



 **KASB Modaraba**
An Islamic Financial Institution



**HALF YEARLY REPORT
DECEMBER 2010**

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

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

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
Silk Bank 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 (University Road) Branch:
1st Floor of KASB Bank Limited
Friends Paradise, SB-36, Block-13B
University Road, Karachi.
Phone No. 021-34822814-18
Fax No. 021-34822817

Gulshan-e-Iqbal Branch:
B-9, Block 1, Gulshan-e-Iqbal
Opposite Shaheen Public School
(13-D) Karachi.
Phone No. 021-34983034-34
Fax No. 021-34965081

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, 2010.

This half year's achievements have reinforced our belief on Halal and shariah compliant Business and its benefits that have manifested in the shape of quality growth and profitability.

By the grace of Almighty Allah the Modaraba results have improved substantially.

FINANCIAL HIGHLIGHTS

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

BALANCE SHEET	As at December 31, 2 0 1 0	As at June 30, 2 0 1 0
Rupees in 000's		
Morabaha Finance	413,086	362,561
Modaraba Finance	34,699	154,440
Musharaka Finance	47,699	83,634
Diminishing Musharaka	232,128	131,600
Investment in Finance Lease	19,855	45,001
Ijarah Assets	45,683	65,997
Total Assets	1,046,685	953,668
Net Assets	290,056	274,753

PROFIT AND LOSS ACCOUNT	For the half year ended December 31, 2 0 1 0	For the half year ended December 31, 2 0 0 9
Rupees in 000's		
Total Income	78,508	33,772
Total Operating and Financial Expenses	53,447	24,777
Operating Profit	25,061	8,996
Management Company Fee	2,506	899
Profit for the Period	22,555	8,096
Earning per Modaraba Certificate	0.798	0.286

DIRECTORS' REPORT



ASSETS

Your Modaraba has crossed an asset base of Rs. one billion. The growth in assets coupled with a more than proportionate rise in earnings has improved the Modaraba's return on assets. Apart from quantitative growth, our policy of caution and prudence has helped create a sound and high quality asset portfolio.

The management has built a wide array of Islamic asset products with a focus to enhance Shariah compliant business and take a fair advantage from the richness of the Islamic system of trade finance.

PROFITABILITY

Corresponding to increase in asset size, the profitability has also increased to Rs. 22.55 million during the period compared to Rs. 8 million in the corresponding period last year. This remarkable growth of 1.32 times in gross revenue shows the earning capacity of our assets.

DEPOSITS

Investment in our Certificate of Musharakah has substantially increased from Rs. 444.39 million to Rs. 556.91 million. This shows our investors' trust and confidence on our Management and Vision. It is also worth appreciating that the retail deposits constitute 93.36% of total deposits which safeguards the institution from any vulnerability in liquidity needs.

COST EFFICIENCY

Although the business turnover has significantly increased, the administrative expenses have not increased in the same proportion. This is a sign of effective and efficient utilization of available resources.

CREDIT RATING

JCR-VIS has upgraded the outlook of the Modaraba from stable to positive.

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 and 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.

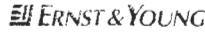
Syed Waseem Haqqie

Chairman

February 21, 2011



AUDITORS' REPORT ON INTERIM FINANCIAL INFORMATION
AS AT 31 DECEMBER 2010



Ernst & Young فرمز انڈیا سٹیٹ ایسٹ
 Chartered Accountants
 Progressive Plaza, Bekunoor Road
 P.O. Box 15641, Karachi 75530, Pakistan
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**AUDITORS' REPORT TO THE CERTIFICATE HOLDERS ON REVIEW OF
 INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim balance sheet of KASB Modaraba (the Modaraba) as at 31 December 2010 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 "interim financial information") for the six-months' period then ended. KASB Modaraba Management (Private) Limited is responsible for the preparation and presentation of this 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 interim financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The financial statements of the Modaraba for the six months ended 31 December 2009 and for the year ended 30 June 2010 were reviewed and audited respectively by another firm of Chartered Accountants, whose review report dated 23 February 2010 and audit report dated 27 September 2010 expressed an unmodified conclusion and unmodified opinion on those statements respectively.

