



KASB Modaraba
An Islamic Financial Institution



HALF YEARLY REPORT
DECEMBER 2009



صاف اور شفاف آمدنی،
سچا سکون ہے...

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CORPORATE INFORMATION



Board of Directors

Syed Waseem -ul-Haq Haqqie
Syed Majeedullah Husaini
Mir Mujahid Ali Khan
Syed Muhammad Rehmanullah

Chairman
Chief Executive Officer
Director
Director

Company Secretary & Chief Financial Officer

Ms. Faiqa Naz

Management Company

KASB Modaraba Management (Private) Limited

Auditors

A.F. Ferguson & Co.
Chartered Accountants
Member PriceWaterHouseCoopers

Audit Committee

Syed Waseem -ul-Haq Haqqie
Syed Muhammad Rehmanullah
Mir Mujahid Ali Khan

Chairman
Member
Member

Bankers

KASB Bank Limited
Al-Baraka Islamic Bank
Dawood Islamic Bank
Meezan Bank
MyBank Limited
Bank Al-Falah Limited

Registered Office

80-C, 13th Commercial Street,
D.H.A. Phase II Extension
Karachi.

Certificate Transfer Office

C&K Management Associates (Private) Limited
404, Trade Tower,
Abdullah Haroon Road,
Near Metropole Hotel
Karachi – 75530
Telephone: 35687839–35685930

Legal Advisor

Ghulam Ali & Co.
Ahmed & Qazi

Branch Offices

Gulshan-e-Iqbal Branch
Mezzanine Floor,
Friends Paradise, SB-36,
Block No. 13-B,
University Road,
Karachi.
Telephone: 34822814-18

D.H.A. Branch

80-C, 13th Commercial Street,
D.H.A. Phase II Extension
Karachi.
Telephone: 35313939-43

Web Address

www.kasbmodaraba.com

e-mail

info.modaraba@kasb.com





DIRECTORS' REPORT



The Board of Directors of KASB Modaraba Management (Private) Limited, the management company of KASB Modaraba, is pleased to present the un-audited condensed interim financial statements for the half year ended December 31, 2009.

FINANCIAL HIGHLIGHTS

Financial results for the period under review are summarized as under:

BALANCE SHEET	As at December 31, 2009	As at June 30, 2009
Rupees in 000's		
Murabaha Finance	246,502	70,777
Modaraba Finance	2,190	20,774
Musharaka Finance	86,582	39,594
Diminishing Musharaka	51,677	-
Investment in Finance Lease	68,646	97,718
Ijarah Assets	78,557	55,337
Total Assets	631,758	450,398
Net Assets	266,418	258,322

PROFIT AND LOSS ACCOUNT	For the half year ended December 31, 2009	For the half year ended December 31, 2008
Rupees in 000's		
Total Income	33,772	15,192
Total Operating and Financial Expenses	24,777	9,499
Operating Profit / (Loss)	8,996	5,693
Management Company Fee	899	569
Profit / (Loss) for the Period	8,096	4,977
Earning / (Loss) per Modaraba Certificate	0.286	0.234

DIRECTORS' REPORT



REVIEW OF OPERATIONS

By the Grace of Allah, KASB Modaraba has managed to maintain a steady growth in all areas of its operations despite a difficult economic environment and a 'business strained' Modaraba industry. Rather than relying simply on Ijarah business, we have built a balanced spread of assets allocating resources to various forms of Islamic finance, thus leading the industry in terms of innovation and growth of Islamic products.

A two fold increase in total income during the half year ended December 31, 2009 compared to the corresponding period last year reflects the capacity of our assets to generate revenue. However, the same growth was not translated to the level of net profit. The net profit grew by 63% over the corresponding period last year. Our expense ratio also increased, largely on account of growth oriented strategies and allocations to support and sustain future growth in assets and profits. We hired marketing personnel to improve deposit mobilizing services; we equipped our branches with improved infrastructure, and offered relatively better rates to our customers for their deposits.

Our deposits based on Certificate of Musharaka have generated liquidity to the tune of Rs.72.52 million.

Higher profitability is mainly attributed to the increase in earning assets which rose by 41%. Our new product, namely "Diminishing Musharaka" has been well received by our clients and is becoming a significant revenue earner.

To avail new and spontaneous business opportunities we have acquired a "Musharaka based" credit facility from a commercial bank.

