



KASB Modaraba

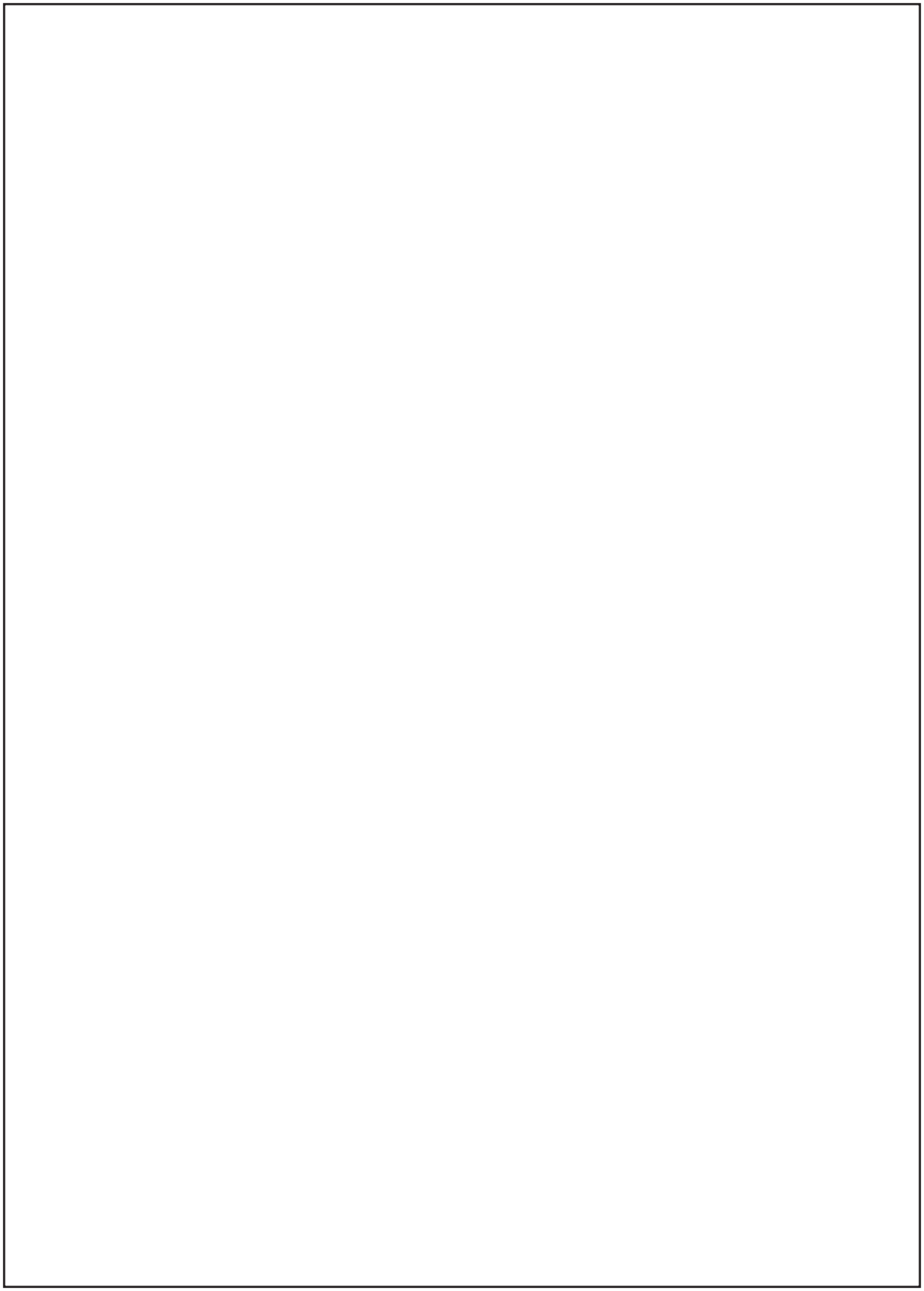
An Islamic Financial Institution



اسلامی مالیاتی ادارہ

HALF YEARLY REPORT DECEMBER 2017

صاف اور شفاف آمدنی،
سچا سکون ہمے...



