



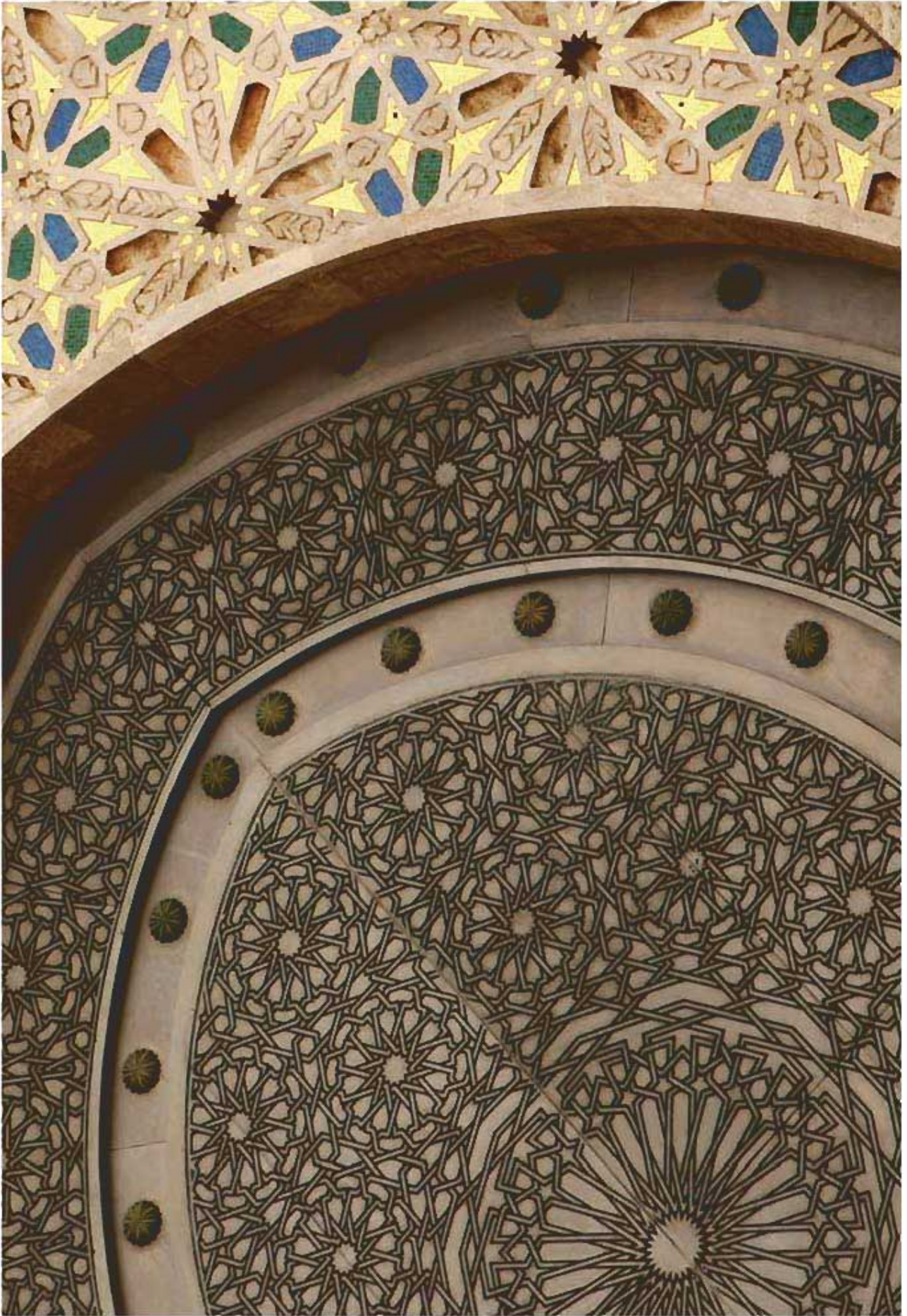
KASB Modaraba

An Islamic Financial Institution



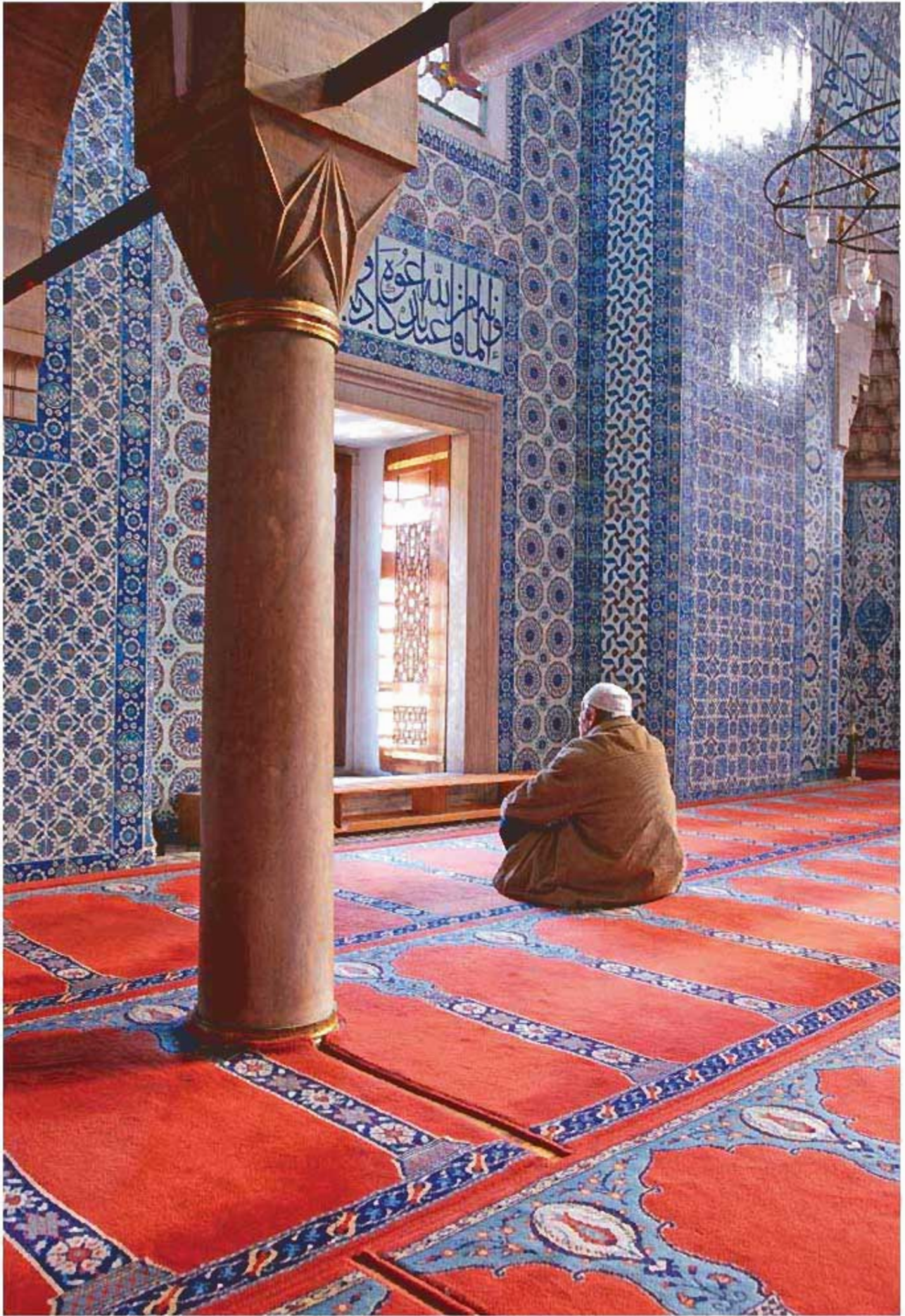
ANNUAL REPORT 2013

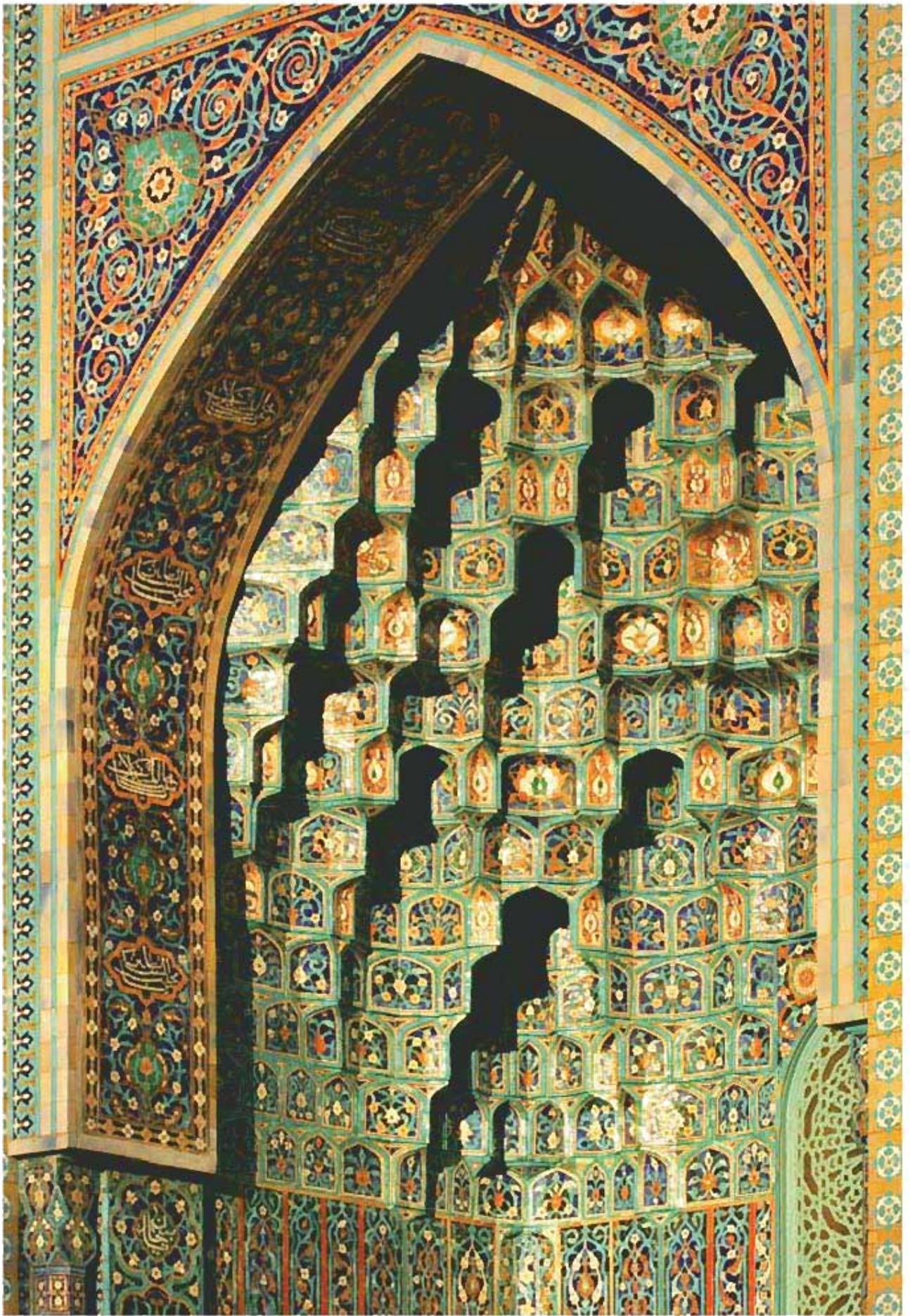
صاف اور شفاف آمدنی،
سچا سکون ہے...