Moreover, with the passage of time the Modaraba has developed "brand loyalty" among its customers by delivering excellent services and achieving quality growth.

However, the management has continued to adopt a cautious approach in its conduct of financing activities thus ensuring sustainable growth in profitability and help build a sound Institution for the extension of Islamic finance.

ACKNOWLEDGEMENT

The Board would like to place on record its appreciation for the dedication and hard work put in by the employees of the Modaraba. The Board would also like to express its appreciation for the guidance and support provided by Registrar Modaraba and Securities Exchange Commission of Pakistan (SECP).

We also take this opportunity to express our special gratitude to our certificate holders and clients for their continued support and co-operation.

Syed M. Husaini
CEO

February 23, 2010



AUDITORS REVIEW REPORT ON CONDENSED INTERIM FINANCIAL INFORMATION



A.F.FERGUSON & CO.

A member firm of
PRICEWATERHOUSECOOPERS

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
11, Chundrigar Road, P.O. Box 4716
Karachi-74000, Pakistan
Telephone: (021) 32426682-6 / 32426711-5
Facsimile: (021) 32415007 / 32427938

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

Introduction

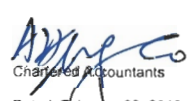
We have reviewed the accompanying condensed interim balance sheet of **KASB Modaraba** as of December 31, 2009 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes 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. **KASB Modaraba Management (Private) Limited** is responsible for the preparation and presentation of this condensed interim financial information in accordance with 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, 2008 and 2009 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2009.

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, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.


Chartered Accountants

Dated: February 23, 2010
Karachi

Lahore Office: 20-C Anark Avenue, Canal Bank, Golberg V, P. O. Box 39, Lahore, Pakistan Tel: (92-42) 35715864-71 Fax: (92-42) 35715872
Islamabad Office: PA Building, 3rd Floor, 49 Blue Area, Fari-ul-Haq Road, P.O. Box 3027, Islamabad-44000, Pakistan Tel: (92-51) 2273457-60 Fax: (92-51) 2277924
Kabul Office: -House No. 4, Street No. 3, District 6, Road Karte-3, Kabul, Afghanistan Tel: (93-799) 315320-201424

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2009



	Note	(Unaudited)	(Audited)
		December 31, 2009	June 30, 2009
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances		58,292,948	128,714,414
Short-term investments	4.1	-	4,256,334
Current portion of murabaha finance	5	248,502,529	61,058,842
Modaraba finance	6	2,180,132	20,774,248
Musharaka finance	7	88,581,724	39,584,329
Current portion of Diminishing Musharaka finance	8	14,208,234	-
Current portion of net investment in finance lease	9	44,929,312	44,753,495
Ijarah rentals receivable		1,434,187	810,687
Advances, deposits, prepayments and other receivables		4,010,383	6,844,579
Accrued profit		4,058,578	1,240,907
Taxation recoverable		803,404	739,682
Total current assets		463,007,407	307,587,497
Non-current assets			
Long-term deposits		28,000	128,000
Long-term investments	4.2	18,980,000	17,020,000
Long-term portion of Murabaha finance		-	9,718,282
Long-term portion of Diminishing Musharaka finance	8	37,470,733	-
Long-term portion of net investment in finance lease	9	23,718,832	62,984,065
Biological assets	10	3,338,000	-
Ijarah assets		78,557,357	55,336,939
Fixed assets	11	6,659,949	7,643,188
Total non-current assets		168,750,871	142,810,444
Total Assets		631,758,278	450,397,941
LIABILITIES			
Current liabilities			
Certificates of Musharaka	12	223,146,000	150,625,000
Musharaka financing		99,988,384	-
Current maturity of security deposits		3,533,255	874,760
Creditors, accrued and other liabilities		10,042,529	7,929,582
Unclaimed profit distribution		476,790	476,790
Total current liabilities		337,185,958	159,906,132
Non-current liabilities			
Security deposits		20,593,921	25,083,568
Deferred income-Murabaha		7,301,804	6,884,138
Deferred liabilities - staff gratuity		258,290	201,758
Total non-current liabilities		28,154,015	32,169,564
Total Liabilities		365,339,973	192,075,696
NET ASSETS		266,418,305	258,322,245
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital			
Authorised:			
50,000,000 (June 30, 2009: 50,000,000) certificates of Rs 10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital			
Statutory reserve	13	282,744,000	282,744,000
Accumulated loss		13,557,344	11,838,132
		(28,883,039)	(36,359,887)
CONTINGENCIES AND COMMITMENTS	14	266,418,305	258,322,245