Chartered Accountants

Date: 21 February 2011

Karachi

A member firm of Ernst & Young Global Limited

CONDENSED INTERIM BALANCE SHEET
AS AT 31 DECEMBER 2010



	31 December 2010 (Unaudited)	30 June 2010 (Audited)
Note	(Rupees)	
ASSETS		
Current assets		
Cash and bank balances	4 189,091,324	59,225,467
Short-term investments	5 13,008,900	9,805,940
Current portion of murabaha receivable	6 338,336,527	358,503,935
Modaraba finance	7 34,899,235	154,440,342
Musharaka finance	8 47,698,853	83,633,862
Current portion of diminishing musharaka finance	9 83,045,490	45,012,173
Current portion of net investment in finance lease	10 16,466,290	37,971,590
Lease rentals receivable	1,483,698	1,963,147
Advances, prepayments and other receivables	15,072,329	5,708,248
Accrued profit	6,145,105	5,367,988
Stores	14,320	14,570
Taxation - net	957,823	889,702
Total current assets	746,019,494	782,538,452
Non-current assets		
Long-term deposits	28,000	28,000
Long-term investments	5 19,338,000	19,342,250
Long-term portion of murabaha receivable	6 74,749,679	4,057,087
Long-term portion of diminishing musharaka finance	8 149,053,169	88,587,513
Long-term portion of net investment in finance lease	10 3,368,791	7,029,825
Lease assets	11 45,682,819	65,998,757
Fixed assets	12 8,394,989	6,069,749
Total non-current assets	300,665,447	191,131,261
Total Assets	1,046,684,941	973,669,713
LIABILITIES		
Current liabilities		
Current portion of deposits	13 526,065,000	481,990,000
Musharaka finance	102,006,759	158,935,198
Current maturity of security deposits	7,345,627	10,341,557
Creditors, accrued and other liabilities	39,790,066	23,006,812
Short term portion of deferred murabaha income	17,849,534	11,163,821
Unclaimed profit distribution	738,619	478,790
Total current liabilities	695,616,605	665,903,978
Non-current liabilities		
Long-term portion of deposits	13 30,825,000	-
Security deposits	7,494,492	12,593,311
Long term portion of deferred murabaha income	22,049,679	57,087
Deferred liabilities - staff gratuity	444,035	360,719
Total non-current liabilities	60,813,208	13,011,087
Total Liabilities	756,429,813	678,915,073
NET ASSETS	290,056,130	274,752,840
REPRESENTED BY		
CAPITAL AND RESERVES		
Certificate capital		
Authorised:		
50,000,000 (30 June 2010: 50,000,000) certificates of Rs 10/- each	500,000,000	500,000,000
Issued, subscribed and paid-up capital	282,744,000	282,744,000
Statutory reserve	24,998,982	20,485,977
Accumulated loss	(17,684,852)	(27,812,042)
Unrealised loss on available-for-sale investments	-	(665,295)
COMMITMENTS	14 290,056,130	274,752,840

The annexed notes 1 to 18 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
FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)