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Social values of Islam provide the faithful with a large measure of spiritual peace and serenity, and this contentment can be reaped while pursuing business aspirations within the confines of Islamic law. We visualize creating an institution where society can seek a just and fair advantage from the richness of Islamic system of trade finance.





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CORPORATE INFORMATION

Board of Directors

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

Chairman
Chief Executive Officer
Director
Director

Company Secretary & Chief Financial Officer

Amir Iqbal

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 Wassem-ul-Haq Haqqie

Chairman
Member
Member

Human Resource and Remuneration Committee

Farrukh S. Ansari
Syed Wassem-ul-Haq Haqqie
Syed Muhammad Rahmanullah
Rashid K. Siddiqui

Chairman
Member
Member
Member

Bankers

KASB Bank Limited
Al-Baraka Islamic Bank
Burj Bank Limited
Meezan Bank
Summit Bank Limited
Bank Al-Falah Limited
Silk Bank Limited

Registered Office

80-C, 13th Commercial Street,
D.H.A. Phase II Extension
Karachi.
Telephone: 021-35313939-43

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

Ghulam Ali & Co.
Ahmed & Qazi

Shariah Advisor

Mufti Abdul Sattar Laghari

Branch Offices

Gulshan-e-Iqbal Branch - I

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

Gulshan-e-Iqbal Branch - II

B-9, Allama Shabbir Ahmed Usmani Road
Gulshan-e-Iqbal, Block I
Opposite Shaheen Public School
Karachi
Phone No.: 021-34983034-35
Fax No. : 021-34965081

D.H.A. Branch

80-C, 24th Commercial Street,
D.H.A. Phase II Extension
Karachi.
Telephone: 021-35313939-43

Web Address

www.kasbmodaraba.com

E-mail

info.modaraba@kasb.com

The Board of Directors of KASB Invest (Private) Limited, the Management Company of KASB Modaraba (the Modaraba) is pleased to present the twenty second annual report together with the audited financial statements of Modaraba for the year ended June 30, 2013 to the Certificate Holders.

FINANCIAL HIGHLIGHTS

The operating results are summarized as under:

Description	June 2013 Rupees	June 2012 Rupees
Income from Leasing / Ijarah Operations	8,091,080	9,570,588
Profit on Musharaka Finance	8,528,486	11,225,165
Profit on Murabaha Finance	86,659,677	96,843,874
Profit on Modaraba Finance	10,181,900	11,150,745
Profit on Diminishing Musharaka Finance	83,571,758	58,340,551
Profit on Bank Deposit	7,968,245	6,647,709
Profit on Investments	1,132,762	3,974,861
Other Income	4,773,134	7,263,552
Total Income	210,907,042	205,017,045
Total Expenses	(188,102,881)	(159,819,812)
Allowance for potential Murabaha & Musharaka losses	(68,930,162)	-
Modaraba Company Management Fee	-	(4,519,723)
Net (Loss)/Profit	(46,126,001)	40,677,510
Earning per Certificate	(1.63)	1.44
Total Assets	1,516,092,083	1,636,965,983
Total Liabilities	1,250,374,895	1,306,744,433
Net Equity	265,717,188	330,221,549



OPERATIONS AND PERFORMANCE

Profitability:

During the year ended June 30, 2013, KASB Modaraba continued to adopt a steady approach towards business focusing on qualitative growth and Institutional strength. The Modaraba recorded net loss of Rs. 46.12 million with a Loss per Certificate of Rs. 1.63. This was majorly due to the provisioning of allowance for potential Murabaha & Musharaka losses.

The gross income of the Modaraba increased from Rs. 205.017 million in 2012 to Rs. 210.907 million in the year ended June 2013, showing an increase of approximately 1.03 times. This shows a steady year in terms of total income and reflects the capacity of the Modaraba to sustain business and create a dependable revenue stream despite adverse market situation. The total expenditure increased by Rs 97.21 million in 2012-13. This increase is mainly due to increase in financial charges and provision for losses on murabaha & musharaka finance.

The steady sustainability in total income was made possible by adopting a proactive business policy that spontaneously met market needs for Islamic products. Our resources have been prudently spread over a wide array of Islamic assets which reveal our thrust for innovation and our aspirations to genuinely serve a craving Islamic market.

The balance sheet standing of the Modaraba in terms of total assets has reduced by 7.38 %, from Rs. 1,636.96 million in 2012 to Rs. 1,516.09 million in 2013 due to maturities of various finance facilities and provision of losses on murabaha & musharaka finance during the year.

The total liabilities has also reduced by 4.31 % from Rs. 1,306.744 million in 2012 to Rs. 1,250.37 million in 2013.

Type of Financing	2013	2012
	Rs	Rs
Murabaha Finance	627,204,878	807,764,601
Modaraba Finance	83,696,118	77,455,748
Musharaka Finance	98,161,363	82,207,511
Diminishing Musharaka Finance	424,230,843	470,812,921
Finance Lease	317,882	1,541,889
Ijarah Assets	47,368,313	66,459,510

YEAR AT A GLANCE

Despite numerous challenges, like sharp increase in fuel and commodity prices, recessionary trend globally, massive energy shortages and non-availability of liquidity for fresh business, KASB Modaraba has shown steady and sustainable approach in major areas of Islamic Finance during the year 2012-13. The management is continuously devoting its best efforts for achieving better results.

FUTURE PROSPECTS

Our business strategy & approach is sound. We are confident that our Modaraba has all the potential and capabilities to recover the losses and maintain steady growth. We intend to increase the portfolio of Certificate of Musharaka by expanding the base of individual investors to ensure the stable liquidity position of the Modaraba.



DIRECTORS' REPORT



CREDIT RATING

JCR-VIS has reaffirmed the long term entity rating to BBB+ and short term entity rating of A2 with a "stable" outlook to the Modaraba.

CORPORATE AND FINANCIAL REPORTING

The Board of Directors is fully aware of its duties and responsibilities under Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan. The following statements demonstrate the Board's philosophy and commitment towards maintaining high standards of Corporate Governance:

- The financial statements prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IASs) as applicable in Pakistan have been followed in preparation of Financial Statements and any departure there from has been adequately disclosed.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- The Modaraba is financially sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The Modaraba operates an unapproved unfunded gratuity scheme for its permanent employees, value of which is Rs.1, 114,697/- as at June 30, 2013.
- Key operating and financial data for the last six years in summarized form is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2013 except as disclosed in the financial statements.
- None of the directors of Modaraba, CEO, CFO, Company Secretary and their spouses and minor children has carried out trading of certificates of the Modaraba.
- During the year, four meetings of the Board of Directors were held. Attendance by each director is as follows:

Name of Directors	Number of Meetings Attended
Syed Waseem Haqqie	04
Syed M. Husaini	01
Mir Mujahid Ali Khan	04
S. M. Rehmanullah	04
Abid Aziz Merchant	02

- The pattern of holding of Certificates by the Certificate-holders is included in this annual report.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing regulations relevant for the year ended June 30, 2013 have been adopted by the Modaraba and have been duly complied with. A statement to this effect is annexed with the report.



HUMAN RESOURCES

The Board is confident that the management and employees of your Modaraba will continue to work with the integrity and zeal that has been their hallmark, and your Modaraba shall Insha'Allah continue to prosper. Investment in Human Resources is the cornerstone of our policy.

DIVIDEND

There was no dividend due to loss incurred during the year July 2012 to June 2013.

AUDITORS

On the recommendation of the Audit Committee, the Board has approved the re-appointment of the present auditors Messrs. Ernst and Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as auditors for the year ending June 30, 2014, subject to approval by the Registrar of Modaraba Companies and Modaraba.

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**

Syed Waseem-ul-Haq Haqqie
Chairman
Dated: 07th October, 2013
Karachi

KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE



	2013	2012	2011	2010	2009	2008
	----- Rupees in Thousand -----					
Total Assets	1,516,092	1,638,965	1,113,872	953,867	450,397	233,723
Musharika Finance	98,161	82,207	42,798	83,634	39,594	24,968
Murabaha Finance	627,204	807,764	480,436	362,561	70,777	20,231
Modaraba Finance	83,696	77,455	75,630	154,440	20,774	-
Diminishing Musharaka	424,230	470,812	279,101	131,600	-	-
Ijarah Assets	47,368	66,459	56,235	65,997	55,337	-
Investment in Lease	1,110	1,541	7,329	45,002	97,718	146,916
Equity	265,717	330,221	307,640	274,753	258,322	62,674
Current Assets	1,175,724	1,164,791	769,492	762,536	309,109	126,254
Current Liabilities	1,187,542	1,189,717	633,387	665,904	166,594	81,526
Income	210,906	205,017	167,843	89,730	42,948	11,688
Taxation	-	-	-	-	-	(650)
Profit/(Loss) after Tax	(46,126)	40,678	40,139	17,096	16,023	(8,078)
Dividend (Rs.)	-	0.65	0.64	0.28	-	-
EPS (Rs.)	(1.63)	1.44	1.42	0.60	0.65	(1.10)

KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE

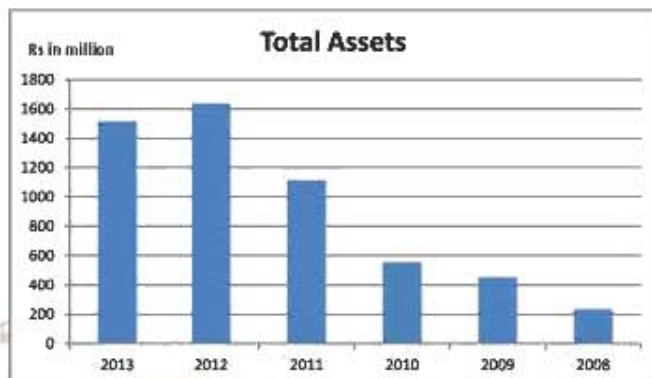


Table showing comparison of total assets for last six years

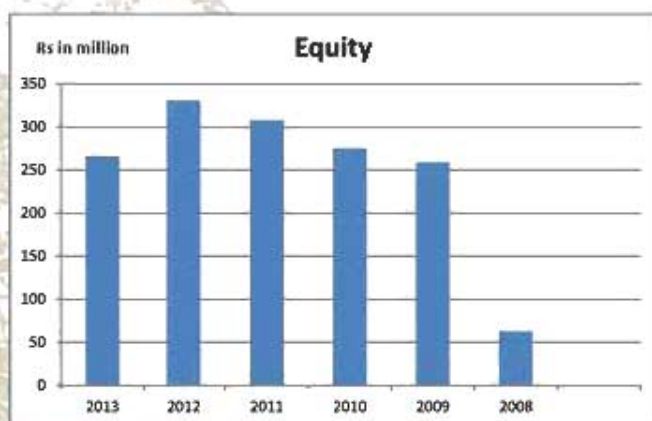


Table showing movement in equity for last six years

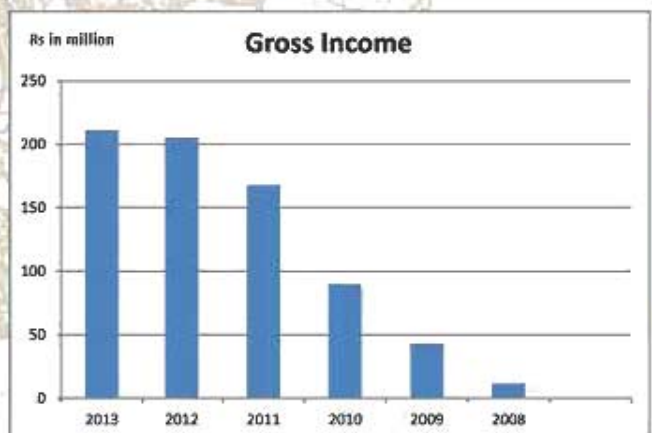


Table showing movement in total income for last six years

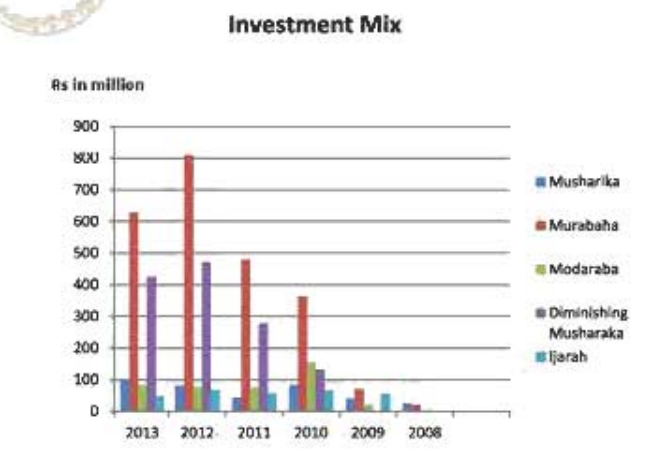


Table showing change in investment mix for last six years



This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. XI of listing regulations of Karachi and Lahore Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Regardless of the fact that KASB Invest (Private) Limited, the management company of the KASB Modaraba (the Modaraba), is a Private Limited Company, the Board of Directors of management company are pleased to confirm that the Code of Corporate Governance is being complied with in all material respects. Modaraba Management Company (hereafter referred as Company) has applied the principles contained in the Code in the following manner.

