

HALF YEARLY REPORT DECEMBER 2016

صاف اور شفاف آمدنی،
سچا سکون ہے...

CONTENTS

◆ CORPORATE INFORMATION	03
◆ DIRECTORS' REPORT	04
◆ AUDITORS' REPORT ON INTERIM FINANCIAL INFORMATION	07
◆ CONDENSED INTERIM BALANCE SHEET	08
◆ CONDENSED INTERIM PROFIT AND LOSS ACCOUNT	09
◆ CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	10
◆ CONDENSED INTERIM CASH FLOW STATEMENT	11
◆ CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	12
◆ NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS	13
◆ INFORMATION OF JAMA PUNJI	19

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

Chief Financial Officer

Aftab Afroz Mahmoodi

Company Secretary

Zia-ul-Haq

Head of Internal Audit

Syed Shahid Owais

Management Company

KASB Invest (Private) Limited

Auditors

RSM Avais Hyder Liaquat Nauman
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

Al-Baraka Islamic Bank
JS Bank Limited
Meezan Bank Limited
Bank Islami Pakistan Limited
Bank Al-Falah Limited
Soneri Bank Limited
Dubai Islamic Bank
Summit Bank Limited

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

Registered & Head Office

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

PECHS Branch:

Address : 8-C, Block-6,
PECHS, Off. Shahrah-e-Faisal,
Karachi.
PABX: 021-34398852-55
Fax: 021- 34398858.

Lahore Branch:

83/A, Block-E/1, Main Boulevard
Gulberg-III, Lahore
Phone No.: 042-35790447-9 & 042-35790442

Islamabad Branch:

Basement, 90-91, Razia Sharif Plaza,
Jinnah Avenue, Blue Area F-7,
Islamabad
Phone No.: 051-2344422-24

Web Address

www.kasbmodaraba.com

E-mail

sales.mod@kasb.net | takaful.mod@kasb.net

DIRECTORS' REPORT



The Board of Directors of KASB Invest (Private) Limited, the Management Company of KASB Modaraba is pleased to present the half yearly unaudited financial statements of the Modaraba for the half year ended December 31, 2016.

FINANCIAL HIGHLIGHTS

Financial highlights for the period under review are summarized as under:-

BALANCE SHEET	December 31, 2016 Rs "000"	June 30, 2016 Rs "000"
Total Assets	711,891	901,246
Total Liabilities	324,620	512,212
Net Assets	387,271	389,033

PROFIT & LOSS ACCOUNT	December 31, 2016 Rs "000"	December 31, 2015 Rs "000"
Gross Income	71,318	81,399
Operating & Financial Charges	(68,953)	(78,434)
Management Company Fee	(208)	(247)
Net Profit/Loss for the Year	2,084	2,631
Earning per Modaraba Certificate (Rupees)	0.04	0.05

OPERATIONS AND PERFORMANCE

The first half of the Modaraba ended with a positive bottom line, by the Grace of the Almighty Allah, with a net profit of PKR. 2.08 million (December 31, 2015: PKR. 2.63 million). The gross revenues remained PKR. 71.32 million (December 31, 2015: PKR. 81.40 million). Operating and financial charges reduced from PKR. 78.43 million in December 31, 2015 to PKR. 68.95 million during December 31, 2016. The major contributor to the operating charges was depreciation on jjarah assets which remained PKR. 23.14 million (December 31, 2015: PKR. 9.98 million).

Due to limited liquidity and funding lines available with the Modaraba, the management kept its focus on recovery from long outstandings and as a result a reversal of provision of PKR. 3 million was booked during the period. Agricultural sector, however, remained our point of attention. The management is trying to cater to its liquidity requirements by obtaining funding from financial institutions.

The auditors in their report have expressed their concern over non provisioning against one of the short term Modaraba finance facility, in continuation to the opinion of the previous auditors who had expressed a modified opinion on the same matter in their report to the financial statements of the Modaraba for the year ended June 30, 2015.

The amount is not doubtful as partial recovery is evidenced during the current period. Therefore the management believes that the remaining amount would be recovered in due course of time and no provision against the same is required.