	Half year ended 31 December		Quarter ended 31 December	
	2010	2009	2010	2009
	Rupees		Rupees	
Income from leasing operations	6,611,630	8,592,508	3,656,369	3,657,254
Profit on :				
Musharaka finance	3,721,518	5,255,894	2,086,956	3,167,637
Murabaha finance	30,286,735	9,743,801	16,935,971	6,684,687
Moderaba finance	11,309,575	630,032	3,793,691	394,252
Diminishing musharaka finance	15,309,737	1,821,256	8,626,538	1,637,624
Sukuk bonds	1,459,518	1,320,197	789,170	596,071
Bank deposits	4,630,800	5,113,551	2,259,601	1,728,254
Loss on dairy farming business activities	-	(16,265)	-	(16,265)
Loss due to changes in fair value of biological assets	-	(136,000)	-	(136,000)
Gain on sale of investments	869,878	417,163	296,088	158,007
	<u>74,189,489</u>	<u>32,742,055</u>	<u>39,448,984</u>	<u>17,771,721</u>
Financial charges	(37,889,631)	(12,783,679)	(19,627,104)	(7,227,216)
	<u>36,329,858</u>	<u>19,958,376</u>	<u>19,851,480</u>	<u>10,544,505</u>
Other income	4,308,733	1,030,223	3,573,550	743,848
Administrative and operating expenses	(15,677,450)	(11,992,677)	(8,059,217)	(6,344,843)
	<u>25,081,141</u>	<u>8,995,622</u>	<u>14,333,613</u>	<u>4,943,310</u>
Moderaba management company fee	(2,506,114)	(899,562)	(1,433,391)	(494,331)
Profit before taxation	<u>22,555,027</u>	<u>8,096,060</u>	<u>12,900,432</u>	<u>4,448,979</u>
Taxation	15	-	-	-
Profit after taxation	<u>22,555,027</u>	<u>8,096,060</u>	<u>12,900,432</u>	<u>4,448,979</u>
Earning per certificate	<u>0.798</u>	<u>0.286</u>	<u>0.456</u>	<u>0.157</u>

The annexed notes 1 to 18 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
FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)



	Half year ended		Quarter ended	
	31 December 2010	2009	31 December 2010	2009
	Rupees			
Profit after taxation	22,555,027	8,098,080	12,900,432	4,448,979
Other comprehensive income				
Reclassification adjustment on disposal of investments	665,295	-	444,643	-
Total comprehensive income for the period	23,220,322	8,098,080	13,345,075	4,448,979

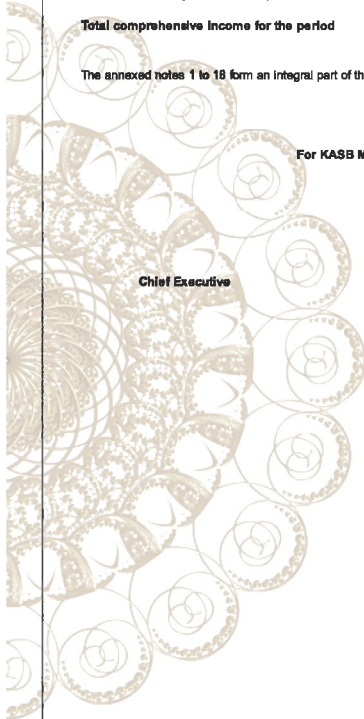
The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

Director



CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)



	Half year ended	
	31 December 2010	31 December 2009
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	22,555,027	8,098,060
Adjustments for non-cash items:		
Dividend income	(289,000)	(2,104)
Gain on sale of investments - net	(869,978)	(417,183)
Gain on disposal of ijarah assets	(873,479)	-
Gain on disposal of fixed assets	-	(300,095)
Depreciation	12,309,449	10,776,812
Loss due to changes in fair value of biological assets	-	138,000
Amortisation	166,698	138,915
Gratuity expense	83,318	56,532
Investments written off	-	30,331
Financial charges	37,869,631	12,783,679
	48,418,637	23,202,886
(Increase) / decrease in assets		
Net investment in finance lease	25,146,424	29,071,408
Musharaka finance	35,934,909	(46,987,385)
Mudaraba finance	(80,525,204)	(176,725,425)
Modaraba finance	119,741,107	18,584,116
Ijarah rental receivables	479,448	(623,500)
Diminishing Musharaka	(100,528,973)	(51,878,987)
Advances, prepayments and other receivables	(9,364,983)	1,634,198
Accrued profit	(777,117)	(2,815,869)
Stores	250	-
Long-term deposits	-	100,000
	20,106,662	(228,439,236)
Increase / (decrease) in liabilities		
Security deposits	(8,084,748)	(1,631,242)
Deferred Mudaraba Income	26,688,325	417,666
Creditors, accrued and other liabilities	19,473,120	(963,062)
	40,068,696	(2,366,638)
Taxes paid	(88,121)	(83,722)
Dividend paid	(7,635,003)	-
Financial charges paid	(40,559,297)	(9,717,680)
Net cash (used in) / generated from operating activities	82,862,601	(209,288,232)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale proceeds from disposal of fixed assets / ijarah assets	10,115,965	12,345,000
Purchase / sale of investments-net	(1,683,337)	2,683,186
Purchase of fixed assets	(1,344,535)	(12,085,600)
Purchase of biological assets	-	(3,474,000)
Purchase of Ijarah assets	(385,400)	(33,112,410)
Dividends received	289,000	2,104
Net cash outflow on investing activities	7,011,693	(33,641,820)
CASH FLOW FROM FINANCING ACTIVITIES		
Musharaka finance	(56,928,437)	99,886,384
Deposits	96,920,000	72,520,000
Net cash inflow from financing activities	39,991,563	172,508,394
Net (decrease) / increase in cash and cash equivalents	129,865,857	(70,421,488)
Cash and cash equivalents at the beginning of the period	59,225,467	128,714,414
Cash and cash equivalents at the end of the period	189,091,324	58,292,926

