

 **KASB Modaraba**
An Islamic Financial Institution

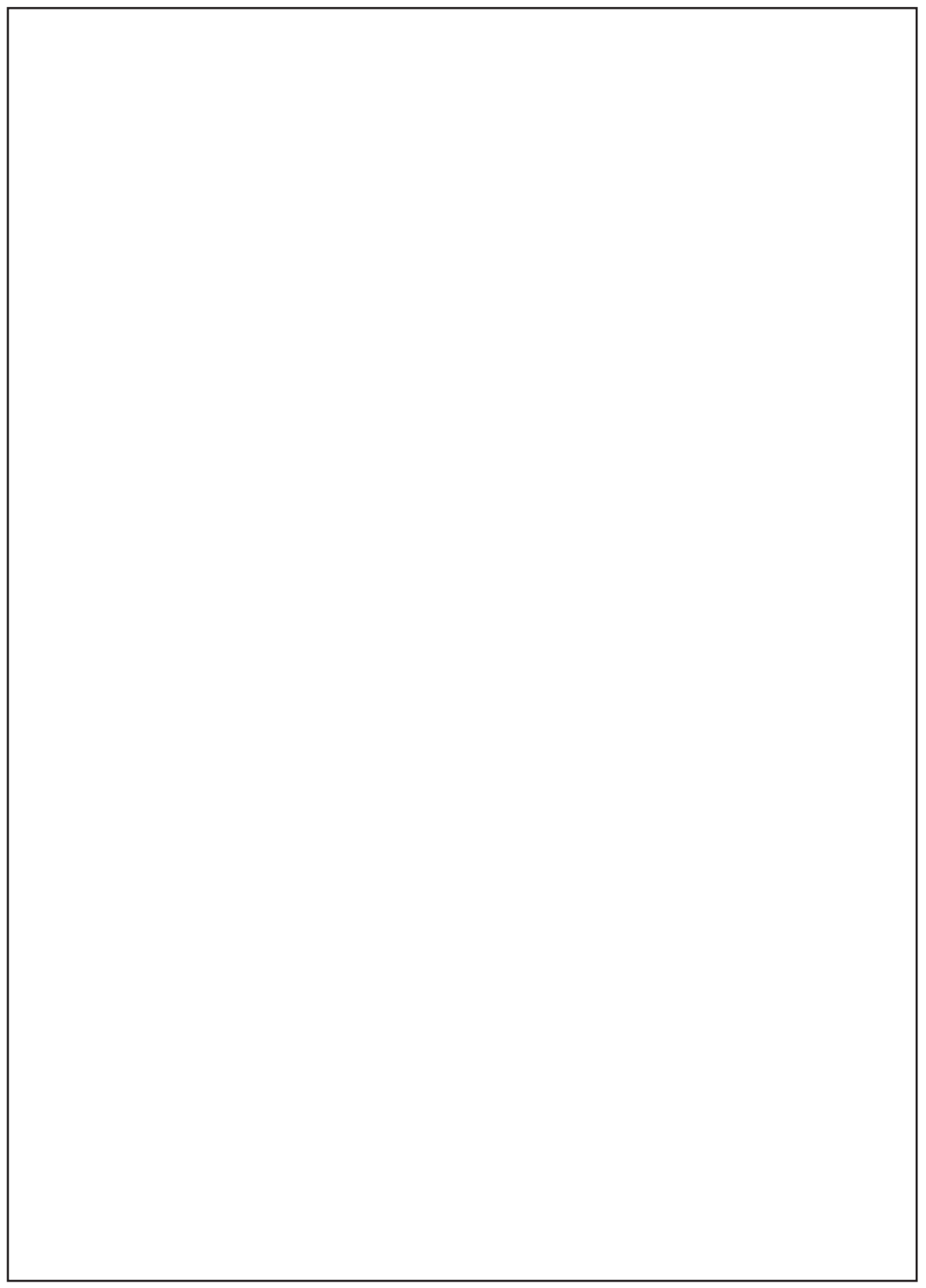


HALF YEARLY REPORT DECEMBER 2014

صاف اور شفاف آمدنی،
سچا سکون ہے...