FUTURE PROSPECTS

The modaraba continues to explore non-traditional low risk business avenues and expects that these would yield above average returns for the stakeholders. Besides, the management is in close coordination with the regulators to get restriction on resource mobilization through Certificate of Musharika lifted to achieve its business targets.

ACKNOWLEDGEMENT

The Board greatly appreciates the support and co-operation of the regulatory authorities, certificate holders, customers and bankers and looks forward to their continued support and advice in future.

We pray to Almighty Allah for the success of your Modaraba.

For and behalf of
Board of Directors

Syed Muhammad Rehmanullah
Director

Dated: February 28, 2017
Karachi

ڈائریکٹرز رپورٹ

کے۔ اے۔ ایس۔ بی انوسٹ (پرائیویٹ) لمیٹڈ، انتظامی کمپنی برائے کے۔ اے۔ ایس۔ بی۔ مضاربہ، کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ مضاربہ کے 31 دسمبر 2016 کو اختتام پذیر ہونے والی ششماہی کا غیر آڈٹ شدہ مالیاتی گوشوارہ پیش کر رہا ہے۔

مالیاتی جھلکیاں

زیر جائزہ مدت کیلئے مالیاتی جھلکیاں درج ذیل ہیں۔

30 جون 2016 روپے (000)	31 دسمبر 2016 روپے (000)	بیلس شیٹ
901,246	711,891	کل اثاثہ جات
512,212	324,620	کل واجبات
389,033	387,271	خالص اثاثہ جات
31 دسمبر 2015 روپے (000)	31 دسمبر 2016 روپے (000)	نفع و نقصان کا حساب
81,399	71,318	مجموعی آمدنی
(78,434)	(68,953)	انتظامی و مالیاتی اخراجات
(247)	(208)	بینجمنٹ کمپنی فیس
2,631	2,084	زیر جائزہ مدت کا خالص منافع
0.05	0.04	فی حصہ آمدنی

انتظامی کارکردگی

اللہ تعالیٰ کے فضل و کرم سے مضاربہ کی پہلی ششماہی 2.08 ملین روپے (31 دسمبر 2015: 2.63 ملین روپے) کے خالص منافع کے ساتھ ایک مثبت نتیجے پر اختتام پذیر ہوئی۔

مجموعی آمدنی 71.32 ملین روپے (31 دسمبر 2015: 81.40 ملین روپے) رہی۔ انتظامی و مالیاتی اخراجات 31 دسمبر 2015 کی ششماہی کے 78.43 ملین روپے سے کم ہو کر 31 دسمبر 2016 کی ششماہی کے دوران 68.95 ملین روپے۔ انتظامی اخراجات میں اہم کردار اجارہ اثاثہ جات پر 23.14 ملین روپے کی فرسودگی کارہا (31 دسمبر 2015: 9.98 ملین روپے)۔

محدود مالی وسائل اور فنڈنگ لانگ کی وجہ سے مضاربہ کی منجمنٹ کی توجہ پرانے قرضہ جات کی وصولی پر مرکوز رہی جسکے نتیجے میں 3 ملین روپے مشکوک قرضہ جات سے وصول ہوئے۔ شعبہ زراعت البدیہ ہمارے مطلع نظر رہا۔ مضاربہ کی انتظامیہ مالیاتی اداروں سے اسکی مالیاتی ضروریات کو پورا کرنے کی کوشش کر رہی ہے۔

دوران مدت مضاربہ نے شعبہ زراعت میں ایک قدم اور آگے بڑھاتے ہوئے بولہ تیل اور اسکی ذیلی مصنوعات کی پیداوار اور فروخت کیلئے ’’بولہ سیڈ کرشنگ پروجیکٹ‘‘ کا آغاز کیا۔ اس پروجیکٹ نے مضاربہ کے لئے زراعت کے شعبے میں موجود منافع بخش کاروبار کے لامحدود دروازے کھول دئے ہیں۔