The annexed notes 1 to 18 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
FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)



	Certificate capital	Statutory reserve	Unrealised loss on available-for-sale investments	Accumulated losses	Total
	Rupees				
Balance as at 30 June 2009	282,744,000	11,938,132	-	(36,359,887)	258,322,245
Total comprehensive income for the period from 1 July 2009 to 31 December 2009	-	-	-	8,086,060	8,086,060
Transfer to statutory reserve	-	1,819,212	-	(1,619,212)	-
Balance as at 31 December 2009	282,744,000	13,557,344	-	(29,883,039)	266,418,305
Total comprehensive income for the period from 01 January 2010 to 30 June 2010	-	-	(665,295)	8,999,830	8,334,335
Transfer to statutory reserve	-	8,828,633	-	(6,828,633)	-
Balance as at 30 June 2010	282,744,000	20,485,977	(665,295)	(27,812,042)	274,752,640
Total comprehensive income for the period from 1 July 2010 to 31 December 2010	-	-	665,295	22,555,027	23,220,322
Profit distribution for the year ended - 30 June 2010 @ Rs.0.28 per certificate	-	-	-	(7,916,832)	(7,916,832)
Transfer to statutory reserve	-	4,511,005	-	(4,511,005)	-
Balance as at 31 December 2010	282,744,000	24,996,982	-	(17,684,852)	290,056,130

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)**



1. STATUS AND NATURE OF BUSINESS

1.1 KASB Modaraba was formed under the Modaraba Companies and Modaraba (Floation and Control) Ordinance, 1980 and the rules framed there under 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, musharaka financing, murebaha financing, modaraba financing, diminishing musharaka and investment 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 International Accounting Standard - 34 "Interim Financial Reporting" as applicable in Pakistan.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Modaraba for the year ended 30 June 2010.

These condensed interim financial statements are unaudited but subject to limited scope review by the auditors except for the figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2010 and 31 December 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Modaraba's annual financial statements for the year ended 30 June 2010.

The Modaraba has adopted the following amended IFRS and related interpretations which became effective during the period:

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

In April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements

IAS 7 - Statement of Cash Flows

IAS 17 - Leases

IAS 36 - Impairment of Assets

IAS 39 Financial Instruments: Recognition and measurement

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)



	Note	31 December 2010 (Unaudited)	30 June 2010 (Audited)
(Rupees)			
4. CASH AND BANK BALANCES			
Cash at bank in :			
- current accounts		742,466	482,170
- saving accounts	4.1 & 4.2	96,329,692	33,728,745
- certificates of deposits	4.3	90,000,000	25,000,000
		189,072,158	59,210,915
Cash in hand		17,866	12,702
Stamp papers		1,300	1,850
		189,091,324	59,225,467

4.1 These carry profit at rates ranging from 5% to 12% (30 June 2010: 5% to 12.3%).

4.2 Includes Rs. 29,285,512 (30 June 2010: Rs. 16,162,670) maintained as redemption reserve fund in respect of certificate of musharaka issued by the Modaraba.