1. The company encourages effective representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present the board includes:

Category	Names
Independent Directors	Farrukh S. Ansari
Executive Directors	Rashid K. Siddiqui
Non-Executive Directors	Syed Waseem-ul-Haq Haqqie
Non-Executive Directors	Syed Muhammad Rehmanullah

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies, where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year casual vacancy occurred on the Board and was duly filled by the Board.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. No training program has been conducted by the management company for its directors during the year. The Company will arrange a training program for its directors during next year.
10. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
11. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the board.
12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting requirements of the CCG.
14. The Board has formed an Audit Committee. It comprises of three members, of whom are all non-executive directors and the chairman of the committee is an independent director.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.



16. The Board has formed an HR and Remuneration Committee. It comprises of three members, two of whom are non-executive directors and the chairman of the committee is a non-executive director.
17. The Board has outsourced the internal audit function to M/s. Rehman Serfaraz Rahim Iqbal Rafique, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
18. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the ICAP, they or any of the partners of the firm, their spouses and minor children do not hold shares of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange(s).
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board

Syed Waseem-ul-Haq Haqqie
Chairman
Karachi
Date: 07th October, 2013

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

All praise is due to ALLAH, the Cherisher of the world
Peace and Blessings be upon the Prophet of ALLAH, on his family and all his companions, and
on those who follow him with iman till the day of Akhirah

Shariah Advisor's Report

Alhamdulillah, I have conducted the Shariah audit & review of KASB Modaraba management by KASB Invest (Private) Limited, Modaraba Management Company for the year ended June 30, 2013, in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Maodarabas and report that except the observations as reported hereunder, in my opinion;

- i. KASB Modaraba is in process to introduce a mechanism which may strengthen the Shariah compliance, in letter and spirit to a better extent. The systems, procedures and policies adopted by the KASB Modaraba during the period, most of these are in line with guidelines issued by SECP.
- ii. The agreement(s) entered into by the KASB Modaraba are approved by religious board of SECP and the financing agreements have been executed on these formats and it has been tried to meet all the related conditions.
- iii. KASB Modaraba is doing business mainly in area of Murabaha, Ijarah, Diminishing Musharak. KASB Modaraba is also doing Musharakh and Modaraba on finance side which is no doubt a unique effort in the industry.
- iv. KASB Modaraba raises its funds through approved scheme of Certificate of Musharakah. The existing portfolio of COM is Rs. 1,151,725,000. The Profit sharing weightages / ratios, profits distribution relating to Certificate of Musharakah (COM) are announced on quarterly basis and a practice paying HIBA is also a part of profit payments.

Mufti Abdul Sattar Laghari
Shariah Advisor
KASB Modaraba



Any Payment received over and above due payments due to delay:

1. KASB Modaraba has collected and credited to charity account Rs. 480,938 during the period.

Observations:

1. KASB Modaraba maintains a current account in KASB Bank for the purpose of remittances.
2. The mechanism of allocation of weightages / profit rates needs further better development in addition with the IT system / module being used for it.
3. KASB Modaraba has its portfolio of assets insured through commercial insurance companies. However it is being shifted towards Takaful.
4. The senior management and staff of KASB Modaraba cooperates in observing Shariah compliance with its true spirit.

Recommendation:

In my opinion and best of my knowledge and information provided by KASB Modaraba management with relevant explanation, I am of the view that there is a need of more efforts to strengthen Shariah Compliance. However, the business operations of the Modaraba are in lines with Shariah Compliant.

And Allah Taala knows Better & Perfect.

Dated: October 2, 2013

Mufti Abdul Sattar Laghari
Shariah Advisor
KASB Modaraba

Signature
Mufti Abdul Sattar Laghari
Shariah Advisor



Ernst & Young Food Rhodes Sidel Hydar
Chartered Accountants
Progressive Plaza, Beaman Road
P.O. Box 15541, Karachi 75530
Pakistan

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e/yfrph.iri@pk.ey.com
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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2013 prepared by the Board of Directors of KASB Invest (Private) Limited (the Management Company) to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges, where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Modaraba. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Modaraba's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiry of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's Statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Modaraba to place before the Board of Directors of the Management Company for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee of the Management Company. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee of the Management Company. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Modaraba for the year ended 30 June 2013.

We draw your attention to clause 9 of the Statement, which states that no training program has been conducted by the Management Company for its directors during the year.

Our conclusion is not qualified in respect of the above matter.

E. E. Khan

Chartered Accountants

Date: 7 October 2013

Karachi



Ernst & Young Ford Rhodes Siddiqi Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P. O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
eyfrsh.kh@pk.ey.com
ey.com/uk

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of KASB Modaraba (the Modaraba) as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements'), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Management Company's [KASB Invest (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) In our opinion, proper books of accounts have been kept by the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion :
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 to the financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2013 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

E. Arslan

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 7 October 2013

Karachi

BALANCE SHEET

AS AT 30 JUNE 2013



	Note	2013	2012
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances	7	175,151,750	66,987,448
Short-term investments	8	15,515,756	15,879,244
Short term murabaha finance	9	83,896,118	77,455,748
Short term musharaka finance	10	98,161,363	82,207,511
Current portion of long term murabaha finance - gross	11	552,998,416	657,720,964
Current portion of long term diminishing musharaka finance	12	221,674,597	235,716,615
Current portion of long term net investment in finance lease	13	205,033	890,675
Ijarah rentals receivable	14	3,048,215	3,817,801
Advances, prepayments and other receivables	15	15,402,596	13,550,348
Accrued profit	16	9,232,199	10,107,860
Advance tax	17	638,468	457,784
		1,175,724,511	1,164,791,998
Non-current assets			
Long-term investments	8	7,978,750	10,494,506
Long-term murabaha finance - gross	11	74,206,462	150,043,637
Long-term diminishing musharaka finance	12	202,556,246	235,096,306
Long-term net investment in finance lease	13	317,882	651,214
Long-term deposits		1,110,300	546,000
Ijarah assets	18	47,368,313	66,459,510
Fixed assets	19	6,829,619	8,882,812
		340,367,572	472,173,985
TOTAL ASSETS		1,516,092,083	1,636,965,983
LIABILITIES			
Current liabilities			
Short-term finances		-	229,477,558
Current portion of long term deposits	20	1,109,590,000	873,290,000
Current portion of long term security deposits	21	312,347	6,306,521
Current portion of long term deferred murabaha income	11	37,048,229	44,433,083
Creditors, accrued and other liabilities	22	38,941,015	35,151,201
Unclaimed profit distribution		1,651,044	1,059,459
		1,187,542,635	1,189,717,822
Non-current liabilities			
Long term deposits	20	42,135,000	72,940,000
Long term security deposits	21	8,671,431	7,752,281
Long-term deferred murabaha income	11	10,911,132	35,543,637
Deferred liabilities - staff gratuity	23	1,114,897	790,694
		62,832,260	117,026,612
TOTAL LIABILITIES		1,250,374,895	1,306,744,434
NET ASSETS		265,717,188	330,221,549
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital			
Authorised:			
50,000,000 (June 30, 2012: 50,000,000) certificates of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	24	282,744,000	282,744,000
Statutory reserve	25	60,894,008	60,894,008
Accumulated loss		(77,920,820)	(13,416,459)
CONTINGENCIES AND COMMITMENTS	26	265,717,188	330,221,549

The annexed notes 1 to 40 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2012



	Note	2013 <u>(Rupees)</u>	2012 <u>(Rupees)</u>
Income from:			
- leasing operations	27	8,091,080	9,570,588
- musharaka finance		8,528,486	11,225,165
- murabaha finance		86,659,677	96,843,874
- modaraba finance		10,181,900	11,150,745
- diminishing musharaka finance		83,571,758	58,340,551
- sukuk bonds		1,372,536	2,411,350
- bank deposits		7,968,245	6,647,709
(Loss) / gain on sale of investments - net	28	(239,774)	1,483,511
Reversal of musharaka & ijarah losses		-	80,000
		<u>206,133,908</u>	<u>197,753,493</u>
Financial charges	29	<u>(133,203,744)</u>	<u>(118,306,332)</u>
		72,930,164	79,447,161
Other income	30	4,773,134	7,283,552
Administrative and operating expenses	31	(54,899,137)	(41,513,480)
Provision for doubtful murabaha & musharaka finance		(68,930,162)	-
		<u>(46,126,001)</u>	<u>45,197,233</u>
Modaraba management company's fee	32	-	(4,519,723)
		<u>(46,126,001)</u>	<u>40,677,510</u>
(Loss) / profit before taxation			
Taxation	17	-	-
Net (loss) / profit for the year		<u>(46,126,001)</u>	<u>40,677,510</u>
(Loss) / earnings per certificate - basic and diluted	33	<u>(1.63)</u>	<u>1.44</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

STATEMENT OF COMPREHENSIVE INCOME

AS AT 30 JUNE 2013



	2013	2012
	----- (Rupees) -----	
Net (loss) / profit for the year	(46,126,001)	40,677,510
Other comprehensive income		
Item to be reclassified to profit and loss account in subsequent periods:		
Unrealised (loss) / gain on remeasurement of investments classified as 'available for sale'	(239,774)	868,238
Reclassification to profit and loss account upon disposal of investments	239,774	(868,238)
Total comprehensive (loss) / income for the year	<u>(46,126,001)</u>	<u>40,677,510</u>

The annexed notes 1 to 40 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013