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CORPORATE INFORMATION

Board of Directors

Farrukh S. Ansari
Muzaffar Ali Shah Bukhari
Amer Maqbool
Aftab Afroz Mahmoodi

Director
Director
Director
Chief Executive Officer

CFO & Company Secretary

Syed Shahid Owais

Head of Internal Audit

Zia-ul-Haq

Management Company

KASB Invest (Private) Limited

Auditors

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

Audit Committee

Farrukh S. Ansari
Muzaffar Ali Shah Bukhari
Amer Maqbool

Chairman
Member
Member

Human Resource and Remuneration Committee

Farrukh S. Ansari
Muzaffar Ali Shah Bukhari
Amer Maqbool
Aftab Afroz Mahmoodi

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

16-C, Bukhari Towers,
Main Khayaban-e-Bukhari Phase VI,
DHA, Karachi.
Telephone No.: 021-35171786-89

DHA Branch:

16-C, Bukhari Towers,
Main Khayaban-e-Bukhari Phase VI,
DHA, Karachi.
Telephone No.: 021-35171786-89

Lahore Branch:

Office # 105, first floor, Ashrafiya
Plaza main market
Gulburg-II Main Boulevard Lahore
Phone: 35790446, 35790447

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, 2017

FINANCIAL HIGHLIGHTS

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

BALANCE SHEET	December 31, 2017 Rs "000"	June 30, 2017 Rs "000"
Total Assets	521,970	599,707
Total Liabilities	146,685	208,251
Net Assets	375,285	391,456
PROFIT & LOSS ACCOUNT	July-December 31, 2017 Rs "000"	July-December 31, 2016 Rs "000"
Gross Income	35,492	71,319
Operating & Financial Charges	(37,314)	(68,995)
Provision against potential losses	(1,793)	-
Decrease in Market value of inventories held for sale under Murabaha arrangement	(9,191)	-
Management Company Fee	-	(208)
Net Profit / (Loss) for the period	(12,806)	2,084
Earning per Modaraba Certificate (Rupees)	(0.27)	0.04

OPERATIONS AND PERFORMANCE

The half year ended December 31, 2017 closed with net loss of Rs.12.81 million as compared to the net profit of Rs.2.08 million for the corresponding period last year. The loss is mainly due to the decrease in market value of the inventories held for sale under one of Murabaha arrangement. The decrease in market value has been accounted for in the financial statements to comply with the applicable Regulations & Standards on Murabaha Finance. However, management is optimistic about the improvement of commodity rates and realization of the exposure as per contractual agreement with the borrower. The operating & financial charges have been reduced as compared with the previous half year.

Another factor behind loss for the period is low level of new business as a consequence of limited liquidity available because of restriction on the mobilization of Certificates of Musharaka by the Securities and Exchange Commission of Pakistan (SECP). However, the management is in close coordination with the Commission and expects that the matter would be favorably considered by the SECP which would improve the liquidity.

The management is committed towards continuous improvement of the operating and financial performance of the Modaraba for its long term sustainability and to meet the expectations of the stakeholders especially the certificate holders

FUTURE PROSPECTS

We would keep our resources convergent towards low risk high yielding investment opportunities for better long ranging returns for the stakeholders.

In order to beef up liquidity, we are making efforts to arrange further funding lines of credit for new business.

BOARD OF DIRECTORS

Syed Waseem-ul-Haq Haqqie, Director, KASB Invest (Pvt) Limited resigned from the Board and Mr. Muzaffar Ali Shah Bukhari was co-opted as Director. Mr. Muzaffar Ali Shah Bukhari's nomination is subject to approval of Securities & Exchange Commission of Pakistan.

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 advice in future.

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

For and behalf of Board of Directors

Chief Executive Officer
Dated: 28, February 2018
Karachi.