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CORPORATE INFORMATION

Board of Directors

Syed Waseem-ul-Haq Haqqie
Rashid K. Siddiqui
Syed Muhammad Rehmanullah
Farrukh S. Ansari

Chairman
Chief Executive Officer
Director
Director

Company Secretary & Chief Financial Officer

Aftab Afroz Mahmoodi

Head of Internal Audit

Syed Shahid Owais

Management Company

KASB Invest (Private) Limited

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Committee

Farrukh S. Ansari
Syed Muhammad Rehmanullah
Syed Waseem-ul-Haq Haqqie

Chairman
Member
Member

Human Resource and Remuneration Committee

Farrukh S. Ansari
Syed Waseem-ul-Haq Haqqie
Syed Muhammad Rehmanullah
Rashid K. Siddiqui

Chairman
Member
Member
Member

Bankers

KASB Bank Limited
Al-Baraka Islamic Bank
Burj Bank Limited
Meezan Bank
Bank Islami
Bank Al-Falah Limited
Silk Bank Limited Emaan
Soneri Bank Limited
Dubai Islamic Bank
Bank of Khyber

Registered & Head Office

8-C, Block-6,
P.E.C.H.S
Off: Shahrah-e-Faisal
Karachi.
Telephone: 021-34398852-55

Certificate Transfer Office

C&K Management Associates (Private) Limited
404, Trade Tower,
Abdullah Haroon Road,
Near Metropole Hotel
Karachi – 75530
Telephone: 021-35687839 – 021-35685930

Legal Advisor

Ahmed & Qazi
S&B Durrani Law Associates

Shariah Advisor

Mufti Abdul Sattar Laghari

Branch Offices

Gulshan-e-Iqbal Branch
Mezzanine Floor,
Friends Paradise, SB-36,
Block No. 13-B, University Road,
Karachi.
Telephone: 021-34822814-18

D.H.A. Branch

74-C, 13th Commercial Street
D.H.A., Phase II Extension
Karachi.
Telephone: 021-35313939-40

Web Address

www.kasbmodaraba.com

E-mail

info.modaraba@kasb.com

DIRECTORS' REPORT



The Board of Directors of KASB Invest (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, 2014.

FINANCIAL HIGHLIGHTS

Financial highlights are as under:-

BALANCE SHEET	Rupees	
	December 2014	June 2014
Modaraba Finance	23,793,816	36,235,793
Musharaka Finance	34,835,890	93,777,447
Murabaha Finance	388,527,360	395,090,496
Diminishing Musharaka Finance	379,745,313	399,437,906
Ijarah Assets	47,247,456	72,363,491
Property acquired in satisfaction of financing facility	33,759,860	33,759,860
Total Assets	1,143,742,877	1,305,559,451
Net Assets	385,282,299	289,671,804

PROFIT & LOSS ACCOUNT	December 2014	December 2013
Income	100,495,537	97,665,197
Operating & Financial Charges	(90,457,631)	(86,919,071)
Operating Profit	10,037,907	10,746,127
Management Company Fee	(1,598,790)	(1,074,613)
Profit for the Period	8,270,334	9,671,514
Earning per Modaraba Certificate	0.25	0.36

REVIEW OF OPERATIONS

By the Grace of Allah, KASB Modaraba has successfully completed half year ended December 31, 2014. The half year closed with net Profit of Rs.8.27 million and earning per Certificate was Rs.0.25. During the half year the total income was Rs.100.49 million and the operating & financial charges were Rs.90.46 million.

The process of issuance of right certificates has been completed during the period and certificate capital of the company is increased from Rs.283 million to Rs. 382 million with a corresponding increase of management company' shareholding from 15% to 50%.

The significant decrease in the deposit size was occurred during the period due to the placement of moratorium on KASB Bank Ltd that created the panic amongst the deposit holders. Such unpleasant incidence adversely impacted the plans and the crisis management diverted the concentration to overcome the situation.

JCR- VIS has also taken into consideration the impact of prevailing scenario and concluded the current short term rating with one notch down i.e. from A2 to A3 and maintained the long term rating at BBB+. The outlook was also revised from positive to negative.

However, the management has tried its best to restore the comfort of the deposit holders and succeeded in minimizing the velocity of deposits drain. Management believes that it was short term crisis situation and the modaraba would be on track to support growth in the profitability and building up sound Islamic Finance Institution.

During the period SECP has given the administrative/ management control of First Pak Modaraba and First Prudential Modaraba to the KASB Invest (Private) Ltd. Management is grateful and expressed gratitude to the regulators for reposing trust on us in assigning the task.