4.3 These carry profit at rates ranging from 13% to 13.3% (30 June 2010 : 12% to 12.3%)

5. INVESTMENTS

5.1 Short-term investments

Available for sale

Equity securities - listed		-	9,797,140
Equity securities - un-listed	5.1.1	13,000,000	-
		13,000,000	9,797,140

Held to maturity

Current portion of Sukuk Bonds - un-listed	5.2	8,500	8,500
		13,008,500	9,805,640

5.1.1 Equity Securities - un-listed

31 December 2010 (Unaudited)

Name of the investee company	No. of shares	Cost per share	Total cost
(Rupees)			
Fully paid ordinary shares of Rs.10 each			
New Horizon Exploration & Production Limited	2,600,000	5	13,000,000

5.2 Long-term investments - Held to maturity

Name of the investee company	Number of Certificates	Rate of profit	31 December 2010 (Unaudited)	30 June 2010 (Audited)
(Rupees)				
Unlisted Sukuk bonds of Rs. 5,000 each				
Kohat Cement Company Limited	2000	16.21% (3Month KBOR + 1.80%)	8,980,000	6,980,000
Mepie Leaf Cement Factory Limited	2000	14.41% (3Month KBOR + 1.00%)	9,991,500	9,995,750
Mepie Leaf Cement Factory Limited	75	14.41% (3Month KBOR + 1.00%)	375,000	375,000
Total Sukuk Bonds			19,346,500	19,350,750
Less: current portion of sukuk bonds			8,500	8,500
			19,338,000	19,342,250



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)**



	31 December 2010 (Unaudited)	30 June 2010 (Audited)
	(Rupees)	
6. MURABAHA RECEIVABLE		
Murabaha receivable - gross	413,888,206	382,581,002
Murabaha receivable - due after one year	(74,749,879)	(4,057,067)
Current portion of murabaha receivable	<u>339,138,327</u>	<u>358,503,935</u>

6.1 The profit rates on these murabaha arrangements range from 14.50% to 20.00%. (30 June 2010: 14.50% to 20.00%). All murabaha arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

7. MODARABA FINANCE

Modaraba finance	<u>34,699,235</u>	<u>164,440,342</u>
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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. All modaraba arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

8. MUSHARAKA FINANCE

Musharaka receivables - considered good	47,898,853	83,833,662
- considered doubtful	(640,000)	(640,000)
	48,338,853	84,273,662
Less: provision for non-performing assets	(640,000)	(640,000)
Musharaka finance	<u>47,698,853</u>	<u>83,633,662</u>

8.1 The Modaraba has provided funds under musharaka arrangements for working capital requirements on profit and loss sharing basis. Expected rate of profit ranges from 14.49% to 18.00% (30 June 2010: 16.76% to 18.00%) per annum. All musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

9. DIMINISHING MUSHARAKA FINANCE

Diminishing musharaka receivable - gross	308,987,988	168,706,721
Less: Unearned income	(68,859,329)	(37,107,035)
	232,128,658	131,599,686
Less: diminishing musharaka due after one year	(149,083,169)	(88,587,513)
Current portion of diminishing musharaka	<u>83,045,489</u>	<u>43,012,173</u>

The profit rates on these diminishing musharaka arrangements range from 15.00% to 20.00%. (30 June 2010: 15.00% to 20.00%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