ڈائریکٹر رپورٹ

کے۔ اے۔ ایس۔ بی انوسٹ (پرائیویٹ) لمیٹڈ، انتظامی کمپنی برائے فرسٹ پروڈینشل مضاربہ، کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ مضاربہ کی 31 دسمبر 2017 کو اختتام پذیر ہونی 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 2017	31 دسمبر 2017	بیلنس شیٹ
(000) روپے	(000) روپے	
599,707	521,970	کل اثاثہ جات
208,251	146,685	کل وجبات
391,456	375,285	خالص اثاثہ جات

31 دسمبر 2016	31 دسمبر 2017	نفع و نقصان کا حساب
(000) روپے	(000) روپے	
71,319	35,492	مجموعی آمدنی
(68,995)	(37,314)	انتظامی و مالیاتی اخراجات
-	(9,191)	مراہجہ کے تحت رکھی گئی انویٹنری میں تنزیل
-	(1,793)	سرمایہ کاری پر غیر ادا شدہ نفع نقصان
(208)	-	بینجسٹ کمپنی فیس
2,084	(12,806)	خالص منافع/نقصان برائے موجودہ مدت
0.04	(0.27)	فی حصہ آمدنی (روپے)

انتظامی کارکردگی

ششماہی برائے دسمبر 31، 2017 کا اختتام 12.81 ملین روپے کے نقصان کے ساتھ ہوا جب کہ سال گزشتہ کی مدت میں 2.08 ملین روپے منافع کے ساتھ تھا۔ اس نقصان کی بنیادی وجہ مراہجہ کے تحت ذخائر کی بازار میں مروجہ قیمتوں میں کمی تھی۔ بازار کی قیمتوں میں اس کمی کا احاطہ ان مالیاتی گوشواروں میں تمام مروجہ قواعد و ضوابط برائے مراہجہ کے تحت کیا گیا ہے۔

انتظامیہ پر امید ہے کہ اجناس کی قیمتوں میں بہتری اور مارجن کے تحت معاہدوں کی پاسداری کے ساتھ قرضہ کی ادائیگی انجام پائے گی۔ انتظامی اخراجات میں کچھلی مدت کے مقابلے میں کمی واقع ہوئی ہے۔ نقصان کی دوسری وجہ سکوریٹو اینڈ ایکسچینج کمیشن کی طرف سے عائد کردہ (COM) پر پابندی کے نتیجے میں دستیاب فنڈز کی کمی ہے جس کی وجہ سے نئے کاروباری اہداف حاصل نہیں کئے جاسکے۔ انتظامیہ اس سلسلے میں کمیشن کے ساتھ قریبی رابطے میں ہے اور ایس ای سی پی کی طرف سے مثبت جواب متوقع ہے جو سرمایہ کاری میں اضافے کا باعث ہوگا۔ انتظامیہ مالیاتی اور انتظامی کارکردگی میں بہتری کیلئے پُر عزم ہے۔ مضاربہ کا دیرپا استحکام تمام متعلقین بالخصوص حصص یافتگان کی امیدوں پر اترے گا۔

مستقبل کے امکانات

ہماری کاروباری حکمت عملی اور نظریہ مستحکم اور واضح ہے اور اس بات کا احاطہ کرتا ہے کہ دستیاب ذرائع کا استعمال تمام شرعی فنانسنگ میں کیا جائیگا زیر نظر گواشوارے کی مدت اختتام کے بعد انتظامیہ نے کئے ایس بی مضاربہ کے ساتھ مجوزہ انتظامیہ کی درخواست رجسٹرڈ مضاربہ کے پیش نظر رکھی ہے۔ ہمیں امید ہے کہ مشترکہ ذرائع حصص یافتگان کے لئے بہتر معاوضہ کا باعث بنیں گے۔

بورڈ آف ڈائریکٹرز

سید وسیم الحق حقی، ڈائریکٹر کے۔ اے۔ ایس۔ بی انوسٹ (پرائیوٹ) لمیٹڈ مستعفی ہوئے اور جناب مظفر علی شاہ بخاری کا چناؤ مجوزہ ڈائریکٹر کی حیثیت سے کیا گیا جو سکوریٹو اینڈ ایکسچینج کمیشن کی منظوری سے مشروط ہے۔

اعتراف

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



چیف ایگزیکٹو

کراچی

28 فروری 2018



AUDITORS' REPORT ON INTERIM FINANCIAL INFORMATION AS AT DECEMBER 31, 2017



RSM Avais Hyder Liaquat Nauman
Chartered Accountants
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Karachi, 75530 - Pakistan
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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, 2017, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at December 31, 2017 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, 2017 and December 31, 2016 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:

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, 2017

	Note	December 31,	June 30,
		2017	2017
ASSETS		Un-audited	Audited
		------(Rupees)-----	
Current assets			
Cash and bank balances	5	10,168,390	22,604,098
Modaraba finance	6	39,034,477	50,959,603
Musharaka finance	7	11,800,000	12,900,000
Current portion of long term murabaha finance- gross	8	124,360,666	136,607,391
Current portion of long term diminishing musharaka finance	9	88,273,826	108,016,846
Ijarah rentals receivable		520,947	562,271
Receivable against sale of Agricultural produce	10	18,200,140	18,200,140
Other assets	11	26,417,051	36,173,465
Advances, prepayments and other receivables		47,838,451	55,228,925
Property acquired in satisfaction of financing facility		47,082,936	47,082,936
		413,696,884	488,335,675
Non-current assets			
Long-term murabaha finance - gross	8	16,285,945	13,438,136
Long-term diminishing musharaka finance	9	41,072,025	45,192,049
Long-term deposits		772,300	685,300
Ijarah assets	12	33,528,331	32,493,132
Fixed assets	13	13,803,356	16,751,759
Capital work-in-progress		2,811,090	2,811,090
		108,273,047	111,371,466
TOTAL ASSETS		521,969,931	599,707,141
LIABILITIES			
Current liabilities			
Current portion of redeemable capital	14	53,685,000	73,105,000
Current portion of long term finance	15	25,133,451	25,133,451
Current portion of long term security deposits		6,273,275	9,712,299
Current portion of long term deferred murabaha income		610,051	2,025,184
Creditors, accrued and other liabilities		16,851,515	25,554,967
Unclaimed profit distribution		3,084,531	2,105,731
		105,637,823	137,636,632
Non-current liabilities			
Long-term portion of redeemable capital	14	5,200,000	27,100,000
Long-term finance		25,133,452	37,700,178
Long-term security deposits		5,529,199	560,675
Long-term portion of deferred murabaha income		-	499,930
Deferred liabilities - staff gratuity		5,184,131	4,753,720
		41,046,782	70,614,503
TOTAL LIABILITIES		146,684,605	208,251,135
NET ASSETS		375,285,326	391,456,006
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital			
Authorised:			
50,000,000 (June 30, 2017: 50,000,000) certificates of Rs. 10/- each	16	500,000,000	500,000,000
Issued, subscribed and paid-up capital		480,664,800	480,664,800
Discount on issuance of certificates		(98,960,400)	(98,960,400)
Statutory reserve		83,505,139	83,505,139
Accumulated loss		(89,924,213)	(73,753,533)
CONTINGENCIES AND COMMITMENTS	17	-	-
		375,285,326	391,456,006

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

HALF YEARLY REPORT DECEMBER 2017

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017



Note	Half year ended		Quarter ended	
	31 December		31 December	
	2017	2016	2017	2016
	-----Rupees-----		-----Rupees-----	
Income from:				
- leasing operations	7,930,780	24,750,121	3,942,799	10,796,300
- murabaha finance	5,222,523	14,021,831	2,585,224	6,114,810
- diminishing musharaka finance	10,900,318	24,026,039	5,306,663	11,152,363
- sukuk bonds	-	27,084	-	-
- bank deposits	531,499	1,164,564	241,499	572,594
	24,585,120	63,989,639	12,076,185	28,636,067
Financial charges	(5,689,247)	(13,003,354)	(2,668,372)	(4,940,254)
Murabaha, Musharaka, Modaraba finance - direct cost	(182,065)	(1,508,211)	(174,065)	(438,128)
Depreciation on assets under ijarah arrangements	(8,015,105)	(23,141,199)	(4,167,845)	(11,207,744)
	(13,886,417)	(37,652,764)	(7,010,282)	(16,586,126)
	10,698,703	26,336,875	5,065,903	12,049,941
Other income	10,906,685	3,514,561	3,390,195	935,653
Reversal of provision against doubtful receivables	-	3,000,000	-	3,000,000
Reversal of provision against worker's welfare fund	-	813,550	-	813,550
Provision against potential losses	(1,792,647)	-	(1,792,647)	-
Decrease in value of Inventories due to re-measurement (held for sale under morabaha arrangement)	(9,191,486)	-	(9,191,486)	-
morabaha arrangement				
Administrative and operating expenses	(23,427,281)	(31,300,149)	(10,934,087)	(16,229,522)
	(23,504,729)	(23,972,038)	(18,528,025)	(11,480,319)
	(12,806,026)	2,364,837	(13,462,122)	569,622
Modaraba management fee	-	(208,393)	57,806	(50,224)
Services sales tax	-	(31,259)	8,671	(7,534)
Provision for Workers' Welfare Fund	-	(41,679)	11,561	(10,045)
(Loss) / Profit before taxation	(12,806,026)	2,083,506	(13,384,084)	501,819
Taxation	-	-	-	-
Net (loss) / profit for the period	(12,806,026)	2,083,506	(13,384,084)	501,819
(Loss) / earning per certificate	(0.27)	0.04	(0.28)	0.01