FUTURE PROSPECTS


Our business strategy & approach are sound with a focus to enhance Shariah Compliant business. We are confident that your Modaraba will Inshallah continue to improve profitability in future.



ACKNOWLEDGEMENT

The Board greatly appreciates the support co-operation of the regulatory authorities, certificate holders, customers and bankers and looks forward to their continued support and guidance in future. We pray to Almighty Allah for the success of your Modaraba.

**For and behalf of
Board of Directors**



Syed Waseem-ul-Haq Haqqie
Chairman

Dated: 26th February, 2015
Karachi

AUDITORS' REPORT ON INTERIM FINANCIAL INFORMATION



AS AT DECEMBER 31, 2014



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, 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 2014 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 Invest (Private) Limited (the Management Company) 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.

Chartered Accountants

Engagement Partner: Arslan Khalid

Date: 26 February 2015

Karachi

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)



AS AT DECEMBER 31, 2014

ASSETS	Note	December 31,	June 30,
		2014	2014
		Un-audited	Audited
		----- (Rupees) -----	
Current assets			
Cash and bank balances	4	131,435,514	172,123,131
Short-term investments	5.1	29,691,249	58,224,203
Short term modaraba finance		23,793,816	36,235,793
Short term musharaka finance	6	34,835,890	93,777,447
Current portion of long term murabaha finance- gross	7	326,692,407	360,807,368
Current portion of long term diminishing musharaka finance	8	206,502,570	220,026,203
Current portion of long term net investment in finance lease		97,620	383,595
Ijarah rentals receivable		3,656,893	2,423,351
Advances, prepayments and other receivables		30,124,803	18,683,527
Accrued profit		8,866,745	7,198,998
Property acquired in satisfaction of financing facility		33,759,860	33,759,860
Advance tax		1,050,666	894,386
		<u>830,508,033</u>	<u>1,004,537,862</u>
Non-current assets			
Long-term Investments	5.2	4,406,327	6,266,507
Long-term murabaha finance - gross	7	61,834,953	34,283,128
Long-term diminishing musharaka finance	8	173,242,743	179,411,703
Long-term net investment in finance lease		66,360	133,070
Long-term deposits		1,630,300	1,630,300
Ijarah assets		47,247,456	72,363,491
Biological assets	9	13,512,000	-
Fixed assets	10	11,294,704	6,933,390
		<u>313,234,843</u>	<u>301,021,589</u>
TOTAL ASSETS		<u>1,143,742,876</u>	<u>1,305,559,451</u>
LIABILITIES			
Current liabilities			
Current portion of long term deposits	11	537,350,000	771,505,343
Current portion of long term security deposits		7,713,128	5,449,328
Current portion of long term deferred murabaha income		16,473,329	20,350,419
Creditors, accrued and other liabilities		45,651,843	47,769,185
Profit distribution payable		11,535,955	-
Unclaimed profit distribution		1,607,401	1,607,401
Total current liabilities		<u>620,331,656</u>	<u>846,681,676</u>
Non-current liabilities			
Long-term deposits	11	122,375,000	153,985,000
Security deposits		2,687,100	2,687,100
Long-term portion of deferred murabaha income		10,866,758	10,968,227
Deferred liabilities - staff gratuity		2,200,063	1,565,644
		<u>138,128,921</u>	<u>169,205,971</u>
TOTAL LIABILITIES		<u>758,460,577</u>	<u>1,015,887,647</u>
NET ASSETS		<u>385,282,299</u>	<u>289,671,804</u>
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital			
Authorised:			
50,000,000 (June 30, 2014: 50,000,000) certificates of Rs. 10/- each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up capital		480,664,800	282,744,000
Discount on issuance of certificates	12	(98,960,400)	-
Statutory reserve		74,545,449	72,891,382
Accumulated loss		(72,488,477)	(67,187,781)
Unrealised Gain on revaluation of available for sale investments		1,520,927	1,224,203
CONTINGENCIES AND COMMITMENTS	13	<u>385,282,299</u>	<u>289,671,804</u>

The annexed notes 1 to 17 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Chaudhry

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)



FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Half year ended 31 December		Quarter ended 31 December	
	2014	2013	2014	2013
	-----Rupees-----		-----Rupees-----	
Note				
Income/(loss) from:				
- leasing operations	28,743,608	13,178,678	13,707,404	6,653,191
- musharaka finance	565,615	9,159,971	565,615	5,516,523
- murabaha finance	25,051,103	26,150,184	12,256,324	11,470,539
- modaraba finance	(4,701,068)	8,669,532	(2,846,275)	7,799,897
- diminishing musharaka finance	34,809,294	33,490,253	16,533,534	15,875,222
- sukuk bonds	338,540	538,427	155,533	257,122
- agricultural produce	3,574,594	-	2,331,794	-
- bank deposits	6,003,531	3,649,452	2,439,565	1,658,565
Gain on sale of investments	1,170,295	-	-	-
	95,555,512	94,836,497	45,143,494	49,231,059
Financial charges	(33,330,951)	(50,207,867)	(10,603,520)	(24,239,955)
Modaraba finance - direct cost	(1,756,631)	(3,441,958)	(1,199,708)	(1,961,646)
Biological assets - direct cost	(1,800,900)	-	(1,180,500)	-
Depreciation on assets under ijarah arrangements	(25,276,383)	(9,567,401)	(13,529,950)	(4,795,792)
	(62,164,865)	(63,217,226)	(26,513,678)	(30,997,393)
	33,390,647	31,619,271	18,629,816	18,233,666
Other income	4,940,025	2,828,700	3,381,186	1,870,420
Administrative and operating expenses	(28,292,765)	(23,701,845)	(14,931,704)	(12,075,604)
	(23,352,740)	(20,873,145)	(11,550,518)	(10,205,184)
	10,037,907	10,746,126	7,079,298	8,028,482
Modaraba management fee (inclusive of services sales tax)	(1,598,790)	(1,074,613)	(1,302,929)	(802,848)
Provision for Workers' Welfare Fund	(168,782)	-	(168,782)	-
Profit before taxation	8,270,335	9,671,513	5,607,587	7,225,634
Taxation	14	-	-	-
Net profit for the period	8,270,335	9,671,513	5,607,587	7,225,634
		Restated		Restated
Earning per certificate	0.25	0.36	0.17	0.28

The annexed notes 1 to 17 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)



FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Half year ended		Quarter ended	
	31 December		31 December	
	2014	2013	2014	2013
	----- Rupees -----			
Net profit for the period	8,270,335	9,671,513	5,607,587	7,225,634
Other comprehensive income				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Unrealized gain on revaluation of available-for-sale investments arising during the period	1,467,019	-	1,588,261	-
Realised gain on sale of investments included in the profit and loss account	(1,170,295)	-	(1,170,295)	-
	296,724	-	417,966	-
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Actuarial loss on defined benefit plans	(381,009)	-	(381,009)	-
Total comprehensive income for the period	8,186,050	9,671,513	5,644,544	7,225,634

The annexed notes 1 to 17 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)



FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Note	December 31, 2014	December 31, 2013
-----Rupees-----		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	8,270,335	9,671,513
Adjustments for non-cash charges and other items:		
Gain on disposal of ijarah assets	(293,984)	(4,979)
Gain on disposal of fixed assets	(2,000)	-
Gain on sale of marketable securities	(1,170,295)	-
Depreciation	26,566,484	10,247,504
Amortisation	109,502	109,502
Gratuity expense	499,459	1,108,217
Deferred income	-	-
Provision for Workers' Welfare Fund	168,782	-
Financial charges	33,330,951	50,207,867
	59,208,899	61,668,111
(Increase) / decrease in assets		
Net investment in finance lease	352,685	-
Musharaka finance	58,941,557	14,335,192
Murabaha finance	6,563,136	36,472,413
Modaraba finance	12,441,977	14,806,822
Ijarah rentals receivable	(1,233,542)	(998,779)
Diminishing Musharaka	19,692,593	63,829,751
Advances, deposits, prepayments and other receivables	(11,441,276)	4,386,743
Accrued profit	(1,667,747)	(365,659)
Long-term deposits	-	(1,020,000)
	83,649,383	131,446,483
Increase / (decrease) in liabilities		
Security deposits	2,263,800	-
Deferred murabaha income	(3,978,559)	(24,198,918)
Creditors, accrued and other liabilities	(4,995,803)	30,900,480
	(6,710,562)	6,701,562
Taxes paid	(156,280)	(197,568)
Dividend paid	-	-
Staff Gratuity paid	(246,049)	(1,984,459)
Financial charges paid	(30,621,272)	(46,446,417)
	(31,023,601)	(48,628,444)
Net cash generated from / (utilised in) operating activities	113,394,454	160,859,225
CASH FLOW FROM INVESTING ACTIVITIES		
Sales proceeds from disposal of Ijarah assets	5,503,077	402,750
Proceeds from sale of investments	31,860,153	14,337,884
Sales proceeds from disposal of fixed assets	10,000	-
Purchase of fixed Assets	(5,768,918)	(154,467)
Purchase of Ijarah Assets	(5,369,441)	(1,906,000)
Purchase of biological Assets	(13,512,000)	-
Net cash generated from investing activities	12,722,871	12,680,167
CASH FLOW FROM FINANCING ACTIVITIES		
Short-term Musharaka finance	-	-
Deposits	(265,765,342)	(136,790,502)
Issue of certificates at discount	98,960,400	-
Net cash (utilised in) / generated from financing activities	(166,804,942)	(136,790,502)
Net (decrease) / increase in cash and cash equivalents	(40,687,617)	36,748,891
Cash and cash equivalents at the beginning of the period	172,123,131	175,151,750
Cash and cash equivalents at the end of the period	4 131,435,514	211,900,641