	2013	2012
	Rupees	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss / (profit) before taxation	(46,126,001)	40,677,510
Adjustments for non-cash charges and other items:		
Dividend income	-	(400,000)
Loss / (gain) on sale of investments - net	239,774	(1,483,511)
(Gain) / loss on disposal of fixed assets - net	(261,614)	11,000
Gain on disposal of Ijarah assets	(16,749)	(183,133)
Deferred income	-	(47,856)
Depreciation	22,639,812	27,355,755
Amortisation	116,784	348,648
Provision for Workers' Welfare Fund	-	829,605
Provision for gratuity	624,509	249,512
Financial charges	133,203,744	118,306,332
Write-off	1,705,895	-
	112,126,154	185,663,862
(Increase) / decrease in assets		
Net investment in finance lease	1,018,974	5,787,194
Musharaka finance	(15,953,852)	(39,409,597)
Murabaha finance	180,559,723	(327,328,571)
Modaraba finance	(6,240,370)	(1,825,463)
Diminishing musharaka finance	46,582,078	(191,712,282)
Ijarah rentals receivable	769,586	(659,825)
Advances, prepayments and other receivables	(3,558,143)	(7,515,032)
Accrued profit	875,660	(1,335,940)
Stores	-	117,338
Long-term deposits	(564,300)	(18,000)
	203,489,356	(563,900,178)
Increase / (decrease) in liabilities		
Security deposits	(5,075,024)	1,798,876
Deferred murabaha income	(32,017,359)	34,796,198
Creditors, accrued and other liabilities	4,864,892	(844,443)
	(32,227,491)	35,750,631
Dividend paid	(17,786,775)	(17,743,035)
Taxes paid	(180,684)	(152,888)
Financial charges paid	(134,278,874)	(112,102,788)
Workers' Welfare Fund paid	-	(95,847)
Staff gratuity paid	(300,506)	-
	(152,546,839)	(130,094,558)
Net cash generated from / (used in) operating activities	130,841,180	(472,580,243)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,946,809)	(1,346,296)
Sales proceeds from disposal of fixed assets	2,669,712	704,940
Purchase of Ijarah assets	(8,320,323)	(39,201,844)
Sales proceeds from disposal of Ijarah assets	6,263,577	3,897,255
Dividends received	-	400,000
Sale of investments - net	2,639,523	7,452,011
Net cash generated from / (used in) investing activities	1,305,680	(28,093,934)
CASH FLOW FROM FINANCING ACTIVITIES		
Short-term musharaka finance	(229,477,558)	167,622,977
Deposit	205,495,000	290,210,000
Net cash (used in) / generated from financing activities	(23,982,558)	457,832,977
Net increase / (decrease) in cash and cash equivalents	108,164,302	(42,841,200)
Cash and cash equivalents at the beginning of the year	66,987,448	109,828,648
Cash and cash equivalents at the end of the year	175,151,750	66,987,448

The annexed notes 1 to 40 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

ANNUAL REPORT 2013

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013



	Certificate capital	Statutory reserve	Accumulated loss	Total
	(Rupees)			
Balance as at 30 June 2011	282,744,000	40,555,253	(15,859,598)	307,639,655
Profit distribution for the year ended - 30 June 2011	-	-	(18,095,616)	(18,095,616)
Total comprehensive income for the year ended 30 June 2012	-	-	40,677,510	40,677,510
Transfer to statutory reserve	-	20,338,755	(20,338,755)	-
Balance as at 30 June 2012	282,744,000	60,894,008	(13,416,459)	330,221,549
Profit distribution for the year ended - 30 June 2012	-	-	(18,378,360)	(18,378,360)
Total comprehensive loss for the year ended 30 June 2013	-	-	(46,126,001)	(46,126,001)
Balance as at 30 June 2013	282,744,000	60,894,008	(77,920,820)	265,717,188

The annexed notes 1 to 40 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



1. LEGAL STATUS AND NATURE OF BUSINESS

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 80-C, 13th Commercial Street, DHA Phase-II, Extension, Karachi. The Management Company is a subsidiary of KASB Bank Limited (KBL). KBL holds 3,985,000 shares out of total issued capital of 4,150,000 shares of the Management Company.

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

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, 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.

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 currency and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

4.1 New and amended standards and interpretations

The Modaraba has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year.

IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements of the Modaraba.

4.2 Cash and cash equivalents

These comprise cash in hand and balances with banks in current and deposit accounts.

4.3 Financial assets

4.3.1 Classification

The Modaraba classifies its financial assets in accordance with the requirements of IAS 39 - Financial Instruments: Recognition and Measurement as 'fair value through profit or loss', 'loans and receivables', 'held to maturity' and 'available-for-sale'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



At fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices are classified under 'financial assets at fair value through profit or loss' category.

Loans and receivables

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market.

Held to maturity

These are financial assets with fixed or determinable payments and fixed maturity which the Modaraba has positive intent and ability to hold till maturity.

Available-for-sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available-for-sale'. Available-for-sale financial instruments are those non-derivative financial assets that are not classified as held to maturity and financial assets at fair value through profit or loss.

4.3.2 Initial recognition and measurement

Financial assets are initially measured at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially measured at fair value and transaction costs associated with these financial assets are taken directly to the profit and loss account.

4.3.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

'Financial asset at fair value through profit or loss' and 'available-for-sale'

The investment in listed equity securities are marked to market using the closing market rates and are carried on the balance sheet at fair value.

Gains and losses arising from the difference between the carrying amount and the value determined in accordance with the criteria mentioned above in respect of financial assets at fair value through profit or loss are taken to the profit and loss account.

Net gains and losses arising from the excess of value determined in accordance with the above mentioned criteria over the carrying amount in respect of 'available for sale' financial assets are recognised in other comprehensive income until the 'available-for-sale' investment is derecognised. At this time, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the profit and loss account.

'Loans and receivables' and 'held to maturity'

Loans and receivables and held to maturity financial assets are carried at amortised cost.

4.3.4 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Modaraba commits to purchase or sell the assets.

4.3.5 Impairment

The management assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired.

i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, provision for impairment is made at each reporting date in accordance with the requirements of Prudential Regulations for Modaraba issued by the SECP.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



ii) Financial assets classified as 'available-for-sale'

In the case of equity securities classified as 'available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for 'available-for-sale' financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from comprehensive income and recognised in the profit and loss account. Impairment losses recognised on equity instruments are not reversed through profit and loss.

4.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Mudaraba has transferred substantially all the risks and rewards of ownership.

4.4 Net Investment in Finance lease

Leasing transactions entered into by the Mudaraba prior to 1 July 2008 whereby assets are provided under leasing arrangements are included in the financial statements as "Net investment in finance lease" at an amount equal to the present value of the lease payments, including estimated residual value. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the lease and is amortised over the term of the lease so as to produce a constant rate of return on net investment in lease. Allowance for non-performing leases are made in accordance with the Prudential Regulations for Mudarabas issued by SECP and is charged to the profit and loss account.

4.5 Receivable from terminated / matured contracts

These are stated net of impairment loss. Impairment loss is recognised for doubtful receivables on the basis of Prudential Regulations for Mudarabas issued by the SECP or based on the judgment of management, whichever is higher. Receivables that becomes irrecoverable are written off.

4.6 Ijarah rentals , murabaha finance, musharaka finance, diminishing musharaka finance and modaraba finance

Ijarah rentals receivables, murabaha finance, musharaka finance, diminishing musharaka finance and modaraba finance receivables are stated net of provisions and suspense income. Provision is recognised for non performing receivables in accordance with Prudential Regulations for Mudaraba. Receivables that becomes irrecoverable are written off.

4.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

4.8 Financial liabilities

All financial liabilities are recognised at the time when the Mudaraba becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.9 Fixed assets - Tangible

4.9.1 Owned assets

Assets are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Mudaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. Depreciation is charged on additions from the month the asset is available for use and on disposals up to the month preceding the month of disposal.

Repairs and maintenance are charged to income as and when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



4.9.2 Ijarah assets

Leased assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the lease period, which is considered to be the estimated useful life of the asset. In respect of additions and disposals during the year, depreciation is charged on monthly basis from the date of commencement of lease. While no depreciation is charged in the month of maturity / termination.

4.9.3 Gain or loss on disposal

Gains / losses on disposal of fixed assets / Ijarah assets are charged to the profit and loss account currently.

4.9.4 Impairment

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

4.9.5 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Modaraba and the cost of item can be measured reliably. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 19.2 to these financial statements after taking into account residual value, if any. The residual values, useful lives and amortisation method are reviewed and adjusted, as appropriate, at each balance sheet date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. These assets are not amortised as they are expected to have an indefinite life and are marketable.

Gain and loss on disposal of intangible assets, if any, are taken to the profit and loss account.

4.10 Loans, advances and other receivables

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. Balances considered bad and irrecoverable are written off when identified.

4.11 Earnings per certificate

The Modaraba presents basic and diluted earnings / loss per certificate for its certificate holders. Basic earnings / loss per certificate is calculated by dividing the profit or loss attributable to the certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year.

4.12 Taxation

The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders. In case of profit the Modaraba has decided to avail the tax exemption and hence no provisions made in these financial statements for current and deferred tax.

4.13 Creditors, accrued and other liabilities

These are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services.

4.14 Provisions

Provisions are recognised when the Modaraba has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



4.15 Staff retirement benefits

Unfunded gratuity scheme

The Modaraba operates an unfunded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. Annual provision is made on the basis of actuarial recommendations. The actuarial valuations are carried out using The Projected Unit Credit method. Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the higher of the present value of the Modaraba's gratuity obligation and the fair value of the Modaraba's assets are amortised over the expected average remaining working lives of the employees.

4.16 Revenue recognition

4.16.1 Finance Lease

The Modaraba follows the finance method for recognising income on Finance lease. Under this method the unearned income i.e. the excess of aggregate lease rentals (including residual value) over the net investment (cost of finance lease) outstanding is deferred and then amortised over the term of the lease, so as to produce a constant periodic rate of return on net investment in the lease. Documentation charges, front-end fee and other lease income are recognised as income on receipt basis.

4.16.2 Ijarah

Income on Ijarah is recognised on an accrual basis. In case of Ijarah arrangements with staggered rentals, the income is recognised on a straight line basis over the Ijarah term.

4.16.3 Musharaka Finance

Profit on Musharaka arrangements is recognised on the basis of the projected rate of profit. The effect of adjustments, if any, between actual rate and projected rate of profit is accounted for at the end of the transaction after determination of the actual rate.

4.16.4 Murabaha Finance

The Modaraba follows the finance method in recognising income on murabaha finance. Under this method the unearned income i.e. the excess of aggregate murabaha installments over the cost of the asset under murabaha facility is deferred and then amortised over the term of the murabaha, so as to produce a constant rate of return on murabaha finance. Documentation charges, front-end fee and other murabaha income are recognised as income on a receipt basis.

4.16.5 Modaraba Finance

Profit on modaraba finance is recognised on the basis of pre-agreed profit / loss sharing ratio when actual gain / loss on transaction is computed upon termination / completion of transaction.

4.16.6 Non-performing financing arrangements

Unrealised income in respect of non-performing financing arrangements is held in suspense account, where necessary, in accordance with the requirements of Prudential Regulations for Modarabas issued by the SECP.

4.16.7 Dividend Income

Dividend income is recognised when the Modaraba's right to receive the dividend is established.