The annexed notes 1 to 21 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 DECEMBER 31, 2017

	Half year ended 31 December		Quarter ended 31 December	
	2017	2016	2017	2016
	-----Rupees-----		-----Rupees-----	
Net (loss) / profit for the period	(12,806,026)	2,083,506	(13,384,084)	501,819
Total comprehensive (loss) / income for the period	<u>(12,806,026)</u>	<u>2,083,506</u>	<u>(13,384,084)</u>	<u>501,819</u>

The annexed notes 1 to 21 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 DECEMBER 31, 2017



	December 31, 2017	December 31, 2016
Note	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	(12,806,026)	2,083,506
Adjustments for non-cash charges and other items:		
Gain on disposal of Ijarah assets	-	(92,263)
Gain on disposal of fixed assets	(75,654)	-
Depreciation	9,600,409	24,683,389
Amortisation	138,750	69,375
Gratuity expense	672,000	1,266,835
Reversal of provision for Worker's Welfare Fund	-	(813,550)
Provision for Workers' Welfare Fund	-	41,679
Decrease in value of Inventories due to re-measurement (held for sale under morabaha arrangement)	9,191,486	-
Financial charges	5,689,247	13,003,354
	25,216,238	38,158,819
Decrease / (increase) in assets		
Musharaka finance	1,100,000	(3,000,000)
Murabaha finance	9,398,916	77,320,039
Modaraba finance	11,925,126	(214,068)
Other assets	564,928	-
Ijarah rentals receivable	41,324	(11,324,176)
Diminishing Musharaka	23,863,044	75,529,623
Advances, deposits, prepayments and other receivables	7,390,474	19,340,242
Long-term deposits	(87,000)	-
	54,196,812	157,651,660
Increase / (decrease) in liabilities		
Security deposits	1,529,500	454,375
Deferred murabaha income	(1,915,063)	(3,428,704)
Creditors, accrued and other liabilities	(8,703,448)	(14,598,435)
	(9,089,011)	(17,572,764)
Dividend paid	(2,385,854)	(3,559,355)
Staff Gratuity paid	(241,590)	(392,810)
Financial charges paid	(5,689,247)	(13,003,354)
	(8,316,691)	(16,955,519)
Net cash generated from operating activities	49,201,322	163,365,702
CASH FLOW FROM INVESTING ACTIVITIES		
Sales proceeds from disposal of Ijarah assets	2,149,696	812,852
Purchase of Ijarah Assets	(9,900,000)	(2,267,500)
Net cash used in investing activities	(7,750,304)	(1,454,648)
CASH FLOW FROM FINANCING ACTIVITIES		
Term financing	(12,566,726)	48,072,344
Deposits	(41,320,000)	(218,480,000)
Net cash used in financing activities	(53,886,726)	(170,407,656)
Net decrease in cash and cash equivalents	(12,435,708)	(8,496,602)
Cash and cash equivalents at the beginning of the period	22,604,098	48,704,707
Cash and cash equivalents at the end of the period	10,168,390	40,208,105

The annexed notes 1 to 21 form an integral part of these 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 DECEMBER 31, 2017