آڈیٹران اپنی رپورٹ میں ایک قلیل المدت مضاربہ مالیت کی وصولی کے خلاف بندوبست نہ کرنے کے سلسلے میں اپنی تشویش کا اظہار کیا ہے۔ یہ معاملہ گذشتہ آڈیٹران کی مالی سال ۳۰ جون ۲۰۱۵ کے سلسلے میں شائع کی گئی رپورٹ کا تسلسل ہے۔ دوران مدت اس مالیت کی جزوی وصولی اس بات کا ثبوت ہے کہ یہ مشکوک نہیں ہے اور انتظامیہ کو یہ یقین ہے کہ وقت کے ساتھ ساتھ بقیہ رقم کی وصولی بھی ہو جائے گی۔ لہذا اس مالیت کے خلاف کوئی رزق مطلوب فراہم نہیں کیا گیا۔

مستقبل کے امکانات

مضاربہ غیر روایتی اور کم رسک والی کاروباری راہیں دریافت کرنے میں مصروف عمل ہے تاکہ حصہ داروں کو بہتر منافع فراہم کیا جاسکے۔ اسکے ساتھ ہی مضاربہ کی انتظامیہ ریگولیشنز کے ساتھ قریبی رابطے میں ہے تاکہ COM کے اجراء پر عائد محدود پابندی کو ہٹایا جاسکے اور کاروباری اہداف حاصل کیئے جاسکیں۔

اعتراف

بورڈ ریگولیری اتھارٹی، حصص یافتگان، کسٹمرز اور بینکران کی معاونت اور تعاون کو بے حد سراہتا ہے اور مستقبل میں بھی انکی معاونت اور مشورے کا منتظر رہیگا۔ ہم اللہ تعالیٰ کے حضور آپ کے مضاربہ کی کامیابی کے لئے دعا گو ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

سید محمد رحمن اللہ

ڈائریکٹر

کراچی۔

28 فروری 2017

AUDITORS' REPORT ON INTERIM FINANCIAL INFORMATION

AS AT DECEMBER 31, 2016



RSM Avais Hyder Liaquat Nauman
Chartered Accountants

407, Progressive Plaza, Beaumont Road
Karachi, 75530 - Pakistan

T: +92 (21) 35655975-6
F: +92 (21) 3565-5977

W: www.rsm-pakistan.pk

INDEPENDENT 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 (the Modaraba) as at December 31, 2016, the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period ended (here-in-after referred to as the "interim financial information"). Management of Modaraba Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. 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.

Basis for qualified conclusion

As mentioned in note 4 of the Condensed Interim Financial Information Included in the short term Modaraba is an outstanding amount of Rs.5.81 million (Rs.7.3 million as on June 30, 2016) which the management has not provided for in these condensed Interim Financial Statements.

Qualified conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarters ended December 31, 2016 and December 31, 2015 in the condensed interim profit and loss account has not been reviewed and we do not express a conclusion on them.

Chartered Accountants

Karachi

Dated: 28th February, 2017

Engagement Partner: Adnan Zaman

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Avais Hyder Liaquat Nauman is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

CONDENSED INTERIM BALANCE SHEET(UN-AUDITED)