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2009



	Half year ended December 31,		Quarter ended December 31,	
	2009	2008 (Restated)	2009	2008 (Restated)
	----- Rupees -----		----- Rupees -----	
Income from leasing operations	8,592,506	10,526,380	3,657,254	5,103,412
Profit on Musharaka finance	5,255,994	2,064,050	3,167,637	472,730
Profit on Murabaha finance	9,743,601	2,158,990	6,584,687	828,772
Profit on Term Finance Certificates	-	16,861	-	7,799
Profit on Modaraba finance	630,032	-	394,252	-
Profit on Diminishing Musharaka finance	1,821,256	-	1,637,824	-
Profit on Sukuk Bonds-Held to Maturity	1,320,197	805,324	598,071	805,324
Profit on bank deposits	5,113,551	3,532,864	1,726,254	2,223,528
Loss on dairy farming business activities	(16,285)	-	(16,285)	-
Loss due to changes in fair value of biological assets	(136,000)	-	(136,000)	-
Gain on sale of marketable securities - net	417,183	-	158,007	-
Unrealised (diminution) / appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	-	(2,348,993)	-	(1,084,282)
Impairment on investments classified as 'held to maturity'	-	(1,801,216)	-	(1,801,216)
Financial charges	32,742,055	14,953,280	17,771,721	6,554,085
	<u>(12,783,879)</u>	<u>(2,819,305)</u>	<u>(7,227,216)</u>	<u>(34,244)</u>
Allowance for potential Ijarah & Musharaka losses	19,958,376	12,133,975	10,544,505	6,519,841
	<u>19,958,376</u>	<u>12,133,975</u>	<u>10,544,505</u>	<u>6,519,841</u>
Other income	1,030,223	238,519	743,648	88,299
Administrative and operating expenses	<u>(11,992,977)</u>	<u>(6,879,839)</u>	<u>(6,344,843)</u>	<u>(3,574,858)</u>
Modaraba Management Company fee	8,995,622	5,692,655	4,943,310	3,033,282
	<u>(899,562)</u>	<u>(569,266)</u>	<u>(494,331)</u>	<u>(303,328)</u>
Profit before taxation	8,096,060	5,123,389	4,448,979	2,729,954
Taxation				
- current	-	-	-	-
- prior	-	(148,483)	-	(146,483)
- deferred	-	-	-	-
Profit after taxation	<u>8,096,060</u>	<u>4,976,906</u>	<u>4,448,979</u>	<u>2,583,471</u>
		(Restated)		(Restated)
Earnings per certificate	<u>0.286</u>	<u>0.234</u>	<u>0.157</u>	<u>0.091</u>

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2009



	Half year ended December 31		Quarter ended December 31	
	2009	2008	2009	2008
	Rupees			
Profit after taxation	8,096,060	4,976,906	4,448,979	2,583,471
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive income for the period	<u>8,096,060</u>	<u>4,976,906</u>	<u>4,448,979</u>	<u>2,583,471</u>

The annexed notes 1 to 21 form an integral part of these condensed interim 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, 2009