The annexed notes 1 to 17 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Amara

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)



FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Certificate Capital	Discount on Issuance of certificates	Statutory Reserve	Unrealised appreciation / (diminution) on remeasurement of investments classified as 'available-for-sale'	Accumulated Loss	Total
	Rupees					
Balance as at July 01, 2013	282,744,000	-	60,894,008	-	(78,423,139)	265,214,869
Total comprehensive income for the Period ended December 31, 2013	-	-	-	-	9,671,513	9,671,513
Transfer to statutory reserve	-	-	1,934,303	-	(1,934,303)	-
Balance as at December 31, 2013	282,744,000	-	62,828,311	-	(70,685,929)	274,886,382
Balance as at July 01, 2014	282,744,000	-	72,891,382	1,224,203	(67,187,781)	289,671,804
Issue of right certificates (Note 12)	197,920,800	(98,960,400)	-	-	-	98,960,400
Net profit for the period	-	-	-	-	8,270,335	8,270,335
Other comprehensive income	-	-	-	296,724	(381,009)	(84,285)
Profit distribution for the year ended June 30, 2014 @ Rs. 0.24 per certificate	-	-	-	-	(11,535,955)	(11,535,955)
Transfer to statutory reserve	-	-	1,654,067	-	(1,654,067)	-
Balance as at December 31, 2014	480,664,800	(98,960,400)	74,545,449	1,520,927	(72,488,477)	385,282,299

The annexed notes 1 to 17 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)



FOR THE HALF YEAR ENDED 31 DECEMBER 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 KASB Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder and is managed by KASB Invest (Private) Limited (the Management Company), a Company Incorporated In Pakistan. The registered office of the Modaraba is located at 8-C, Block 6, PECHS Off. Shahrah-e-Faisal, Karachi.
- 1.2 The Modaraba is a multipurpose perpetual modaraba and is primarily engaged in ijarah financing, musharaka financing, murabaha financing, modaraba financing, diminishing musharaka and investing in listed securities. The Modaraba is listed on the Karachi and Lahore Stock Exchanges.

2. STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial statements have been prepared in accordance with International Accounting Standard - 34 "Interim Financial Reporting", the requirements of 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). In case where requirements differ, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.
- 2.2 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 June 30, 2014.
- 2.3 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 and condensed interim statement of comprehensive income for the quarters ended December 31, 2014 and December 31, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual financial statements of the Modaraba for the year ended June 30, 2014 except as follows:

3.1 New / Revised Standards, Interpretations and Amendments

The Modaraba has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current period:

- IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions
- IAS 32 – Financial Instruments : Presentation – (Amendment) - Offsetting Financial Assets and Financial Liabilities
- IAS 36 – Impairment of Assets – (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment) - Novation of Derivatives and Continuation of Hedge Accounting IFRIC 21 – Levies

The adoption of the above amendments to accounting standards and interpretations did not have any effect on the condensed interim financial statements.