AS AT DECEMBER 31, 2016

ASSETS	Note	December 31,	June 30,
		2016	2016
		Un-audited	Audited
		------(Rupees)-----	
Current assets			
Cash and bank balances	5	40,208,105	48,704,707
Modaraba finance	4	53,960,655	53,746,587
Musharaka finance	6	17,100,000	14,100,000
Current portion of long term murabaha finance- gross	7	177,946,178	174,380,177
Current portion of long term diminishing musharaka finance	8	134,675,178	168,567,091
Net investment in finance lease		28,756	28,756
Receivable against sale of agriculture produce	9	18,200,140	18,200,140
Ijarah rentals receivable		15,148,380	3,824,204
Advances, prepayments and other receivables		43,056,221	62,396,463
Property acquired in satisfaction of financing facility		47,082,936	47,082,936
		547,406,549	591,031,061
Non-current assets			
Long-term murabaha finance - gross	7	12,099,930	92,985,970
Long-term diminishing musharaka finance	8	105,877,911	147,515,621
Long-term deposits		1,060,300	1,060,300
Ijarah assets	10	31,170,651	52,764,940
Fixed assets	11	14,276,099	15,887,663
		164,484,891	310,214,494
TOTAL ASSETS		711,891,440	901,245,555
LIABILITIES			
Current liabilities			
Current portion of redeemable capital	12	94,900,000	225,860,000
Current portion of long-term finance	13	16,024,115	-
Current portion of long term security deposits		6,165,749	5,640,999
Current portion of long term deferred murabaha income		7,436,795	5,289,448
Creditors, accrued and other liabilities		40,102,696	55,473,002
Unclaimed profit distribution		3,229,865	2,943,902
Total current liabilities		167,859,220	295,207,351
Non-current liabilities			
Long-term portion of redeemable capital	12	111,570,000	199,090,000
Long-term finance	13	32,048,229	-
Security deposits		6,201,075	6,271,450
Long-term portion of deferred murabaha income		499,930	6,075,981
Deferred liabilities - staff gratuity		6,441,659	5,567,634
		156,760,893	217,005,065
TOTAL LIABILITIES		324,620,113	512,212,416
NET ASSETS		387,271,327	389,033,139
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital			
Authorised:			
50,000,000 (June 30, 2016: 50,000,000) certificates of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	14	480,664,800	480,664,800
Discount on issuance of certificates		(98,960,400)	(98,960,400)
Statutory reserve		83,632,839	82,591,086
Accumulated loss		(78,065,912)	(75,262,347)
CONTINGENCIES AND COMMITMENTS	15	387,271,327	389,033,139

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)



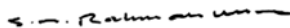
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Half year ended 31 December		Quarter ended 31 December	
	2016	2015	2016	2015
	-----Rupees-----		-----Rupees-----	
Note				
Income from:				
- leasing operations	24,750,121	12,149,982	10,796,300	3,526,484
- musharaka finance	-	4,183,869	-	1,947,589
- murabaha finance	14,021,831	18,470,590	6,114,810	8,978,791
- modaraba finance	-	2,204,611	-	2,008,721
- diminishing musharaka finance	24,026,039	31,441,713	11,152,363	15,757,542
- takaful commission income	-	435,865	-	435,865
- sukuk bonds	27,084	115,514	-	66,824
- bank deposits	1,164,564	4,505,529	572,594	2,096,898
	<u>63,989,639</u>	<u>73,507,673</u>	<u>28,636,067</u>	<u>34,818,714</u>
Financial charges	(13,003,354)	(27,479,899)	(4,940,254)	(13,552,670)
Murahaba and Modaraba finance - direct cost	(1,508,211)	(1,482,554)	(438,128)	(1,482,554)
Depreciation on assets under ijarah arrangements	(23,141,199)	(9,979,978)	(11,207,744)	(4,229,065)
	<u>(37,652,764)</u>	<u>(38,942,431)</u>	<u>(16,586,126)</u>	<u>(19,264,289)</u>
	26,336,875	34,565,242	12,049,941	15,554,425
Other income	3,514,561	7,891,759	935,653	4,275,436
Reversal of provision against doubtful receivables	3,000,000	-	3,000,000	-
Reversal of provision against worker's welfare fund	813,550	-	813,550	-
Administrative and operating expenses	(31,300,149)	(39,491,823)	(16,229,522)	(19,232,572)
	<u>(23,972,038)</u>	<u>(31,600,064)</u>	<u>(11,480,319)</u>	<u>(14,957,136)</u>
	2,364,837	2,965,178	569,622	597,289
Modaraba management fee	(208,393)	(247,887)	(50,224)	(39,262)
Services sales tax	(31,259)	(37,183)	(7,534)	(5,889)
Provision for Workers' Welfare Fund	(41,679)	(49,577)	(10,045)	(7,852)
Profit before taxation	<u>2,083,506</u>	<u>2,630,531</u>	<u>501,819</u>	<u>544,286</u>
Taxation	-	-	-	-
Net profit for the period	<u>2,083,506</u>	<u>2,630,531</u>	<u>501,819</u>	<u>544,286</u>
Earning per certificate	<u>0.04</u>	<u>0.05</u>	<u>0.01</u>	<u>0.01</u>