Note	Half year ended December 31, 2009	Half year ended December 31, 2008
	(Rupees)	
	(Restated)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	8,096,080	5,123,389
Adjustments for non-cash charges and other items:		
Dividend income	(2,104)	(44,000)
Gain on sale of marketable securities-net	(417,183)	-
Profit on redemption of Term Finance Certificates and Sukuk Bonds	-	(311,308)
Unrealised diminution / (appreciation) on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	-	2,349,893
Impairment on investments classified as 'held to maturity'	-	1,801,216
Gain on disposal of fixed assets	(300,096)	-
Depreciation	10,778,912	982,424
Loss due to changes in fair value of biological assets	136,000	-
Amortisation	136,915	-
Gratuity expense	58,532	20,902
Investments written off	30,331	-
Financial charges	12,783,879	2,819,305
	23,202,988	12,741,923
(Increase) / decrease in assets		
Net investment in finance lease	29,071,406	20,706,275
Musharaka finance	(48,987,395)	13,115,368
Murabaha finance	(175,725,425)	4,560,717
Modaraba finance	18,584,116	(15,000,000)
Ijarah rental receivables	-	(523,500)
Diminishing Musharaka	(51,876,967)	-
Advances, deposits, prepayments and other receivables	1,634,196	(1,334,089)
Accrued profit	(2,815,889)	(1,977,859)
Long-term deposits	100,000	-
	(228,439,238)	20,016,741
Increase / (decrease) in liabilities		
Security deposits on lease contracts	(1,831,242)	913,300
Deferred Murabaha income	417,686	-
Creditors, accrued and other liabilities	(953,062)	(1,835,494)
	(2,368,638)	(1,022,194)
Taxes paid		
Dividend paid	(83,722)	(11,170)
Financial charges paid	(9,717,880)	(3,836,921)
Gratuity paid	-	-
	(9,761,402)	(3,848,091)
Net cash (used in) / generated from operating activities	(208,288,232)	27,887,379
CASH FLOW FROM INVESTING ACTIVITIES		
Sale proceeds from disposal of fixed assets / ijarah assets	12,345,000	-
Proceeds from sale of investments-net	2,883,188	49,841,108
Purchase of fixed assets	(12,085,500)	(235,300)
Purchase of biological assets	(3,474,000)	-
Purchase of ijarah assets	(33,112,410)	(8,639,000)
Purchase of investments-net	-	(70,328,704)
Dividends received	2,104	44,000
Net cash outflow on investing activities	(33,641,620)	(29,517,898)
CASH FLOW FROM FINANCING ACTIVITIES		
Musharaka financing	99,988,384	-
Short-term finance	-	(75,000,000)
Long-term finance	-	(70,000,000)
Proceeds from issue of Certificates of Musharaka	72,520,000	6,800,000
Proceeds from issue of certificate capital	-	178,625,800
Net cash inflow from financing activities	172,508,384	43,225,800
Net (decrease) / increase in cash and cash equivalents	(70,421,468)	41,595,081
Cash and cash equivalents at the beginning of the period	128,714,414	33,845,102
Cash and cash equivalents at the end of the period	58,292,946	75,440,183

The annexed notes 1 to 21 form an integral part of these condensed interim 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, 2009



	Certificate capital	Statutory reserve	Right certificates subscription money	Accumulated losses	Total
	Rupees				
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 - as previously reported	-	-	-	5,131,438	5,131,438
Impact of change in accounting policy as disclosed in note 3.5	-	-	-	(154,532)	(154,532)
Profit for the half year ended December 31, 2008 - restated	-	-	-	4,976,906	4,976,906
Transfer to statutory reserve - as previously reported	-	1,028,288	-	(1,028,288)	-
Impact of change in accounting policy as disclosed in note 3.5	-	(30,907)	-	30,907	-
Transfer to statutory reserve - restated	-	995,381	-	(995,381)	-
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 - restated	282,744,000	9,728,940	-	(45,196,652)	247,276,288
Profit for the period from January 1, 2009 to June 30, 2009 - as previously reported	-	-	-	10,891,425	10,891,425
Impact of change in accounting policy as disclosed in note 3.5	-	-	-	154,532	154,532
Profit for the period from January 1, 2009 to June 30, 2009 - restated	-	-	-	11,045,957	11,045,957
Transfer to statutory reserve - as previously reported	-	2,178,285	-	(2,178,285)	-
Impact of change in accounting policy as disclosed in note 3.5	-	(30,907)	-	(30,907)	-
Transfer to statutory reserve - restated	-	2,209,182	-	(2,209,182)	-
Balance as at June 30, 2009	282,744,000	11,938,132	-	(36,359,887)	258,322,245
Profit for the half year ended December 31, 2009	-	-	-	8,098,060	8,098,060
Transfer to statutory reserve	-	1,619,212	-	(1,619,212)	-
Balance as at December 31, 2009	282,744,000	13,557,344	-	(29,863,038)	266,418,305

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

Director



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2009**



1 STATUS AND NATURE OF BUSINESS

- 1.1 KASB 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, a company incorporated in Pakistan. The address of its registered office is 80-C, 13th Commercial Street, D.H.A. Phase II Extension, Karachi. The Management Company is a subsidiary of KASB Bank Limited, which holds 3,985,000 shares out of total issued capital of 4,150,000 shares of KASB Modaraba Management (Private) Limited.
- 1.2 The Modaraba is a multipurpose perpetual modaraba and is primarily engaged in Ijarah financing, finance leasing, muharaka financing, murabaha financing, modaraba financing, investment in listed securities and issue of Certificate of Musharaka. The Modaraba is listed on the Karachi and Lahore Stock Exchange.