	Certificate Capital	Discount on Issuance of certificates	Statutory Reserve*	Accumulated Loss	Total
Rupees					
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 ended December 31, 2016	-	-	-	2,083,506	2,083,506
Profit distribution for the year ended June 30, 2016 @ Re 0.08 per certificate	-	-	-	(3,845,318)	(3,845,318)
Other Comprehensive income	-	-	-	-	-
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>
Balance as at July 01, 2017 (Audited)	480,664,800	(98,960,400)	83,505,139	(73,753,533)	391,456,006
Net (loss) for the period ended December 31, 2017	-	-	-	(12,806,026)	(12,806,026)
Profit distribution for the year ended June 30, 2017 @ Re .06 per certificate	-	-	-	(3,364,654)	(3,364,654)
Transfer to statutory reserve	-	-	-	-	-
Balance as at December 31, 2017 (Unaudited)	<u>480,664,800</u>	<u>(98,960,400)</u>	<u>83,505,139</u>	<u>(89,924,213)</u>	<u>375,285,326</u>

* Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modaraba issued by SECP.
The annexed notes 1 to 21 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 DECEMBER 31, 2017

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 16-C, Main Khayaban-e-Bukhari, Phase VI, DHA, 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 .

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, 2017 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, 2017 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, 2017 has been extracted from the annual audited financial statements of the Modaraba for the year ended June 30, 2017 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, 2016 have been extracted from the condensed interim financial statements for the half year ended December 31, 2016 which were subjected to a review but not audited.

3 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.

4 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, 2017.

	December 31, 2017	June 30, 2017
	Un-audited	Audited
Note	(Rupees)	
5 CASH AND BANK BALANCES		
Cash at bank in :		
- current accounts	3,509,268	4,235,654
- saving accounts	6,397,847	18,181,250
	9,907,115	22,416,904
Cash in hand	129,079	97,498
Stamp papers	132,196	89,696
	10,168,390	22,604,098

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



FOR THE HALF YEAR ENDED DECEMBER 31, 2017

5.1 These carry profit rates ranging from 4.00% to 6.10% (June 30, 2017: 4.00% to 6.10%)

6 MODARABA FINANCE - CONSIDERED GOOD

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. Modaraba arrangements are secured against pledge of stocks and personal guarantees.

7 MUSHARAKA FINANCE

Musharaka finance - considered good	27,402,297	28,502,297
Less: Provision for non-performing musharaka arrangements	(15,602,297)	(15,602,297)
	<u>11,800,000</u>	<u>12,900,000</u>

7.1 The Modaraba has provided funds under musharaka arrangements on profit and loss sharing basis. As per agreement rate of profit was 17.5 % per annum. Musharaka arrangements are secured against property mortgage and personal guarantees.

8 MURABAHA FINANCE

Murabaha finance - considered good and secured	140,646,611	150,045,527
- considered doubtful	44,327,865	44,327,865
	184,974,476	194,373,392
Less: provision for non-performing murabaha arrangements	(44,327,865)	(44,327,865)
	140,646,611	150,045,527
Murabaha finance- due after one year	(16,285,945)	(13,438,136)
Current portion of murabaha finance	124,360,666	136,607,391

8.1 The profit rates on these murabaha arrangements range from 12% to 20% (June 30, 2017: 12% to 20%). All murabaha arrangements are secured against hypothecation of assets, personal guarantees and Promissory notes.

9 DIMINISHING MUSHARAKA

Diminishing musharaka finance - gross	145,320,775	173,551,526
Less: Unearned income	(15,974,924)	(20,342,631)
	129,345,851	153,208,895
Diminishing musharaka finance- due after one year	(41,072,025)	(45,192,049)
Current portion of diminishing musharaka finance	88,273,826	108,016,846

9.1 The profit rates on these diminishing musharaka arrangements range from 13% to 21% (June 30, 2017: 9.51% to 21%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

10 RECEIVABLE AGAINST SALE OF AGRICULTURE PRODUCE

During financial year 2016 KASB Modaraba (KASBM) & First Prudential Modaraba (FPrM) entered into a joint project for crushing of banola seed and sale of oil cake (Khal) in the market. M/s Pakistan Phutti International (Private) Limited (PPIPL) was engaged as seller & service provider responsible for sale of agriculture produce. Subsequently, natural cyclical shortage in productivity of cotton crop affected the availability of the banola seed and therefore the project was prudently discontinued by the management to safeguard the interest of the Modaraba. As per settlement agreement dated April 27, 2016, advance for purchase of banola seed was converted into ijarah finance (secured) leaving a balance of Rs. 18.2 million receivable against sale of agriculture produce. Receivable amount is secured against Registered Mortgage on Property of service provider. After continuous default of receivables against sale of agriculture produce & Ijarah rentals, the management of Modaraba has filed criminal compliant & recovery suits against receivable of Ijarah Rentals in the Banking court, Karachi and a recovery suit against receivable of Agriculture Produce in Banking Court, Lahore. The PPIPL has also filed a banking suit along with stay application in the Banking Court Multan to avoid its financial obligations towards Modaraba.