The annexed notes form an integral part of these condensed interim 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 2016

	Half year ended		Quarter ended	
	31 December 2016	2015	31 December 2016	2015
	----- Rupees -----			
Net profit for the period	2,083,506	2,630,531	501,819	544,286
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Actuarial gain on defined benefit plans	-	1,580,048		
Total comprehensive income for the period	<u>2,083,506</u>	<u>4,210,579</u>	<u>501,819</u>	<u>544,286</u>

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)



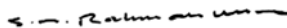
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Note	December 31, 2016	December 31, 2015
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	2,083,506	2,630,531
Adjustments for non-cash charges and other items:		
Gain on disposal of Ijarah assets	(92,263)	(1,103,458)
Depreciation	24,683,389	11,495,650
Amortisation	69,375	97,500
Gratuity expense	1,266,835	1,002,496
Reversal of provision for Worker's Welfare Fund	(813,550)	-
Provision for Workers' Welfare Fund	41,679	49,577
Financial charges	13,003,354	27,479,899
	38,158,819	39,021,664
(Increase)/Decrease in assets		
Net investment in finance lease	-	60,000
Musharaka finance	(3,000,000)	30,140,042
Murabaha finance	77,320,039	(4,057,365)
Modaraba finance	(214,068)	(23,412,345)
Ijarah rentals receivable	(11,324,176)	2,013,290
Diminishing Musharaka	75,529,623	899,538
Agriculture Produce-Work in process	-	(15,023,685)
Advance for purchase of agriculture produce	-	(36,226,316)
Advances, deposits, prepayments and other receivables	19,340,242	(22,065,972)
Long-term deposits	-	(375,000)
	157,651,660	(68,047,813)
Increase/(Decrease) in liabilities		
Security deposits	454,375	(1,119,351)
Deferred murabaha income	(3,428,704)	1,631,231
Creditors, accrued and other liabilities	(14,598,435)	6,556,600
	(17,572,764)	7,068,480
Dividend paid	(3,559,355)	(4,180,686)
Staff Gratuity paid	(392,810)	-
Financial charges paid	(13,003,354)	(24,910,219)
	(16,955,519)	(29,090,905)
Net cash generated from operating activities	163,365,702	(48,418,042)
CASH FLOW FROM INVESTING ACTIVITIES		
Sales proceeds from disposal of Ijarah assets	812,852	12,594,072
Proceeds from sale of investments	-	937,500
Purchase of fixed Assets	-	(4,092,440)
Purchase of Ijarah Assets	(2,267,500)	(7,530,000)
Net cash (used in)/generated from investing activities	(1,454,648)	1,909,132
CASH FLOW FROM FINANCING ACTIVITIES		
Deposits	(218,480,000)	81,770,000
Term financing	48,072,344	-
Net cash (used in)/generated from financing activities	(170,407,656)	81,770,000
Net (decrease)/increase in cash and cash equivalents	(8,496,602)	35,261,090
Cash and cash equivalents at the beginning of the period	48,704,707	145,845,016
Cash and cash equivalents at the end of the period	5 <u>40,208,105</u>	<u>181,106,106</u>

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

For KASB Invest (Private) Limited
(Management Company)