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 the Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and the directives issued by SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

These condensed interim financial statements comprise of balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof. The disclosures made in these condensed interim 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, 2009.

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, 2009 except for the changes mentioned in note 3.2.

3.2 Changes in accounting policies and disclosures arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current period.

- IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (i.e., 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

The Modaraba has adopted IAS 1 (Revised) and has chosen to present all non-owner changes in equity in a separate statement of comprehensive income along with the income statement (profit and loss account). The adoption of the above standard does not have any significant effect on the Modaraba's financial statements other than certain increased disclosures. Furthermore, the adoption of this standard has neither any impact on earnings per certificate nor does it require the restatement or reclassification of comparative information.

- IFRS 8, 'Operating segments' was effective from January 1, 2009. IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

The adoption of the above standard does not have any significant effect on the Modaraba's financial statements other than certain increased disclosures. Furthermore, the adoption of this standard has neither any impact on earnings per certificate nor does it require the restatement or reclassification of comparative information.



3.3 Other 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, 2009:

IAS 39 (amendment), 'Financial Instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Modaraba's financial statements.

IFRS 7 (amendment) 'Financial Instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, which would be detailed in the financial statements for the year ending June 30, 2010, but does not have an impact on the Modaraba's financial position or performance.

3.4 Other new standards and amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or to have any significant effect on the Modaraba's operations, are not detailed in these condensed interim financial statements.

3.5 SECP vide its circular No. 10 of 2004 dated February 13, 2004 had 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 were considered for the purpose of leasing transactions entered into by the Modaraba upto June 30, 2008. From July 1, 2008 all new leases are being accounted for in accordance with the requirements of IFAS 2 as explained in note 3.6. As allowed by the SECP, leases which were accounted for as finance lease in accordance with IAS 17 till June 30, 2008 continue to be accounted for as finance leases.

The above directive of SECP requiring all modarabas to account for new leases in accordance with IFAS 2 with effect from July 1, 2008 was issued on March 9, 2009 after publication of the Modaraba's financial statements for the half year ended December 31, 2008. As a result the above change could not be incorporated in the condensed interim financial statements for the half year ended December 31, 2008. However, the financial statements for the year ended June 30, 2009 incorporate the requirements of IFAS 2 with effect from July 1, 2008. Accordingly, the comparative information of the condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity have been restated. The above change has also resulted in restatement of earnings per certificate. Had the above accounting policy not been changed, income from leasing operations and Modaraba Management Company fee for the half year ended December 31, 2008 would have been higher by Rs.171,702 and Rs. 17,170 respectively and for the quarter ended December 31, 2008 would have been higher by Rs. 102,251 and Rs. 10,226 respectively.

3.6 Islamic Financial Accounting Standard - 2

During the year ended June 30, 2009, the SECP directed that all 'Ijarah' transactions entered into after July 1, 2008 shall be accounted for using Islamic Financial Accounting Standard 2 'Ijarah'. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Muj'ir (lessors) 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 are recognized as an expense.
- Ijarah income is 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.

Consequently, in preparation of these financial statements the Modaraba has accounted for leasing transactions executed before July 01, 2008 as finance leases consistent with prior years and has treated the leasing transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS 2. Had the Modaraba continued to account for these transactions as finance leases the income for the period would have been higher by Rs.1,664,946.

3.7 During the period the Modaraba has adopted IAS 41 'Agriculture'. This adoption has resulted due to the fact that during the current period the Modaraba has entered into the business of milk production for supply to various customers. The Modaraba's biological assets comprise of buffaloes (livestock). Livestocks are measured at their fair value less estimated point-of-sale costs. The Modaraba has determined the fair value of livestock based on market prices of livestock of similar age, breed, and genetic merit.

Gains or losses arising from changes in fair value less estimated point-of-sale costs of livestock are recognised in the profit and loss account.