4.17 Proposed profit distribution to modaraba certificate holders

Profit distribution to certificate holders is recognised as a liability in the period in which such distribution is announced.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of the Modaraba's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

The Modaraba reviews its loan portfolio of Ijarah, Musharaka and Murabaha financing to assess amount of non-performing contracts and provision required there against on a regular basis. The provision is made in accordance with the Prudential Regulations issued by the SECP. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Classification and valuation of investments (notes 4.3 and 8)
- ii) Provision for non-performing finance lease (notes 4.4 and 13.3)
- iii) Provision for non-performing finance arrangements (notes 4.6 and 10, 11)
- iv) Determining the residual values and useful lives of fixed assets (notes 4.9, 18 and 19)
- v) Accounting for staff retirement benefits (notes 4.14 and 23)

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 – Financial Instruments : Disclosures - (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 19 – Employee Benefits - (Amendment)	01 January 2013
IAS 32 – Offsetting Financial Assets & Financial Liabilities - (Amendment)	01 January 2014
IFRIC 20 – Stripping costs in the production phase of a Surface Mine	01 January 2013

The Modaraba expects that the adoption of the above revisions and amendments of the standards will not materially affect the Modaraba's financial statements in the period of initial application other than the amendments to IAS-19 'Employee Benefits'. Such amendments range from fundamental changes to simple clarifications and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

While the Modaraba is currently assessing the full impact of the above amendments which are effective from 1 January 2013 on the financial statements, it is expected that the adoption of the said amendments will result retrospective in change in the Modaraba's accounting policy related to recognition of actuarial gains and losses (refer to note 4.15 to the financial statements) to recognize actuarial gains and losses in total in other comprehensive income in the period in which they occur. The potential impact of the said changes on the financial position and performance for the year 2013 upon adoption of the standard in next year is estimated as under:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



	(Rupees)
Increase in accumulated loss as at 01 July 2012	404,804
Decrease in other comprehensive income	194,380
Decrease in loss for the year	96,865

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments Classification and Measurement	1 January 2015
IFRS 10 – Consolidated Financial Statements	1 January 2013
IFRS 11 – Joint Arrangements	1 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 – Fair Value Measurement	1 January 2013

7. CASH AND BANK BALANCES	Note	2013	2012
		----- (Rupees) -----	
Cash at bank in :			
- current accounts	7.1	2,631,407	1,065,580
- saving accounts	7.1 & 7.2	172,456,118	65,890,118
		<u>175,087,525</u>	<u>66,955,698</u>
Cash in hand		55,395	20,250
Stamp papers		8,830	11,500
		<u>175,151,750</u>	<u>66,987,448</u>

7.1 Balances with banks include an amount of Rs. 1.671 million (2012: Rs. 13.453 million) held with KASB Bank Limited, a related party.

7.2 The expected profit rates on these accounts range between 6.5% and 9.25% (2012: 6% and 11.00%).

8. INVESTMENTS

8.1 Short-term investments

Available-for-sale			
- Ordinary shares - unlisted	8.1.1	13,000,000	13,000,000
Held to maturity			
Current portion of Sukuk Bonds - unlisted	8.2	2,515,756	2,879,244
		<u>15,515,756</u>	<u>15,879,244</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



8.1.1 Ordinary shares - unlisted

Name of the Investee company	No. of shares	Cost per share	Carrying amount	
			2013	2012
(Fully paid ordinary shares of Rs.10 each)				
New Horizon Exploration & Production Limited (6.93%) (Related Party)	2,600,000	5	13,000,000	13,000,000

8.2 Sukuk bonds - unlisted

Name of investee company	Profit rate	Maturity	Carrying amount	
			2013	2012
(Sukuk bonds of Rs.5,000 each)				
Kohat Cement Company Limited	10.98% (3M KIBOR + 1.50%)	September 2016	1,515,756	3,020,000
Maple Leaf Cement Factory Limited - 1st issue	10.58% (3M KIBOR + 1.00%)	December 2018	8,978,750	9,978,750
Maple Leaf Cement Factory Limited - 2nd issue			-	375,000
Total Sukuk bonds			10,494,506	13,373,750
Less: Current portion of Sukuk Bonds			(2,515,756)	(2,879,244)
			7,978,750	10,494,506

9. 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.

	2013	2012
	(Rupees)	
10. MUSHARAKA FINANCE		
Musharaka finance - considered good	98,161,363	82,207,511
- considered doubtful	24,602,297	547,268
	122,763,660	82,754,779
Less: provision for non-performing musharaka arrangements	(24,602,297)	(547,268)
	98,161,363	82,207,511

10.1 The Modaraba has provided funds under musharaka arrangements on profit and loss sharing basis. Expected rate of profit ranges between 17.50% and 20% (2012: 6.00% and 20.00%) per annum. Musharaka arrangements are secured against property mortgage and personal guarantees.

11. MURABAHA FINANCE - considered good

Murabaha finance - considered good	627,204,878	807,764,601
- considered doubtful	44,327,865	-
	671,532,743	807,764,601
Less: provision for non-performing murabaha arrangements	(44,327,865)	-
	627,204,878	807,764,601
Murabaha finance - due after one year	(74,206,462)	(150,043,637)
Current portion of murabaha finance	552,998,416	657,720,964

11.1 Deferred murabaha income

Deferred murabaha income	47,959,361	79,976,720
Deferred murabaha income - due after one year	(10,911,132)	(35,543,637)
Current portion of deferred murabaha income	37,048,229	44,433,083

11.2 The profit rates on these murabaha arrangements range between 11.5% and 20.00%. (2012: 14.50% and 20.00%).

12. DIMINISHING MUSHARAKA FINANCE - considered good

Diminishing musharaka finance - gross	506,221,891	575,454,259
Unearned Income	(81,991,048)	(104,641,338)
	424,230,843	470,812,921
Diminishing musharaka due after one year	(202,556,246)	(235,096,306)
Current portion of diminishing musharaka	221,674,597	235,716,615

The profit rates on these diminishing musharaka arrangements range between 9.51% and 21.00%. (2012: 16.00% and 21.00%). Diminishing musharaka arrangements are secured by way of Modaraba's title over underlying assets and personal guarantees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



13. NET INVESTMENT IN FINANCE LEASE

Note	2013			2012		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	(Rupees)					
Minimum lease payments receivable	130,142	317,882	448,024	685,672	651,214	1,336,886
Residual value	253,700	-	253,700	410,049	-	410,049
	383,842	317,882	701,724	1,095,721	651,214	1,746,935
Unearned finance income	(184)	-	(184)	(20,493)	-	(20,493)
Suspended income	13.2 (4,013)	-	(4,013)	(2,283)	-	(2,283)
Allowance for non-performing leases	13.3 (174,612)	-	(174,612)	(182,270)	-	(182,270)
Present value of minimum lease payments	205,033	317,882	522,915	890,675	651,214	1,541,889

13.1 There are no lease contracts receivable over six years. The Modaraba's implicit rate of return on lease finance ranges between 14.28% and 18.39% per annum (2012: 12.99% and 15.95%). Finance lease arrangements are secured against leased assets and personal guarantees.

13.2 Suspended income

Note	2013	2012
	(Rupees)	
Balance at beginning of the year	2,283	72,287
Income suspended during the year	1,730	22,644
Reversals during the year	-	(92,648)
	4,013	2,283

13.3 Allowance for non-performing losses

Opening balance	182,270	202,694
Reversal during the year	(7,658)	(20,424)
Closing balance	174,612	182,270

13.3.1 As at 30 June 2013, leases with outstanding principal of Rs. 0.174 million (2012: Rs. 0.182 million) have been classified as non-performing as per the requirements of Prudential Regulations for Modarabas issued by the SECP.

14. IJARAH RENTAL RECEIVABLES

Ijarah rentals receivable - considered good	3,048,215	3,817,801
- considered doubtful	62,475	39,975
	3,110,690	3,857,776
Provision for non-performing ijarah receivables	(62,475)	(39,975)
	3,048,215	3,817,801

15. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to:		
- executives	15.1	809,052
- employees	15.1	1,560,308
Advances to suppliers		2,529,514
Prepayments		5,988,454
Others		4,515,268
		15,402,596
		13,550,348

15.1 Represents short term non mark-up bearing advances to executives and employees of the Modaraba, for domestic purposes.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



16. ACCRUED PROFIT

	(Rupees)	
Accrued profit on modaraba	4,623,563	1,641,099
Accrued profit on Sukuk Bonds	3,934,510	4,405,510
Accrued profit on bank deposits	21,728	10,006
Accrued profit on musharaka arrangements	652,398	4,051,246
	8,232,199	10,107,860

17. TAXATION

17.1 The income of the Modaraba is exempt from tax subject to the condition that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, required under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XOO of 1980) are distributed amongst the shareholders.

17.2 No provision for current and deferred taxation has been made in these financial statements in accordance with the accounting policy of the Modaraba as disclosed in note 4.12 to the financial statements.

18. IJARAH ASSETS

Equipment	409,064	633,627
Plant and machinery	24,221,542	39,010,802
Motor vehicles	22,737,707	26,815,061
	47,368,313	66,459,510

18.1 The following is a statement of Ijarah assets:

	2013									
	Cost			As at			Accumulated Depreciation			Book value
	As at 01 July 2012	Additions	Deletions	As at 30 June 2013	As at 01 July 2012	Charge for the year	As at 30 June 2013	As at 30 June 2013	Rate of depreciation %	
Equipment	1,232,900	224,700	(757,100)	700,500	599,273	269,794	(577,631)	291,436	409,064	20 - 66
Plant and machinery	82,743,430	49,223	(35,867,719)	46,924,934	43,732,828	10,858,529	(31,867,795)	22,703,392	24,221,542	14 - 33
Motor vehicles	46,721,775	8,046,400	(21,114,300)	33,653,875	19,906,694	10,936,369	(19,026,895)	10,916,168	22,737,707	20 - 50
	130,698,105	8,320,323	(57,739,119)	81,279,309	84,238,595	21,164,692	(51,492,291)	33,910,998	47,368,313	

	2012									
	Cost			As at			Accumulated Depreciation			Book value
	As at 01 July 2011	Additions	Deletions	As at 30 June 2012	As at 01 July 2011	Charge for the year	As at 30 June 2012	As at 30 June 2012	Rate of depreciation %	
Equipment	863,000	404,900	(35,000)	1,232,900	333,503	273,546	(7,776)	599,273	633,627	20 - 66
Plant and machinery	69,844,863	12,898,567	-	82,743,430	27,749,876	15,982,753	-	43,732,628	39,010,802	14 - 33
Motor vehicles	28,942,300	25,899,375	(8,118,900)	46,721,775	15,331,743	9,166,471	(4,591,520)	19,906,694	26,815,061	20 - 50
	99,650,163	39,201,842	(8,153,900)	130,698,105	43,415,121	25,422,770	(4,599,296)	64,238,596	66,459,510	

18.2 Disposal of Ijarah Assets

The following assets were disposed of during the year having carrying value of more than Rs 50,000:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
Plant & Machinery	9,248,298	8,323,468	924,830	924,830	-	As per Modaraba's policy	Hascomb Storage - Karachi
Plant & Machinery	5,000,000	4,500,000	500,000	500,000	-	do	Hascomb Storage - Karachi
Plant & Machinery	1,000,000	900,000	100,000	100,000	-	do	Pakland Corporation - Karachi
Plant & Machinery	300,000	66,672	233,328	233,328	-	do	Shahbaz Ahmed Butt - Karachi
Plant & Machinery	5,500,000	5,000,000	500,000	500,000	-	do	Mama Industries - Karachi
Plant & Machinery	7,800,000	7,020,000	780,000	780,000	-	do	Ahsaf packages - Karachi
Plant & Machinery	1,600,000	1,200,000	400,000	400,000	-	do	Fraction Material - Karachi
Plant & Machinery	5,419,421	4,877,479	541,942	541,942	-	do	Hascomb Storage - Karachi
Equipment	520,000	496,000	24,000	24,000	-	do	Nagori Milk Shop - Karachi
Vehicles	850,000	679,998	170,002	170,002	-	do	Mir Tamur Ali - Karachi
Vehicles	904,000	813,600	90,400	90,400	-	do	Ecopek Limited - Karachi
Vehicles	834,000	750,600	83,400	83,400	-	do	International Credit Information Ltd. - Karachi
Vehicles	734,000	660,600	73,400	73,400	-	do	International Credit Information Ltd. - Karachi
Vehicles	925,000	625,000	300,000	300,000	-	do	Ali Akhtar Ali - Karachi
Vehicles	380,000	280,000	100,000	100,000	-	do	Chouthary Ghulam Ali - Karachi
Vehicles	3,300,000	2,805,000	495,000	495,000	-	do	A.A. Joyland - Karachi
Vehicles	472,000	377,378	94,622	95,316	892	do	Imran Ghaffar - Karachi
Vehicles	12,690,000	12,055,500	634,500	634,500	-	do	Pak Limousine Services (Pvt.) Ltd. - Karachi
Vehicles	87,000	28,267	58,733	58,010	7,277	do	Nasir Karim An - Karachi
2013	57,633,719	51,459,560	6,174,159	6,182,128	7,968		