Chief Executive


Director


Director

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



FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Certificate Capital	Discount on Issuance of certificates	Statutory Reserve*	Accumulated Loss	Total
	----- Rupees -----				
Balance as at July 01, 2015 (Audited)	480,664,800	(98,960,400)	78,468,762	(74,938,981)	385,234,181
Net profit for the period				2,630,531	2,630,531
Other comprehensive income	-	-	-	1,580,048	1,580,048
Profit distribution for the year ended June 30, 2015 @ Rs. 0.11 per certificate				(5,287,313)	(5,287,313)
Transfer to statutory reserve	-	-	1,315,266	(1,315,266)	-
Balance as at December 31, 2015 (Unaudited)	<u>480,664,800</u>	<u>(98,960,400)</u>	<u>79,784,028</u>	<u>(77,330,981)</u>	<u>384,157,447</u>
Balance as at July 01, 2016 (Audited)	480,664,800	(98,960,400)	82,591,086	(75,262,347)	389,033,139
Net profit for the period	-	-	-	2,083,506	2,083,506
Profit distribution for the year ended June 30, 2016 @ Rs. 0.08 per certificate	-	-	-	(3,845,318)	(3,845,318)
Transfer to statutory reserve	-	-	1,041,753	(1,041,753)	-
Balance as at December 31, 2016 (Unaudited)	<u>480,664,800</u>	<u>(98,960,400)</u>	<u>83,632,839</u>	<u>(78,065,912)</u>	<u>387,271,327</u>

* Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by SECP.

The annexed notes form an integral part of these condensed interim 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 2016

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 sukuk bonds, mutual funds and listed securities. The Modaraba is listed on the Pakistan Stock Exchange Limited.

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 This condensed interim financial statements comprises of the condensed interim balance sheet as at December 31, 2016 and the 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 and the notes forming part thereof for the half year ended December 31, 2016 which have been subjected to a review but not audited.
- 2.3 The comparative condensed balance sheet, presented in this condensed interim financial statements, as at June 30, 2016 has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2016 whereas the comparative 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 for the half year ended December 31, 2015 have been extracted from the condensed interim financial statements for the half year ended December 31, 2015 which were subjected to a review but not audited.

2.4 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis, except for available for sale financial assets that are carried at fair value and certain staff retirement benefits that are carried at present value of defined benefit obligation.

These financial statements are presented in Pak Rupees, which is Modaraba's functional and presentation currency.

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, 2016.

4. MODARABA FINANCE- considered good

Modaraba Finance includes an aggregate outstanding balance of Rs. 7.31 million (Rs. 9.41 million as on 30 June, 2016) on account of a modaraba transaction with a customer. Due to the financial difficulty of the said customer, the underlying asset was sold in prior year to settle this transaction and the post dated cheques of Rs. 1.5 million (Rs. 2.1 million as on 30 June, 2016) were also received from the customer. The management believes that the balance of Rs. 5.81 million will also be recovered in due course of time through profit expected to be earned from another financing facility provided to the said customer, hence no provision against the same has been made in these financial statements.

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



FOR THE HALF YEAR ENDED 31 DECEMBER 2016

		December 31, 2016	June 30, 2016
	Note	Un-audited	Audited
		-----Rupees-----	
5. CASH AND BANK BALANCES			
Cash at bank in :			
- current accounts		9,508,126	2,936,985
- saving accounts	5.1	<u>30,480,792</u>	<u>45,557,869</u>
		<u>39,988,918</u>	48,494,854
Cash in hand		129,491	140,157
Stamp papers		<u>89,696</u>	<u>69,696</u>
		<u>40,208,105</u>	<u>48,704,707</u>
5.1	These carry profit rates ranging from 4.00% to 6.10% (June 30, 2016: 4.00% to 6.40%)		
6. MUSHARAKA FINANCE			
Musharaka finance - considered good	6.1	-	-
- considered doubtful		<u>38,702,297</u>	<u>38,702,297</u>
		<u>38,702,297</u>	38,702,297
Less: Provision for non-performing musharaka arrangements		<u>(21,602,297)</u>	<u>(24,602,297)</u>
		<u>17,100,000</u>	<u>14,100,000</u>
6.1	The Modaraba has provided funds under musharaka arrangements on profit and loss sharing basis. As per agreement rate of profit was 17.50% per annum. Musharaka arrangements are secured against mortgage of property and personal guarantees.		
		December 31, 2016	June 30, 2016
		Un-audited	Audited
		-----Rupees-----	
7. MURABAHA FINANCE			
Murabaha receivables - considered good	7.1	190,046,108	267,366,147
-considered doubtful		<u>44,327,865</u>	<u>44,327,865</u>
		<u>234,373,973</u>	311,694,012
Less: provision for non-performing murabaha arrangements		<u>(44,327,865)</u>	<u>(44,327,865)</u>
		<u>190,046,108</u>	267,366,147
Murabaha finance- due after one year		<u>(12,099,930)</u>	<u>(92,985,970)</u>
Current portion of murabaha finance		<u>177,946,178</u>	<u>174,380,177</u>
7.1	The Profit rates on these murabaha arrangements range from 12.50% to 20.00% (June 30, 2016: 12.50% to 20.00%). All murabaha arrangements are secured against mortgage of properties, personal guarantees and promissory notes.		
8. DIMINISHING MUSHARAKA			
Diminishing musharaka receivables - gross	8.1	279,659,662	374,819,656
Less: Unearned income		<u>39,106,573</u>	<u>58,736,944</u>
		<u>240,553,089</u>	316,082,712
Diminishing musharaka finance- due after one year		<u>(105,877,911)</u>	<u>(147,515,621)</u>
		<u>134,675,178</u>	<u>168,567,091</u>
8.1	The Profit rates on these diminishing musharaka arrangements range from 9.51% to 21% (June 30, 2016: 9.51% to 21%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.		
9. RECEIVABLE AGAINST SALE OF AGRICULTURE PRODUCE			
This represents the amount receivable from Pakistan Phutti International (Pvt.) Limited (Seller/service provider) against sale of agriculture produce.			