**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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NOTE: (Unaudited) (Audited)
December June 30,
31, 2009 2009
----- (Rupees) -----

4 INVESTMENTS

4.1 Short-term Investments

Financial assets 'at fair value through profit or loss' - held for trading

- Equity securities - listed	4.1.1	-	2,296,334
		-	2,296,334

Held to maturity

Current portion of Sukuk Bonds - unlisted	4.2	-	1,960,000
		-	4,256,334

4.1.1 Equity Securities - listed

Name of the investee company	Number of shares				Balance as at December 31, 2009		
	As at July 1, 2009	Purchased during the period	Bonus / rights issue	Sales / write off during the period	As at December 31, 2009	Carrying cost	Market value

Fully paid ordinary shares of Rs.10 each unless stated otherwise

Crescent Juice Products Limited	1,021	-	-	1,021	-	-	-	-
Saeem Denim Industries Limited	19,200	-	-	19,200	-	-	-	-
Engro Chemical Pakistan Limited	16,400	25,652	-	42,052	-	-	-	-
Sui Northern Gas Pipelines Limited	5,000	-	-	5,000	-	-	-	-
Pakistan Oil Fields Limited	-	5,000	-	5,000	-	-	-	-
Pakistan Petroleum Limited	-	17,000	-	17,000	-	-	-	-

Total listed equity securities

-	-	-
---	---	---

4.2 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, 2009	Purchased during the period	Sold / Matured during the period	As at December 31, 2009		Balance as at December 31, 2009	Balance as at June 30, 2009

Sukuk bonds of Rs. 5,000 each unless stated otherwise

Kohat Cement Company Limited (13-12-07) Note 4.2.1	2,000	-	-	2,000	14.20% (3 months KIBOR + 1.80%)	8,980,000	6,980,000
Maple Leaf Cement Factory Limited (3-12-07) Note 4.2.2	2,000	-	-	2,000	13.31% (3 months KIBOR + 1.00%)	10,000,000	10,000,000
Total Sukuk Bonds						18,980,000	16,980,000
Less: current portion of sukuk bonds						-	1,960,000
						18,980,000	17,020,000
Less: impairment						-	-
						18,980,000	17,020,000

4.2.1 Kohat Cement Company Limited (KCCL) delayed the mark up payment due on December 20, 2008 by approximately 2 months and also defaulted in the payment of principal due on December 20, 2008. The principal due as per original terms was paid in March 2009. The terms of repayment were restructured / renegotiated in April, 2009. As per restructured terms the next maturity of Rs. 680,000 (Rs. 340 per certificate) was due on December 20, 2009 but it had already been paid to the Modaraba in March, 2009. The terms of repayment were further renegotiated on December 30, 2009 whereby the next redemption date has been delayed till September, 2012. Accordingly, Rs.1,960,000 has been transferred from current maturity to long-term maturity. The markup is due in March, 2010.

4.2.2 During the current period Maple Leaf Cement Factory Limited has defaulted in the payment of mark-up due on December 3, 2009. As a matter of prudence the Modaraba has not accrued markup from December 3, 2009. No markup has been suspended as the management is confident that it will receive the markup due in the near future as the restructuring process is close to finalisation.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2009



	(Unaudited) December 31, 2009	(Audited) June 30, 2009
	----- (Rupees) -----	
5 MURABAHA FINANCE		
Murabaha receivables - gross	246,502,529	70,777,104
Murabaha finance - due after one year	-	(9,718,262)
Current portion of Murabaha finance	<u>246,502,529</u>	<u>61,058,842</u>

5.1 The profit rates on these murabaha arrangements range from 14.50% to 19.33%. (June 30, 2009: 14.50% to 19.00%).

	(Unaudited) December 31, 2009	(Audited) June 30, 2009
	----- (Rupees) -----	
6 MODARABA FINANCE		
Modaraba finance	<u>2,190,132</u>	<u>20,774,248</u>

The Modaraba has provided funds under modaraba arrangements on profit and loss sharing basis to various entities. The profit / loss is to be shared in pre-agreed ratios. On termination date, the accounts of the modaraba shall be drawn up in accordance with accepted accounting principles and the profit / loss if any shall be worked out and paid in proportion specified.