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Modaraba expects that such improvements to the standards do not have any impact on the Modaraba's financial statements for the period.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)



FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Note	December 31, 2014	June 30, 2014
	Un-audited	Audited
	------(Rupees)-----	
4. CASH AND BANK BALANCES		
Cash at bank in :		
- current accounts	14,113,502	30,258,660
- saving accounts	4.1 & 4.2 <u>116,969,710</u>	<u>141,643,441</u>
	4.3 <u>131,083,212</u>	<u>171,902,101</u>
Cash in hand	123,729	112,650
Stamp papers	<u>228,380</u>	<u>108,380</u>
	<u><u>131,435,321</u></u>	<u><u>172,123,131</u></u>
4.1 These carry profit rates ranging from 6% to 9% (June 30, 2014: 6% to 9.40%)		
4.2 Includes Rs. 34,419,495 (June 30, 2014: Rs. 58,961,586) maintained as redemption reserve fund in respect of Certificate of Musharaka issued by the Modaraba.		
4.3 Balances with banks include an amount of Rs. 3,461,638 (30 June 2014: 29,325,000) held with KASB Bank Limited, a related party on which moratorium has been placed by the State Bank of Pakistan.		
5. INVESTMENTS		
5.1 Short-term investments		
Available-for-sale		
- Unit trust scheme - KASB Islamic Income Opportunity Fund	5.1.1 <u>28,691,249</u>	57,224,203
Held to maturity		
Current portion of Sukuk Bonds - unlisted	5.2 <u>1,000,000</u>	1,000,000
	<u><u>29,691,249</u></u>	<u><u>58,224,203</u></u>
5.1.1 Unit trust scheme - KASB Islamic Income Opportunity Fund		
	31 December 2014	
	Number of Units	
	As at 01 July 2014	Addition / (Disposal)
	As at 31 December 2014	
Investee company	Cost	Carrying Value
	----- Amount in Rupees -----	
KASB Islamic Income Opportunity Fund	27,170,322	28,691,249
		1,520,927
		<u><u>1,520,927</u></u>
		<u><u>(291,906)</u></u>
		<u><u>275,104</u></u>
5.2 Long Term Investment		
Held to maturity Sukuk bonds-unlisted		
	December 31, 2014	June 30, 2014
	Un-audited	Audited
	-----Rupees-----	
Sukuk bond of Rs. 5,000 each unless stated otherwise		
Maple Leaf Cement Factory Limited	5,406,327	7,266,507
Less: Current portion of sukuk bonds	<u>(1,000,000)</u>	<u>(1,000,000)</u>
	<u><u>4,406,327</u></u>	<u><u>6,266,507</u></u>
6. SHORT TERM MUSHARAKA		
Musharaka finance - considered good	20,735,890	93,777,447
- considered doubtful	<u>38,702,297</u>	<u>24,602,297</u>
	<u>59,438,187</u>	<u>118,379,744</u>
Less: Provision for non-performing musharaka arrangements	<u>(24,602,297)</u>	<u>(24,602,297)</u>
Current portion of musharaka finance	<u><u>34,835,890</u></u>	<u><u>93,777,447</u></u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)



FOR THE HALF YEAR ENDED 31 DECEMBER 2014

6.1 Expected range of profits ranges from 15% to 20% (June 30, 2014: 17.50% to 20.00%) per annum. All musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

	December 31, 2014 Un-audited	June 30, 2014 Audited
	-----Rupees-----	
7. MURABAHA FINANCE		
Murabaha receivables - gross	432,855,225	439,418,361
Less: Provision for non-performing assets	<u>(44,327,865)</u>	<u>(44,327,865)</u>
	388,527,360	395,090,496
Murabaha finance- due after one year	<u>(61,834,953)</u>	<u>(34,283,128)</u>
Current portion of murabaha finance	<u>326,692,407</u>	<u>360,807,368</u>

7.1 The Profit rates on these murabaha arrangements range from 15% to 25% (June 30, 2014: 15% to 22%). All murabaha Arrangements are secured against hypothecation of assets, personal guarantees and Promissory notes.

8. DIMINISHING MUSHARAKA

Diminishing musharaka receivables - gross	451,458,687	475,661,365
Less: Unearned income	<u>71,713,374</u>	<u>76,223,459</u>
	379,745,313	399,437,906
Diminishing musharaka finance- due after one year	<u>(173,242,743)</u>	<u>(179,411,703)</u>
Current portion of diminishing musharaka finance	<u>206,502,570</u>	<u>220,026,203</u>

8.1 The Profit rates on these diminishing musharaka arrangements range from 16% to 20% (June 30, 2014: 9.51% to 21.00%). All diminishing musharaka arrangements are secured against hypothecation of assets , personal guarantees and promissory notes.