10. NET INVESTMENT IN FINANCE LEASE

	(Unaudited)			(Audited)		
	31 December 2010			30 June 2010		
	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 lease payments	10,565,061	2,178,641	12,883,902	30,035,148	4,056,472	34,091,620
Add: residual value	8,574,577	1,300,620	7,975,197	10,341,557	3,214,060	13,555,617
	17,359,638	3,479,481	20,839,099	40,376,705	7,270,532	47,647,237
Less: Unearned finance income	(577,817)	(90,670)	(668,487)	(2,068,073)	(240,607)	(2,308,680)
Suspended income	(95,993)	-	(95,993)	(82,514)	-	(82,514)
Allowance for non-performing leases	(219,538)	-	(219,538)	(244,538)	-	(244,538)
	<u>16,466,290</u>	<u>3,388,791</u>	<u>19,855,061</u>	<u>37,971,680</u>	<u>7,029,925</u>	<u>45,001,505</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)



	31 December 2010 (Unaudited)	30 June 2010 (Audited)
	(Rupees)	
11. IJARAH ASSETS		
Plant and machinery	27,325,427	33,415,823
Equipment	478,858	575,028
Vehicles	17,878,534	32,005,808
	<u>45,682,819</u>	<u>65,996,757</u>

12. FIXED ASSETS

Tangible assets	7,887,300	7,395,362
Intangible assets	527,689	694,387
	<u>8,394,989</u>	<u>8,089,749</u>

Half year ended	
31 December 2010 (Unaudited)	31 December 2009 (Unaudited)
(Rupees)	

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

Additions to fixed assets :		
- Plant & machinery	-	11,000,000
- Electrical equipment	142,232	-
- Furniture and fixtures	107,044	15,500
- Computers	162,759	70,000
- Vehicle	932,500	-
- Computer softwars	-	1,000,000
	<u>1,344,535</u>	<u>12,085,500</u>
Disposal of fixed assets		
- Plant & machinery	-	11,000,000
- Motor vehicles	-	1,438,890
	<u>-</u>	<u>12,438,890</u>

13. DEPOSITS

	31 December 2010 (Unaudited)	30 June 2010 (Audited)
	(Rupees)	
Certificates of musharaka	558,910,000	444,390,000
Others	2,000,000	17,800,000
	<u>558,910,000</u>	<u>461,990,000</u>
Less: certificates of musharaka due after one year	<u>(30,825,000)</u>	-
	<u>528,085,000</u>	<u>461,990,000</u>

13.1 The estimated share of profit payable on certificate of musharaka ranges from 9.85% to 14.75% (30 June 2010: 9.85% to 14.5%).

14. COMMITMENTS

14.1 The Modaraba has provided guarantees amounting to Rs. 23,552,082 (30 June 2010: Rs.80,133,960) on behalf of its customers to KASB Bank Limited.

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 80% 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 80% 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.



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)



16. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Modaraba comprise of its management company and its associates, 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:

	(Unaudited)	
	Half year ended	
	31 December 2010	31 December 2009
	----- (Rupees) -----	
Transactions during the period		
Management company		
Modaraba Management Company fee	2,506,114	899,562
Associated companies		
Income on bank deposit	2,965,294	4,507,895
Financial charges	3,816,381	981,181
Rent expense	212,850	198,000
Brokerage expense	-	4,560
Custodial charges	2,032	2,562
Other related party		
Ijarah rentals	99,948	100,176
Finance lease rentals	1,052,526	1,052,526
Investment in un listed shares	13,000,000	-
	31 December 2010 (Unaudited)	30 June 2010 (Audited)
	----- (Rupees) -----	
Transactions outstanding at the period / year end		
Management company		
Modaraba Management Company fee payable	2,506,114	1,899,521
Associated companies		
Cash and bank balances	97,884,892	33,970,824
Accrued profit on bank balances	34,263	15,088
Musharaka financing	102,006,759	168,936,198
Accrued mark-up payable	2,055,705	7,973,270
Custodian charges payable	-	3,030
Rent payable	103,950	198,000
Other related party		
Ijarah rentals receivable	333,160	433,368
Finance lease rentals receivable	2,024,536	3,077,062

17. GENERAL

Figures have been rounded off to the nearest rupee.

18. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on 21st February 2011 by the Board of Directors Modaraba Management Company.

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

Chief Executive

Director

Director



HALF YEARLY REPORT DECEMBER 2010

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