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



FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	December 31, 2017	June 30, 2017
	Un-audited	Audited
	------(Rupees)-----	
11 OTHER ASSETS		
Opening	36,173,465	-
Addition	-	36,173,465
Deletion	(564,928)	-
Decrease in valued due to re measurement	(9,191,486)	-
Closing balance	<u>26,417,051</u>	<u>36,173,465</u>
11.1 This represents stock held for trading under spot morabaha arrangement.		
12 IJARAH ASSETS	<u>33,528,331</u>	<u>32,493,132</u>
12.1 Details of addition / (disposals) during the period as follows:		
Addition to ijarah assets		
- Motor vehicles	<u>9,900,000</u>	<u>2,267,500</u>
	<u>9,900,000</u>	<u>2,267,500</u>
Disposal during the period		
- Equipment	-	296,000
- Motor vehicles	<u>2,440,000</u>	<u>21,272,686</u>
	<u>2,440,000</u>	<u>21,568,686</u>
13 FIXED ASSETS	<u>13,803,356</u>	<u>16,751,759</u>
13.1 Details of addition / (disposals) during the period as follows:		
Addition to fixed assets		
- Electrical equipment	-	1,177,392
- Plant & Machinery	-	3,227,600
	-	<u>4,404,992</u>
14 REDEEMABLE CAPITAL		
Redeemable Capital	58,885,000	100,205,000
Long-term portion of redeemable capital	<u>(5,200,000)</u>	<u>(27,100,000)</u>
	<u>53,685,000</u>	<u>73,105,000</u>
14.1 The estimate share of profit payable on certificate of musharaka ranges from 6.00% to 8.50% (June 30, 2017: 6.00% to 8.50%)		
15 LONG TERM BORROWING		
Due within one year	25,133,451	25,133,451
Due after one year	<u>25,133,452</u>	<u>37,700,178</u>
	<u>50,266,903</u>	<u>62,833,629</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.

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



FOR THE HALF YEAR ENDED DECEMBER 31, 2017

16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

December 31, 2017	June 30, 2017		December 31, 2017	June 30, 2017
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>

17 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2017.

18 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.

19 TRANSACTIONS WITH RELATED PARTIES

Relationship with Modaraba	Nature of Transactions	December 31, 2017 Un-audited	June 30, 2017 Audited
		-----Rupees-----	
Balances with related parties			
Modaraba management company	Modaraba management fee payable	-	1,092,797
Modaraba management company	Issue of certificates at discount	98,946,390	98,946,390
Modaraba under common management	Receivable against reimbursement of expenses	3,702,647	1,125,666
Other Related Parties			
Key management personal	Redeemable capital	-	150,000
Key management personal	Accrued mark-up payable	-	340
(Income) / expense for the period			
Modaraba management company	Modaraba management fee	-	239,652
Modaraba under common management	Reimbursement of expenses	(2,652,481)	(4,560,467)
Other associated companies			
KASB Corporation	Rent expense	-	1,080,000

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



FOR THE HALF YEAR ENDED DECEMBER 31, 2017

		December 31, 2017	June 30, 2017
		Un-audited	Audited
		-----Rupees-----	
Other related parties			
Key management personnel	Salaries and other benefits	-	1,155,000
Key management personnel	Financial charges	-	27,087
Payments made during the period			
Modaraba management company	Modaraba management fee	298,857	-
Modaraba under common management	Reimbursement of expenses	-	-
Modaraba management company	Dividend paid	1,290,956	-
Other associated companies			
KASB Corporation	Rent expense	-	540,000
Other related parties			
Key management personnel	Salaries and other benefits	-	1,925,000
Key management personnel	Financial charges	-	39,295

20 GENERAL

20.1 Figures have been rounded off to the nearest Rupee.

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

21 DATE OF AUTHORIZATION

These condensed interim financial statements were authorized for issue by Board of Directors of the Management Company on February 28, 2018

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director



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