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
Motor vehicle	1,060,000	742,000	318,000	318,000	-	As per Modaraba's policy	Macheni Associates - Karachi
Motor vehicle	789,000	615,200	173,800	153,800	-	do	Mainitri Pakistan (Private) Limited
Motor vehicle	884,000	485,550	398,450	219,234	40,784	do	New Horizon Exploration & Production Limited - Karachi
Motor vehicle	2,500,000	2,062,500	437,500	556,607	119,107	do	Zubair Anwar Bawani - Karachi
Motor vehicle	1,743,500	549,213	1,194,287	1,353,800	159,513	do	JCR-VIS Credit Rating Company Limited - Karachi
Motor vehicle	1,200,000	13,432	1,186,568	1,196,234	9,666	do	Shabbir Ahmad Monajir - Karachi
2012	7,936,500	4,467,695	3,468,805	3,797,675	329,070		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



	Note	2013 (Rupees)	2012
19. FIXED ASSETS			
Tangible assets	19.1	6,209,810	8,796,219
Intangible assets	19.2	619,809	86,593
		<u>6,829,619</u>	<u>8,882,812</u>

19.1 Tangible Assets

	Cost			Accumulated Depreciation			Book value		Rate of depreciation %	
	As at 01 July 2012	Additions	Deletions	As at 30 June 2013	As at 01 July 2012	Charge for the year	As at 30 June 2013	As at 30 June 2013		
	(Rupees)									
Owned										
Furniture and fixtures	5,562,575	680,578	-	6,223,154	1,350,145	551,652	-	1,901,797	4,321,357	10
Office equipment	36,360	296,700	(15,000)	322,060	22,647	39,792	-	62,439	259,621	20
Electrical equipment	2,655,948	29,500	-	2,685,448	1,208,513	476,946	-	1,685,459	999,989	20
Motor vehicles	4,318,005	82,230	(4,222,161)	188,074	1,724,844	185,111	(1,846,583)	63,372	124,702	20
Computers and accessories	1,861,950	215,800	(94,200)	1,783,550	1,134,481	221,619	(76,680)	1,279,420	504,140	30
	<u>14,236,849</u>	<u>1,296,809</u>	<u>(4,331,361)</u>	<u>11,202,297</u>	<u>3,440,630</u>	<u>1,475,120</u>	<u>(1,823,263)</u>	<u>4,992,487</u>	<u>6,209,810</u>	
Owned										
Furniture and fixtures	4,829,652	732,923	-	5,562,575	873,833	476,312	-	1,350,145	4,212,430	10
Office equipment	24,200	14,160	-	38,360	20,885	2,062	-	22,647	15,713	20
Electrical equipment	2,256,186	382,283	(31,500)	2,655,948	773,325	442,748	(7,590)	1,208,513	1,447,436	20
Motor vehicles	5,118,005	-	(800,000)	4,318,005	1,057,108	775,736	(108,900)	1,724,844	2,593,181	20
Computers and accessories	1,500,010	181,950	-	1,681,960	896,354	236,127	-	1,134,481	527,479	30
	<u>13,767,053</u>	<u>1,301,296</u>	<u>(831,500)</u>	<u>14,236,849</u>	<u>3,623,205</u>	<u>1,832,985</u>	<u>(115,590)</u>	<u>5,440,630</u>	<u>8,796,219</u>	

19.1.1 Disposal of tangible assets

The following assets were disposed off during the year having carrying value of more than Rs. 50,000/-:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	(Rupees)						
Motor vehicles	719,458	636,713	82,737	82,737	-	Negotiation	Faiqa Naz (Ex-CFO) - Karachi
Motor vehicles	1,306,680	772,205	1,134,475	1,134,475	-	Negotiation	Syed M. Hussain (Ex-CEO) - Karachi
Motor vehicles	1,581,465	421,886	1,139,889	1,410,000	270,131	Negotiation	Felch Motors - Karachi
2013	<u>4,187,599</u>	<u>1,830,514</u>	<u>2,357,081</u>	<u>2,627,212</u>	<u>270,131</u>		
Motor vehicles	800,000	108,000	692,000	681,000	(11,000)	Negotiation	M. Rahim - Karachi
2012	<u>800,000</u>	<u>108,000</u>	<u>692,000</u>	<u>681,000</u>	<u>(11,000)</u>		

19.2 Intangible assets

	Cost			Accumulated Amortization			Book value		Rate of amortization %	
	As at 01 July 2012	Additions	Deletions	As at 30 June 2013	As at 01 July 2012	Charge for the year	As at 30 June 2013	As at 30 June 2013		
	(Rupees)									
Computer software	<u>1,220,000</u>	<u>880,000</u>	<u>-</u>	<u>1,870,000</u>	<u>1,133,407</u>	<u>116,784</u>	<u>-</u>	<u>1,250,191</u>	<u>618,809</u>	30 - 33
Computer software	<u>1,175,000</u>	<u>45,000</u>	<u>-</u>	<u>1,220,000</u>	<u>764,758</u>	<u>348,649</u>	<u>-</u>	<u>1,133,407</u>	<u>86,593</u>	30 - 33

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



20. DEPOSITS	Note	2013		2012	
		(Rupees)			
Certificates of Musharaka	20.1	1,151,725,000	946,230,000		
Less: Certificate of Musharaka due after one year		(42,135,000)	(72,940,000)		
		<u>1,109,590,000</u>	<u>873,290,000</u>		

20.1 The estimated share of profit payable on Certificate of Musharaka ranges between 8.25% and 14.75% (2012: 11.25% and 14.75%) per annum. It includes an amount of Rs. 62.04 million (2012: Rs. 72.750 million) due to related parties carries profit at a rate ranging between 10.5% and 12% (2012: 11.50% and 14.75%).

21. SECURITY DEPOSITS

	2013			2012		
	Finance lease	Ijarah	Total	Finance lease	Ijarah	Total
(Rupees)						
Security deposits	253,699	8,730,079	8,983,778	410,049	13,648,753	14,058,802
Less: adjustable after one year	-	8,671,431	8,671,431	-	7,752,281	7,752,281
Current portion of security deposits	<u>253,699</u>	<u>58,648</u>	<u>312,347</u>	<u>410,049</u>	<u>5,896,472</u>	<u>6,306,521</u>

21.1 Represent sums received under finance / ijarah lease arrangements, adjustable at the expiry of the lease period.

22. CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	2013		2012	
		(Rupees)			
Management fee payable	22.1	-	4,519,723		
Sundry creditors		6,531,184	1,771,139		
Accrued expenses		5,077,986	2,950,814		
Accrued financial charges	22.1	22,396,968	23,472,098		
Advance received against Certificates of Musharaka		534,148	225,000		
Advance ijarah rentals		3,701,670	1,149,736		
Other liabilities		699,059	1,062,691		
		<u>38,941,015</u>	<u>35,151,201</u>		

22.1 Amounts due to associated undertakings as at 30 June 2013 aggregated to Rs. 2.751 million (2012: Rs. 11.904 million).

23. STAFF RETIREMENT BENEFIT SCHEME

23.1 Staff Gratuity Scheme

As disclosed in note 4.15, the Modaraba operates an unapproved, unfunded gratuity scheme for its permanent employees. The latest actuarial valuation was carried out by actuaries as at 30 June 2013, using the Projected Unit Credit Method.

23.2 Principal actuarial assumptions used:

The following significant assumptions have been used for the valuation of this scheme:

	2013	2012
- Valuation discount rate	11.5%	12.5%
- Expected rate of increase in salaries	9.0%	9.5%

23.3 Amount recognised in the profit and loss account:

The following amounts have been charged in the profit and loss account during the current year in respect of the scheme:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



	Note	2013	2012
		(Rupees)	
Current service cost		396,988	184,146
Interest cost		130,656	66,756
Transitional (asset) recognised		-	(1,390)
Actuarial loss recognised due to settlement		70,933	-
Actuarial loss recognised		25,932	-
		<u>624,509</u>	<u>249,512</u>
23.4 Liability recognised in the balance sheet:			
Present value of obligation	23.6	1,617,016	1,195,498
Unrecognised actuarial (losses)		(502,319)	(404,804)
		<u>1,114,697</u>	<u>790,694</u>
23.5 Movement in liability:			
Opening liability		790,694	541,182
Expense	23.3	624,509	249,512
Benefits paid during the year		(300,506)	-
Liability to be recognised in the balance sheet		<u>1,114,697</u>	<u>790,694</u>
23.6 Reconciliation of present value of defined benefit obligation			
Present value of defined benefit obligation as at 1 July 2012		1,195,498	476,825
Current service cost		396,988	184,146
Interest cost		130,656	66,755
Benefits paid		(300,506)	-
Actuarial (gain) / or loss on obligation		194,380	467,772
Present value of defined benefit obligation as at 30 June 2013		<u>1,617,016</u>	<u>1,195,498</u>
23.7 Actuarial loss on obligation		<u>(502,319)</u>	<u>(404,804)</u>

23.8 Based on actuarial advice, the Modaraba estimates a gratuity expense of Rs. 599,419/- during the year ending 30 June 2014.

24. CERTIFICATE CAPITAL

Authorised certificate capital

2013	2012		2013	2012
Number of certificates			(Rupees)	
<u>50,000,000</u>	<u>50,000,000</u>	Modaraba Certificates of Rs 10/- each	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up capital				
<u>24,958,400</u>	<u>24,958,400</u>	Modaraba Certificates of Rs 10/- each fully paid in cash	<u>249,584,000</u>	<u>249,584,000</u>
<u>3,316,000</u>	<u>3,316,000</u>	Modaraba Certificates of Rs 10/- each Issued as fully paid bonus certificates	<u>33,160,000</u>	<u>33,160,000</u>
<u>28,274,400</u>	<u>28,274,400</u>		<u>282,744,000</u>	<u>282,744,000</u>

24.1 As at 30 June 2013, the Management Company held 4,141,695 (2012: 4,141,695) certificates whereas KASB Bank Limited held 10,446,767 (2012: 10,446,767) Certificates of the Modaraba.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



25. STATUTORY RESERVE

Statutory reserve represents profits set aside to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require a modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred to the reserve.