	(Unaudited) December 31, 2009	(Audited) June 30, 2009
	----- (Rupees) -----	
7 MUSHARAKA FINANCE		
Musharaka receivables - considered good	86,581,724	39,594,329
- considered doubtful	(640,000)	(640,000)
	87,221,724	40,234,329
Less: provision for non-performing assets	(640,000)	(640,000)
Musharaka Finance	<u>86,581,724</u>	<u>39,594,329</u>

7.1 The Modaraba has provided funds under Musharaka arrangements for working capital requirements on profit and loss sharing basis. Expected rate of profit ranges from 16.12% to 21.18% (June 30, 2009: 16.28% to 18.30%) per annum. All musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

	(Unaudited) December 31, 2009	(Audited) June 30, 2009
	----- (Rupees) -----	
8 DIMINISHING MUSHARAKA FINANCE		
Diminishing Musharaka Receivable-gross	86,754,928	-
Less: Unearned Income	(15,077,961)	-
	51,676,967	-
Less: Diminishing Musharaka due after 1 year	(37,470,733)	-
Current portion of Diminishing Musharaka	<u>14,206,234</u>	<u>-</u>

The profit rates on these diminishing musharaka arrangements range from 15.00% to 20.00%. (June 30, 2009: Nil).

9 NET INVESTMENT IN FINANCE LEASE

	----- (Unaudited) -----			----- (Audited) -----		
	December 31, 2009			June 30, 2009		
	Not later than one year	Later than one year and not later than five years	Total	Not later than one year	Later than one year and not later than five years	Total
	----- Rupees -----					
Minimum lease payments receivable	46,908,412	13,184,847	59,994,259	55,182,562	40,387,949	95,570,511
Add: Residual value	3,530,455	11,214,870	14,745,325	874,750	16,243,487	17,118,237
	50,339,867	24,399,717	74,739,584	56,057,312	56,631,436	112,688,748
Less: Unearned finance income	(5,038,896)	(882,686)	(5,921,582)	(10,367,095)	(3,667,361)	(14,234,456)
Provision for doubtful lease assets	(68,061)	-	(68,061)	(432,214)	-	(432,214)
	(304,538)	-	(304,538)	-	-	(304,538)
	<u>44,929,312</u>	<u>23,718,832</u>	<u>68,648,144</u>	<u>44,753,495</u>	<u>52,964,075</u>	<u>97,717,570</u>



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2009**



	Note	(Unaudited) December 31, 2009	(Audited) June 30, 2009
----- (Rupees) -----			
10 BIOLOGICAL ASSETS			
Biological assets	10.1	<u>3,338,000</u>	<u>-</u>
10.1	KASB Modaraba is engaged in an activity of milk production for supply to various customers. As at December 31, 2009, the Modaraba holds 50 buffaloes for this very purpose. The Modaraba produced 648 maunds of milk during the period ended December 31, 2009. The buffaloes were purchased on November 8, 2009 at a cost of Rs. 3,474,000.		
		(Unaudited) December 31, 2009	(Audited) June 30, 2009
----- (Rupees) -----			
11 FIXED ASSETS			
Owned assets		5,798,884	7,843,188
Intangible assets		<u>861,085</u>	<u>-</u>
		<u>6,659,949</u>	<u>7,843,188</u>
		December 31, 2009	December 31, 2008
----- (Rupees) -----			
11.1	Details of additions / (disposals) during the period are as follows:		
Additions to fixed assets :			
- Plant & machinery		11,000,000	-
- Electrical equipment		-	204,000
- Furniture and fixtures		15,500	23,000
- Computers		70,000	8,300
- Computer software		<u>1,000,000</u>	<u>-</u>
		<u>12,085,500</u>	<u>235,300</u>
Disposal of fixed assets			
- Plant & machinery		11,000,000	-
- Motor vehicles		<u>1,439,890</u>	<u>-</u>
		<u>12,439,890</u>	<u>-</u>
		(Unaudited) December 31, 2009	(Audited) June 30, 2009
----- (Rupees) -----			
12 CERTIFICATES OF MUSHARAKA			
Certificates of Musharaka		<u>223,145,000</u>	<u>150,625,000</u>
12.1	The estimated share of profit payable on COM rangas from 10% to 16% (June 30, 2009: 13% to 16%)		
12.2	Certificates of Musharaka includes an amount of Rs. 3,500,000 due to KASB Technologies which is a related party. The certificate with related party carries profit at a rate of 14% (June 2009: 14%).		
13 CERTIFICATE CAPITAL			
Authorised certificate capital			
(Unaudited) (Audited)		(Unaudited)	(Audited)
December June 30,		December	June 30,
31, 2009 2009		31, 2009	2009
----- (Rupees) -----			
Number of certificates			
<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 24,958,400	Modaraba Certificates of Rs 10 each fully paid in cash	249,584,000	249,584,000
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>28,274,400</u>		<u>282,744,000</u>	<u>282,744,000</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2009



