETS

Details of additions / (disposals) during the period are as follows:

Additions to fixed assets :

- Electrical equipment	204,000
- Furniture and fixtures	23,000
- Computers	8,300
	<u>235,300</u>

No disposals were made during the period.

9 CERTIFICATE CAPITAL

Authorised certificate capital

December 31 2008	June 30 2008		December 31 2008	June 30 2008
Number of certificates			----- (Rupees) -----	
<u>50,000,000</u>	<u>50,000,000</u>	Modaraba Certificates of Rs 10 each	<u>500,000,000</u>	<u>500,000,000</u>

Issued, subscribed and paid-up capital

24,958,400	5,000,000	Modaraba Certificates of Rs 10 each fully paid in cash	249,584,000	50,000,000
3,316,000	3,316,000	Modaraba Certificates of Rs 10 each issued as fully paid bonus certificates	<u>33,160,000</u>	<u>33,160,000</u>
<u>28,274,400</u>	<u>8,316,000</u>		<u>282,744,000</u>	<u>83,160,000</u>

- 9.1 As at December 31, 2008, KASB Modaraba Management (Private) Limited (the Management Company) held 3,832,440 shares (June 30, 2008: 872,600 shares).
- 9.2 During the current period the modaraba has issued 240% right certificates to the existing certificate holders. The right issue was approved in the Board of Directors meeting held on February 23, 2008.

10 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments requiring disclosure as at December 31, 2008 (June 2008: Nil).

11 TAXATION

- 11.1 As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The modaraba intends to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation for statutory reserves. Accordingly, no provision in respect of current and deferred tax has been made in these condensed interim financial statements.
- 11.2 During the current period the Modaraba has recognized Rs 146,483 as prior year tax charge which represents the minimum tax for the year ended June 30, 2008.
- 11.3 As at December 31, 2008 the modaraba has an aggregate deferred tax asset amounting to Rs 18,403,195 including deferred tax asset in respect of unabsorbed tax losses amounting to Rs 17,840,322. The modaraba has not recognized any deferred tax asset since it is not probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.



KASB MODARABA
An Islamic Financial Institution

	December 31 2008	December 31 2007
12 CASH AND CASH EQUIVALENTS		
Cash and bank balances	75,440,183	10,694,997
13 TRANSACTIONS WITH RELATED PARTIES		

The related parties of the modaraba comprise of its management company, associated companies, directors of the management company and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel (which are employed by the management company under the terms of their employment) are as follows:

	Half year ended December 31 2008	Half year ended December 31 2007
13.1 Transactions during the period		
Management company		
Modaraba management fee	586,436	209,260
Associated companies		
Income on bank deposit	2,678,406	-
Financial charges	2,786,191	-
Ijarah rentals received	2,370,716	-

	December 31 2008	June 30 2008
13.2 Transaction outstanding at the period / year end	Rupees	Rupees
Management company		
Modaraba management fee payable	586,436	-
Associated companies		
Cash and bank balances	59,723,134	29,669,011
Accrued profit	-	13,077
Short-term finance	-	75,000,000
Underwriting commission payable	112,614	1,010,383
Accrued mark-up payable	-	1,047,600
Long-term finance	-	70,000,000
Ijarah rentals outstanding	9,662,746	19,759,036

The modaraba enters into transactions with related parties for lease of assets, borrowings under musharika finances and other general banking services.

14 CORRESPONDING FIGURES

Corresponding figures have been rearranged wherever necessary, for the purposes of appropriate presentation. There have been no significant rearrangements or reclassifications in these condensed interim financial statements.

15 GENERAL

Figures have been rounded off to the nearest rupee.

16 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on February 25, 2009 by the Board of Directors of the Modaraba management Company.

**For KASB Modaraba Management (Private) Limited
(Management Company)**

_____ Chief Executive	_____ Director	_____ Director
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