26. CONTINGENCIES AND COMMITMENTS

26.1 There were no contingencies and commitments as at 30 June 2013.

27. INCOME FROM LEASING OPERATIONS

Finance lease

Mark-up earned

Plant and machinery
Motor vehicles
Other
Gain on termination

2013
2012
(Rupees)

2013	2012
-	4,706
18,026	154,853
-	-
-	692
18,026	160,251

Less:

Suspension / recovery of income

(1,730)	70,004
16,296	230,255

Ijarah

Rentals

Plant and machinery
Motor vehicle
Other
Gain on disposal of ijarah assets

15,620,407	22,638,809
13,316,995	11,605,515
378,455	364,897
16,749	183,133
29,332,606	34,792,354

Less:

Direct cost associated with ijarah assets
Suspended income
Depreciation on ijarah assets

70,630	4,900
22,500	24,350
21,164,692	25,422,771
(21,257,822)	(25,452,021)
8,074,784	9,340,333
8,091,080	9,570,588

28. (LOSS) / GAIN ON SALE OF INVESTMENTS - net

Listed Shares

Investments 'at fair value through profit or loss'
Investments 'available-for-sale'

-	615,273
(239,774)	868,238
(239,774)	1,483,511

29. FINANCIAL CHARGES

Profit on short-term finance
Profit on Certificates of Musharaka
Bank charges

7,380,307	14,915,601
125,741,581	103,274,911
81,856	115,820
133,203,744	118,306,332

30. OTHER INCOME

Gain / (loss) on disposal of fixed assets - net
Dividend income (net of zakat)
Late payment surcharge
Documentation income
Front end fee
Deferred income on transfer of assets
Commission on bank guarantee
Insurance income
Others

261,614	(11,000)
-	400,000
1,845,837	3,838,268
1,221,515	1,824,100
176,683	400,000
47,856	47,856
25,000	336,000
1,123,864	438,711
70,765	189,617
4,773,134	7,263,552

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



	Note	2013	2012
(Rupees)			
31. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and benefits	31.1	25,983,706	19,805,263
Utilities		2,373,698	2,523,255
Insurance		2,609,169	1,757,573
Vehicle running and maintenance		1,613,650	1,258,942
Postage		267,036	337,601
Repairs and maintenance		288,947	352,190
Entertainment		824,410	613,961
Printing and stationery		1,020,385	1,157,450
Travelling and conveyance		1,039,266	843,121
Fee and subscriptions		1,353,887	1,061,908
Auditors' remuneration	31.2	540,001	471,337
Legal and professional charges		6,821,239	2,170,634
Depreciation		1,475,120	1,932,985
Amortization		116,784	348,648
Advertisements		752,171	774,442
Rent, rate and taxes		2,906,947	2,710,231
Generator expenses		180,623	575,476
Newspapers and periodicals		129,088	127,486
CIB charges		38,959	29,062
Donations		12,000	12,000
Receivables and fixed asset written-off		1,705,895	-
Verysis charges		55,002	49,001
Security services		521,436	413,363
Workers' Welfare Fund		-	829,605
Training and seminar		73,250	-
Others		2,196,468	1,357,946
		<u>54,899,137</u>	<u>41,513,480</u>

31.1 REMUNERATION TO OFFICER AND OTHER EMPLOYEES

	2013		2012	
	Officers	Other Employees	Officers	Other Employees
(Rupees)				
Managerial remuneration	4,129,813	10,130,993	4,229,600	7,323,574
Medical allowance	413,013	980,421	422,960	732,331
House rent allowance	1,238,948	2,942,192	1,268,880	2,197,068
Utility allowance	412,968	980,380	422,960	732,355
Employee benefits	851,099	973,936	519,080	189,601
EOBI contribution	4,720	249,480	4,200	189,350
Bonus	271,334	2,404,409	289,969	1,283,335
	<u>7,321,895</u>	<u>18,661,811</u>	<u>7,157,649</u>	<u>12,647,614</u>
Number of persons	<u>6</u>	<u>43</u>	<u>6</u>	<u>44</u>

31.1.1 Certain executives have been provided with a Modaraba maintained car and is also entitled for reimbursement of fuel expenses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013



	2013	2012		
	----- (Rupees) -----			
31.2 Auditors' Remuneration				
Annual audit fee	325,000	310,000		
Review of interim financial statements	95,000	75,000		
Out of pocket expenses	<u>120,001</u>	<u>86,337</u>		
	<u>540,001</u>	<u>471,337</u>		
32. MODARABA MANAGEMENT COMPANY FEE				
In accordance with the Modaraba Companies and Modaraba Rules, 1981, management fee at the rate of 10% of annual profits is payable to the Management Company.				
33. (LOSS) / EARNINGS PER CERTIFICATE - BASIC AND DILUTED				
(Loss) / profit for the year (Rupees)	<u>(46,126,001)</u>	<u>40,677,510</u>		
Weighted average number of certificates	<u>28,274,400</u>	<u>28,274,400</u>		
(Loss) / earnings per certificate -basic and diluted	<u>(1.63)</u>	<u>1.44</u>		
34. FINANCIAL INSTRUMENTS BY CATEGORY				
	2013			
	Loans and receivables	Available for sale	Held to maturity	Total
	----- (Rupees) -----			
FINANCIAL ASSETS				
Cash and bank balances	175,151,750	-	-	175,151,750
Investments	-	13,000,000	10,494,506	23,494,506
Murabaha finance	627,204,878	-	-	627,204,878
Modaraba finance	83,696,118	-	-	83,696,118
Musharaka finance	98,161,363	-	-	98,161,363
Diminishing musharaka finance	424,230,843	-	-	424,230,843
Net investment in finance lease	522,915	-	-	522,915
Ijarah rental receivable	3,048,215	-	-	3,048,215
Advances and other receivables	6,884,628	-	-	6,884,628
Accrued profit	9,232,199	-	-	9,232,199
Long-term deposits	<u>1,110,300</u>	-	-	<u>1,110,300</u>
	<u>1,429,243,209</u>	<u>13,000,000</u>	<u>10,494,506</u>	<u>1,452,737,715</u>
				2013 (Rupees)
FINANCIAL LIABILITIES				
Deposits				1,151,725,000
Security deposits				8,983,778
Creditors, accrued and other liabilities				38,941,015
Unclaimed profit distribution				1,651,044
Deferred liabilities - staff gratuity				<u>1,114,697</u>
				<u>1,202,415,534</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



	2012			Total
	Loans and receivables	Available for sale	Held to maturity	
	(Rupees)			
FINANCIAL ASSETS				
Cash and bank balances	66,987,448	-	-	66,987,448
Investments	-	13,000,000	13,373,750	26,373,750
Murabaha finance	807,764,601	-	-	807,764,601
Modaraba finance	77,455,748	-	-	77,455,748
Musharaka finance	82,207,511	-	-	82,207,511
Diminishing musharaka finance	470,812,921	-	-	470,812,921
Net investment in finance lease	1,541,889	-	-	1,541,889
Ijarah rental receivable	3,817,801	-	-	3,817,801
Advances and other receivables	5,867,731	-	-	5,867,731
Accrued profit	10,107,860	-	-	10,107,860
Long-term deposits	546,000	-	-	546,000
	<u>1,527,109,510</u>	<u>13,000,000</u>	<u>13,373,750</u>	<u>1,553,483,260</u>

FINANCIAL LIABILITIES

	2012 (Rupees)
Short-term musharaka finance	229,477,558
Deposits	946,230,000
Security deposits	14,058,802
Creditors, accrued and other liabilities	35,151,201
Unclaimed profit distribution	1,059,459
Deferred liabilities - staff gratuity	790,694
	<u>1,226,767,714</u>

35. FINANCIAL RISK MANAGEMENT

The Modaraba finances its operations mainly through equity and deposits. The Modaraba utilises funds in ijarah financing, modaraba financing, musharaka financing, diminishing musharaka and murabaha financing. These activities are exposed to a variety of financial risks that are market risk, credit risk and liquidity risk.

The Board of Directors of the Management Company has the overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

35.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market interest rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk namely currency risk, profit rate risk and price risk.

35.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

35.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market profit rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



Yield / profit rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date.

Effective yield / profit rate %	2013					
	Total	Up to one month	Over one month to 3 months	Over three months to one year	Over one year to five years	Not exposed to yield / profit risk
(Rupees)						
Assets						
Cash and bank balances	6.5% - 9.25%	175,151,750	172,456,118	-	-	2,695,632
Investments	10.58% - 10.98%	23,494,506	-	-	2,518,758	13,000,000
Murabaha finance	11.5%-20%	627,204,878	52,668,978	75,841,028	242,246,902	63,295,339
Mudaraba Finance	-	83,696,198	-	57,736,203	29,435,574	6,524,341
Musharaka finance	0% - 17.50%	98,161,363	13,652,357	34,082,905	38,055,477	12,370,624
Diminishing musharaka finance	9.51%-21%	424,230,843	21,674,031	39,982,641	135,187,285	201,569,824
Net investment in Ijarah finance	1.17%-18.5%	522,915	15,401	30,802	138,609	317,882
Ijarah rentals receivable	-	3,048,215	-	-	-	3,048,215
Advances, prepayments and other receivables	-	6,884,628	-	-	-	6,884,628
Accrued profit	-	9,232,199	-	-	-	9,232,199
Long-term Deposit	-	1,190,300	-	-	-	1,190,300
Total Financial Assets as at 30 June 2013		1,452,737,715	260,466,885	207,873,579	437,579,603	273,856,062
Liabilities						
Deposits	8.25% - 14.75%	1,151,725,000	200,918,916	256,251,084	652,420,000	42,135,000
Security deposits	-	8,983,778	-	-	-	8,983,778
Creditors, accrued and other liabilities	-	38,941,015	-	-	-	38,941,015
Unclaimed profit distribution	-	1,651,044	-	-	-	1,651,044
Deferred Liabilities - staff gratuity	-	1,194,697	-	-	-	1,194,697
Total Financial Liabilities as at 30 June 2013		1,202,415,534	200,918,916	256,251,084	652,420,000	50,690,534
Total yield / profit risk sensitivity gap		59,547,989	(48,377,505)	(24,840,397)	231,026,586	
Cumulative yield / profit risk sensitivity gap		59,547,989	10,970,464	(203,869,933)	27,156,653	

Effective yield / profit rate %	2012					
	Total	Up to one month	Over one month to 3 months	Over three months to one year	Over one year to five years	Not exposed to yield / profit risk
(Rupees)						
Assets						
Cash and bank balances	6.00% - 11.00%	66,987,448	65,890,116	-	-	1,097,330
Investments	12.91% - 13.47%	26,373,750	-	605,888	2,273,386	10,494,506
Murabaha finance	14.50% - 20.00%	807,764,801	96,352,678	10,712,977	233,517,293	14,500,000
Mudaraba finance	-	77,455,748	1,600,000	1,664,111	37,734,868	26,456,739
Musharaka finance	6.00% - 17.50%	82,207,511	16,063,486	6,497,939	59,296,067	346,909
Diminishing musharaka finance	16.00% - 21.00%	470,812,921	25,504,278	35,272,483	170,867,022	235,096,307
Net investment in Ijarah finance	12.99% - 15.95%	154,1889	72,058	16,096	4,5234	502,694
Ijarah rentals receivable	-	3,817,801	-	-	-	3,817,801
Advances, prepayments and other receivables	10.00%	5,867,731	-	-	-	2,386,594
Accrued profit	-	10,107,860	-	-	-	10,107,860
Long-term Deposit	-	546,000	-	-	-	546,000
Total Financial Assets as at 30 June 2012		1,553,483,260	205,482,816	104,898,724	504,103,860	382,980,101
Liabilities						
Deposits		946,230,000	169,305,000	172,935,000	521,050,000	72,940,000
Short-term finance	11.25% - 14.75%	229,477,558	229,477,558	-	-	-
Security deposits	14.41%	11,058,802	-	-	-	11,058,802
Creditors, accrued and other liabilities	-	35,612,011	-	-	-	35,612,011
Unclaimed profit distribution	-	1,059,458	-	-	-	1,059,458
Deferred Liabilities - staff gratuity	-	790,694	-	-	-	790,694
Total Financial Liabilities as at 30 June 2012		1,226,767,719	398,782,558	172,935,000	521,050,000	72,940,000
Total yield / profit risk sensitivity gap		(103,299,940)	(1,663,724)	(16,946,140)	290,040,101	
Cumulative yield / profit risk sensitivity gap		(103,299,940)	(1,136,216)	(16,282,356)	91,757,745	

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FOR THE YEAR ENDED 30 JUNE 2013



Sensitivity analysis for financial instruments

The sensitivity of the net income for the year is the effect of the assumed changes in profit rates on the floating rate financial instruments held at the year end. The following table demonstrates the sensitivity of the Modaraba's income for the year to a reasonably possible change in profit rates, with all other variables held constant.