9. BIOLOGICAL ASSETS

Bearer Dairy livestock		
- mature	12,842,000	-
- immature	<u>670,000</u>	<u>-</u>
	<u>13,512,000</u>	<u>-</u>

9.1 This represent livestock that has been purchased during the period. As at 31 December 2014, the carrying amount of the livestock approximates the fair value due to the fact that livestock has been purchased close to the period end.

9.2 As at 31 December 2014, the Company held 39 (30 June 2014: nil) mature assets able to produce milk and 20 (30 June 2014: nil) immature assets that are being raised to produce milk in the future. During the period, the Company produced approximately 59,156 (30 June 2014: nil) gross litres of milk from these biological assets with income from sale of milk amounting to Rs. 3,574,594 (31 December 2013: nil).

9.3 As at December 31, 2014, the Company held 41 (30 June 2014: nil) immature male calves.

10. FIXED ASSETS

Tangible assets	11,003,399	6,532,581
Intangible assets	<u>291,305</u>	<u>400,809</u>
	<u>11,294,704</u>	<u>6,933,390</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)



FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	For the Half year ended	For the Year ended
	December 31, 2014	June 30, 2014
	Unaudited	Audited
	-----Rupees-----	
10.1 Details of addition / (disposals) during the period as follows:		
Addition to fixed assets		
- Office equipment	120,000	-
- Electrical equipment	-	1,367,150
- Furniture & fixture	3,316,932	54,580
- Computers	464,486	308,552
- Vehicles	1,867,500	-
	<u>5,768,918</u>	<u>1,730,282</u>
Disposal during the period		
- Electrical equipment	<u>80,000</u>	<u>950,000</u>
11. DEPOSITS		
Certificate of Musharaka	659,725,000	925,490,343
Long-term portion of deposits	<u>(122,375,000)</u>	<u>(153,985,000)</u>
	<u>537,350,000</u>	<u>771,505,343</u>

11.1 The estimate share of profit payable on certificate of musharaka ranges from 8.75% to 11.75% (June 30, 2014: 8.75% to 14.75%)

12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

The modaraba during the period issued 70% right certificates of Rs.10/- each at a discounted price of Rs.5/- each amounting to Rs. 98,960,400 out of which 85% certificates were subscribed by the management company as underwriter to the issue.

13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2014

14. TAXATION

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.

	Half Year Ended	
	December 31, 2014	December 31, 2013
	-----Rupees-----	
	----- (Un-audited) -----	
15. TRANSACTIONS WITH RELATED PARTIES		
15.1 Transactions during the period		
Management Company	1,598,790	1,074,613
Associated companies		
Financial charges	510,150	4,425,418
Rent expense	56,866	60,000
Custodian charges	2,511	1,138
Supervision fee	600,000	-
Connectivity charges	114,120	-
Vehicle running expense	166,580	-
Telephone expense	158,000	-
Other charges	20,401	-
Service charges	275,500	-
Reimbursement of expenses	1,178,000	-
Sale of investment - unit trust scheme	29,915,814	13,000,000
Other Related Parties		
Income from diminishing musharaka finance	1,000,360	360,170
Financial charges	239,842	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)



FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	December 31, 2014 Un-audited	June 30, 2014 Audited
	-----Rupees-----	
Balances as at the period end		
Management Company		
Modaraba management fee payable	1,598,790	2,714,955
Issue of certificates at discount	98,946,390	-
Associated companies		
Cash and bank balances	3,461,638	29,324,862
Certificate of Musharaka	105,000,000	153,000,000
Accrued mark-up payable	2,161,286	2,289,369
Creditors, accrued and other liabilities	470,702	447,618
Short term investment - unit trust scheme	28,691,249	57,224,203
Other Related Parties		
Certificate of Musharaka	24,035,000	6,425,000
Accrued mark-up payable	468,937	217,183

16. GENERAL

16.1 Figures have been rounded off to the nearest Rupee.

16.2 Certain prior period figures have been reclassified for the purpose of comparison . However, there are no material reclassifications to the report.

17. DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue by Board of Directors of the Management Company on February 26, 2015.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

HALF YEARLY REPORT DECEMBER 2014



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