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



FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Note	December 31, 2016	June 30, 2016
	Unaudited	Audited
	-----Rupees-----	
10. IJARAH ASSETS	31,170,651	52,764,940
10.1 Details of addition / (disposals) during the period as follows:		
Addition to ijarah assets - (cost)		
- Equipments	-	-
- Plant and machinery	-	47,791,219
- Motor vehicles	2,267,500	7,572,000
	<u>2,267,500</u>	<u>55,363,219</u>
Disposal during the period - (cost)		
- Equipments	246,000	-
- Plant and machinery	-	2,752,000
- Motor vehicles	9,787,769	38,186,849
	<u>10,033,769</u>	<u>40,938,849</u>
11. FIXED ASSETS	14,276,099	15,887,663
11.1 Details of addition / (disposals) during the period as follows:		
Addition to fixed assets - (cost)		
- Office equipment	-	229,142
- Electrical equipment	-	1,185,773
- Furniture & fixture	-	1,890,236
- Computers	-	616,309
	<u>-</u>	<u>3,921,460</u>
12. REDEEMABLE CAPITAL		
Certificate of Musharaka	12.1 206,470,000	424,950,000
Long-term portion of deposits	(111,570,000)	(199,090,000)
	<u>94,900,000</u>	<u>225,860,000</u>
12.1 The estimate share of profit payable on certificate of musharaka ranges from 6.00% to 8.50% (June 30, 2016: 7.25% to 11.75%)		
13. LONG TERM BORROWING		
Due within one year	16,024,115	-
Due after one year	32,048,229	-
	<u>48,072,344</u>	<u>-</u>

The Modaraba has availed finance facility under Risk Participation Agreement from JS Bank Limited (Bank). As per terms of the agreement, bank participates in the facilities extended by the modaraba to various customers under musharaka and ijarah arrangement to the aggregate amount of Rs. 100 million. The facility is repayable in thirty six monthly instalments with markup at one month KIBOR plus 3.65% per annum. As per interim arrangement facility is secured by way of hypothecation ranking charge on all present and future assets of the modaraba and lien on the bank account maintained with JS Bank Ltd. Subsequently, charge shall be upgraded to a first exclusive charge over the specific leased/ musharaka assets.

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

December 31, 2016	June 30, 2016		December 31, 2016	June 30, 2016
Number of certificates			-----Rupees-----	
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	33,160,000	33,160,000
19,792,080	19,792,080	Modaraba Certificates of Rs. 10/- each issued at 50% discount as right certificates	197,920,800	197,920,800
<u>48,066,480</u>	<u>48,066,480</u>		<u>480,664,800</u>	<u>480,664,800</u>

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



FOR THE HALF YEAR ENDED 31 DECEMBER 2016

15. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2016

16. 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.