13.1 As at December 31, 2009, KASB Modaraba Management (Private) Limited (the Management Company) held 4,013,881 certificates (June 30, 2009: 3,913,940 certificates).

14 CONTINGENCIES AND COMMITMENTS

14.1 Commitments amounting to Nil (June 30, 2009: Rs. 5,889,100) in respect of Diminishing Mushareka facility have been entered into by the Modaraba.

14.2 The Modaraba has provided guarantees amounting to Rs. 27,815,354 (June 30, 2009: Nil) on behalf of customers to various banks.

14.3 There were no contingencies as at December 31, 2009.

15 TAXATION

15.1 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.

15.2 As at December 31, 2009 the Modaraba has a net deferred tax liability amounting to Rs. 5,461,343, which has not been recognized in these condensed interim financial statements as the Modaraba intends to avail the tax exemption available to all non-trading modarabas as referred in note 15.1 by distributing at least 90% of its income every year in future.

	December 31, 2009	December 31, 2008
	----- (Rupees) -----	
16 CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>58,292,946</u>	<u>75,440,183</u>

17 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, 2009	Half year ended December 31, 2008 (Restated)
	----- (Rupees) -----	
17.1 Transactions during the period		
Management company		
Modaraba Management Company fee	899,562	569,266
Associated companies		
Income on bank deposit	4,507,895	2,678,406
Financial charges	981,181	2,786,191
Rent expense	198,000	-
Brokerage expense	4,560	-
Custodial charges	2,562	-
Other Related Parties		
Ijarah rentals	100,176	317,574
Finance lease rentals	1,052,526	2,053,142



NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2009



	(Unaudited) December 31, 2009	(Audited) June 30, 2009
	----- (Rupees) -----	
17.2 Transactions outstanding at the period / year end		
Management company		
Modaraba Management Company fee payable	899,582	1,780,316
Associated companies		
Cash and bank balances	25,294,462	49,583,140
Certificates of Musharaka	3,500,000	3,500,000
Accrued profit	5,275	352,119
Musharaka financing	99,988,384	-
Accrued mark-up payable	741,627	1,381
Rent payable	-	99,000
Other Related Parties		
Ijarah rentals outstanding	534,272	664,240
Finance lease rentals outstanding	4,129,588	5,182,114

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

18 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the Management Company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Modaraba has determined the operating segments based on the reports reviewed by the Chief Executive Officer, which are used to make strategic decisions.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

There were no changes in the reportable segments during the period.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

The Modaraba has a diversified product portfolio whereby resources have been allocated.

The Modaraba also has a diversified certificate holder population. As at December 31, 2008, there were only three (2008: three) certificate holders who each held more than 10% of the Modaraba's certificate capital. Their holdings were 36.85%, 23.73% and 14.20% (2008: 36.85%, 23.73% and 13.55%) respectively.

19 CORRESPONDING FIGURES

19.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. Rs. 6,884,138 has been reclassified and presented separately on the face of the Balance Sheet under the account head of Deferred income-Mudaraba. Previously, the amount was shown as deduction from the gross murabaha receivable in notes to the accounts and the net amount was being disclosed in the balance sheet.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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19.2 The comparative information of the condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity have been restated due to the change in accounting policy as explained in note 3.5. This change has also resulted in restatement of earnings per certificate and certain comparative amounts in note 17.

19.3 There were no other significant rearrangements or reclassifications in these condensed interim financial statements except on account of changes in accounting policies as disclosed in note 3.2.

20 GENERAL

Figures have been rounded off to the nearest rupee.

21 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on February 23, 2010 by the Board of Directors of the Modaraba Management Company.

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

Chief Executive

Director

Director

HALF YEARLY REPORT DECEMBER 2009



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