17. REVERSAL OF WORKER'S WELFARE FUND

The Finance Act 2008, introduced an amendment to the Worker's Welfare Fund Ordinance, 1971 (WWF Ordinance). Through these amendments Workers Welfare Fund (WWF) was payable @ 2% of the profit before taxation or taxable income whichever is higher. The legality of the above amendments were challenged in Sindh, Lahore and Peshawar High Courts. Due to variable judgments from the aforesaid Courts, the matter was forwarded to the Honorable Supreme Court of Pakistan. The Honorable Supreme Court has decided the matter on November 10, 2016, and Para 21 of its judgment states that the levy of WWF is in the nature of fee and the law could not be amended by a money bill and as such the amendments made in the year 2006 and 2008 are unlawful and ultravires to the Constitution. In terms of judgment by the Honorable Supreme Court of Pakistan, WWF under WWF Ordinance, is no more payable by the Modaraba and provision made against WWF up till June 30, 2014 is reversed during the period.

Subsequently the Sindh Assembly passed a bill on May 4, 2015 and notified Sindh Worker's Welfare Act 2014 on June 4, 2015. As per the said Act the applicability of the Sindh Workers Welfare Fund is effective from the financial year of the entities ended on or after December 31, 2013. Accordingly, provision has been made at the rate of 2% of profit before taxation or taxable income, whichever is higher, effective after June 30, 2014.

18. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise the modaraba management company [KASB Invest (Pvt.) Ltd], modaraba under common management (First Prudential Modaraba & First Pak Modaraba), directors and key management personal. Modaraba, in the normal course of business carries out transactions with these related parties at arm's length prices. Significant transactions with related parties are as follows:-

Relationship with Modaraba	Nature of Transactions	December 31, 2016	June 30, 2016
		Un-audited	Audited
		-----Rupees-----	
Balances with related parties			
Modaraba management company	Modaraba management fee payable	49,094	948,134
Modaraba management company	Issue of certificates at discount	98,946,390	98,946,390
Modaraba under common management	Receivable against reimbursement of expense:	2,564,811	-
Other associated companies			
KASB Corporation Limited	Rent payable	833,762	-
Other related parties			
Key management personnel	Certificate of Musharaka	350,000	2,700,000
Key management personnel	Accrued mark-up payable	13,772	41,527

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



FOR THE HALF YEAR ENDED 31 DECEMBER 2016

		Half Year Ended	
		December 31, 2016	December 31, 2015
		-----Rupees-----	
		----- (Un-audited) -----	
Expense/(Income) for the period			
Modaraba management company	Modaraba management fee	239,652	285,070
Modaraba under common management	Reimbursement of expenses	(4,560,467)	(3,134,390)
Other associated companies			
KASB Corporation Limited	Rent expense	1,080,000	900,000
KASB Funds Limited	Financial charges	-	593.150
Other related parties			
Key management personnel	Salaries and other benefits	1,925,000	2,302,580
Key management personnel	Financial charges	39,295	581,739
Payments/(Receipts) made during the period			
Modaraba management company	Modaraba management fee	982,633	1,115,475
Modaraba under common management	Reimbursement of expenses	(5,281,127)	(467,074)
Other associated companies			
KASB Corporation Limited	Rent expense	246,238	900,000
KASB Funds Limited	Financial charges	-	593.150
Other related parties			
Key management personnel	Salaries and other benefits	1,925,000	2,302,580
Key management personnel	Financial charges	66,010	581,739

19. GENERAL

19.1 Figures have been rounded off to the nearest Rupee.

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

20. DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue by Board of Directors of the Management Company on 28 February 2017.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director



www.jamapunji.pk








**Jama
Punji**
سرمایہ کاری سمجھداری کے ساتھ










**Be aware, Be alert,
Be safe**

Learn about investing at
www.jamapunji.pk

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices





HALF YEARLY REPORT DECEMBER 2016

Book Post

Under
Certificate
of
Posting

If undelivered please return to
KASB Modaraba

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