	Impact on profit or loss	
	2013	2012
	(Rupees)	
Changes in basis point		
+100	2,858,905	2,461,047
-100	(2,858,905)	(2,461,047)

In practice, the actual results may differ from the sensitivity analysis shown above.

35.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Modaraba is exposed to price risk in respect of sukuk bonds held at year end amounts to Rs. 10.494 million (2012: Rs. 13.374 million).

35.2 Credit risk

35.2.1 Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba is exposed to credit risk in respect of net investment in finance lease, musharaka, murabaha, modaraba and term deposit receipts.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

The Modaraba attempts to control credit risk by diversification of financing activities to avoid undue concentration of credit risk with individuals or groups of customers in specific locations or businesses, monitoring credit exposures, limiting transactions to specific counterparties and continually assessing the credit worthiness of counterparties. It also obtains securities when appropriate.

The Modaraba follows two sets of guidelines. It has its own operating policy and the management of the Modaraba also adheres to the regulations issued by the SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group.

Out of the total financial assets of Rs. 1,452.738 million (2012: Rs. 1,553.483 million) the financial assets which are subject to credit risk amounted to Rs. 1,452.722 million (2012: Rs. 1,553.468 million).

35.2.2 The analysis below summarises the credit quality of the Modaraba's financial assets:

	2013	2012
	(Rupees)	
Bank balances		
AAA	16,188	15,146
AA	2,038	53,458,231
AA-	-	1,857
A	173,397,565	15,013
A-	896	12,495
BBB	1,670,838	13,452,956
Sukuk Bonds ratings		
D / BB+	-	10,353,750
Un-rated	10,494,506	3,020,000

NOTES TO THE FINANCIAL STATEMENTS

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35.2.3 An analysis of the age of significant financial assets that are past due but not required to be impaired by applicable laws are as under:

	2013		2012	
	Total outstanding amount	Payment overdue (in days)	Total outstanding amount	Payment overdue (in days)
Ijarah rentals receivable	312,615	1 - 12 Days	4,000	1 - 33 Days
Murabaha Finance	30,845,739	1 - 81 Days	10,157,345	1 - 56 Days
Modaraba Finance	5,848,937	1 - 61 Days	28,594,372	1 - 54 Days
Diminishing Musharaka Finance	21,555,243	1 - 83 Days	312,722	1 - 59 Days

35.2.4 An analysis of the financial assets that are individually impaired as per the requirements of the Prudential Regulations for Modarabas are as under:

	2013				
	OAEM	Substandard	Doubtful	Loss	Total
Net investment in finance lease	-	-	-	174,612	174,612
Ijarah rentals receivable	-	-	-	62,475	62,475
Murabaha Finance	273,872	49,500,000	-	44,327,865	94,101,737
Musharaka Finance	14,100,000	-	-	24,602,297	38,702,297

	2012				
	OAEM	Substandard	Doubtful	Loss	Total
Net investment in finance lease	-	-	-	182,270	182,270
Ijarah rentals receivable	39,975	-	-	-	39,975
Murabaha Finance	49,500,000	-	-	-	49,500,000
Musharaka Finance	350,000	-	-	547,268	897,268

35.2.5 Concentration of credit risk

35.2.5.1 Net Investment in Finance Lease

	2013		2012	
	(Rupees)	%	(Rupees)	%
Electrical and engineering	174,612	33.39	249,745	16.20
Paper and board	-	-	-	-
Individuals	348,303	66.61	1,292,144	83.80
	<u>522,915</u>	<u>100.00</u>	<u>1,541,889</u>	<u>100.00</u>

35.2.5.2 Ijarah Assets

	2013		2012	
	(Rupees)	%	(Rupees)	%
Fuel and energy	6,603,143	13.94	9,524,218	14.33
Food and beverage	-	-	259,900	0.39
Dairy and poultry	-	-	179,104	0.27
Financial institutions	66,316	0.14	612,232	0.92
Travel and transport	-	-	1,974,000	2.97
Textile	12,917,339	27.27	17,822,907	26.82
Electrical and engineering	13,443,127	28.38	17,297,119	26.03
Paper and board	-	-	780,000	1.17
Construction	7,455,772	15.74	11,372,451	17.11
Individuals	-	-	5,642,580	8.49
Others	6,882,616	14.53	994,999	1.50
	<u>47,368,313</u>	<u>100.00</u>	<u>66,459,510</u>	<u>100.00</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



35.2.5.3 For Musharaka, Murabaha, Modaraba and Diminishing Musharaka Finance

Note	2013		2012	
	(Rupees)	%	(Rupees)	%
Textile and allied	264,985,594	21.49	288,854,645	20.08
Trading	97,204,797	7.88	268,471,594	18.67
Leather	54,880,427	4.45	65,666,730	4.57
Pharmaceutical and chemicals	6,490,732	0.53	13,111,414	0.91
Food and beverage	78,026,099	6.33	72,121,076	5.01
Construction	63,568,884	5.15	30,429,921	2.12
Fuel and energy	20,066,119	1.63	50,168,012	3.49
Financial institutions	9,799,732	0.79	46,577,244	3.24
Paper and board	1,527,231	0.12	1,040,047	0.07
Sugar and allied	88,206,945	7.15	54,692,811	3.80
Distribution	11,454,233	0.93	92,525,140	6.43
Travel and transport	157,476,352	12.77	148,801,510	10.35
Dairy and poultry	8,216,384	0.67	6,072,000	0.42
Technology and telecommunication	5,345,309	0.43	10,468,232	0.73
Electrical and engineering	66,943,627	5.43	74,858,243	5.20
Steel and allied	138,410,721	11.22	58,521,662	4.07
Others	160,690,016	13.03	155,860,500	10.84
35.2.5.4	1,233,293,202	100.00	1,438,240,781	100.00

35.2.5.4 Finance arrangements

	2013	2012
	(Rupees)	
Murabaha finance	627,204,878	807,764,601
Musharaka finance	98,161,363	82,207,511
Diminishing Musharaka finance	424,230,843	470,812,921
Modaraba finance	83,696,118	77,455,748
	1,233,293,202	1,438,240,781

35.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2013			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupees			
Liabilities				
Deposits	1,151,725,000	457,170,000	652,420,000	42,135,000
Security deposits	8,983,778	312,347	-	8,671,431
Creditors, accrued and other liabilities	38,941,015	38,941,015	-	-
Unclaimed profit distribution	1,651,044	-	-	1,651,044
Deferred liabilities - staff gratuity	1,114,697	-	-	1,114,697
Total liabilities	1,202,415,534	496,423,362	652,420,000	53,572,172

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	2012			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupees			
Liabilities				
Deposits	946,230,000	342,240,000	531,050,000	72,940,000
Short-term finance	229,477,558	229,477,558	-	-
Security deposits	14,058,802	3,820,771	2,485,750	7,752,281
Creditors, accrued and other liabilities	35,151,201	35,151,201	-	-
Unclaimed profit distribution	1,059,459	-	-	1,059,459
Deferred liabilities-staff gratuity	790,694	-	-	790,694
Total liabilities	1,226,767,714	610,689,530	533,535,750	82,542,434

35.4 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of financial assets and liabilities is considered not significantly different from book values as the items are either short-term in nature or periodically repriced.

36. CAPITAL RISK MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for certificate-holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total Certificate of Musharaka and borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2013	2012
	(Rupees)	
Total borrowings and deposits	1,151,725,000	1,175,707,558
Cash and bank balances	(175,151,750)	(66,987,448)
Net debt	976,573,250	1,108,720,110
Total equity	265,717,188	330,221,549
Total capital	1,242,290,438	1,438,941,659
Gearing ratio	78.6%	77.1%

37. RELATED PARTIES TRANSACTIONS

The related parties of the Modaraba comprise of its Management Company, associated companies, directors of the Management Company and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel (which are employed by the Management Company) under the terms of their employment are as follows:

NOTES TO THE FINANCIAL STATEMENTS

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	2013	2012
	(Rupees)	
37.1 Transactions during the year		
Management company		
Modaraba management fee	-	4,519,723
Associated companies		
Income on bank deposits	248,928	1,236,128
Financial charges	17,430,187	17,774,079
Rent expense	391,110	442,053
Brokerage expense	-	1,850
Custodian charges	3,483	6,799
Professional charges	175,000	-
Other related parties		
Financial charges	1,518,970	2,625,641
Income from diminishing musharaka finance	1,221,924	4,114,980
37.2 Balances due to / from related parties at the year end		
Management company		
Modaraba management fee payable	-	4,519,723
Associated companies		
Cash and bank balances	1,670,838	13,452,956
Certificate of Musharaka	53,000,000	40,000,000
Short-term musharaka finance	-	229,477,558
Accrued mark-up payable	2,303,671	7,138,168
Creditors, accrued and other liabilities	175,000	-
Other related parties		
Certificate of Musharaka	9,040,000	32,550,000
Accrued mark-up payable	447,609	245,653
Diminishing musharaka finance	974,124	14,427,567
Investments in unlisted shares	13,000,000	13,000,000

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

37.3 The terms and conditions of the transactions are stated in the respective notes.

38. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary, for the purposes of appropriate presentation. There have been no significant reclassifications in these financial statements.

39. GENERAL

Figures in these financial statements have been rounded off to the nearest Rupee.

40. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on 07 October 2013.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

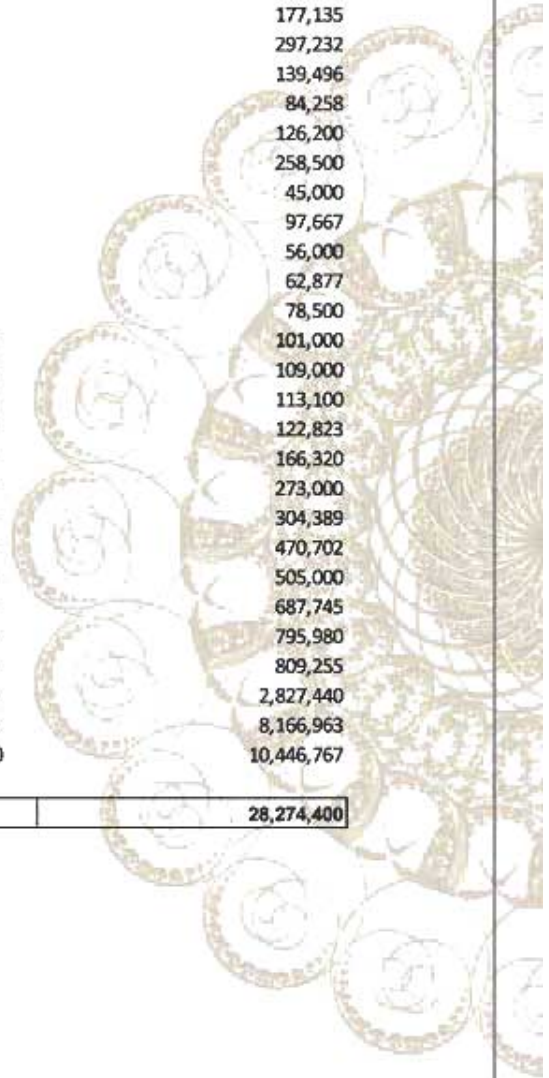
Director



PATTERN OF CERTIFICATE HOLDING FORM "34"
 SHAREHOLDERS' STATISTICS AS AT JUNE 30, 2013



NO. OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING		TOTAL CERTIFICATE HOLDERS
	FROM	TO	
395	1	100	17,113
274	101	500	71,476
163	501	1000	132,784
177	1001	5000	396,327
43	5001	10000	334,351
14	10001	15000	177,135
17	15001	20000	297,232
6	20001	25000	139,496
3	25001	30000	84,258
4	30001	35000	126,200
7	35001	40000	258,500
1	40001	45000	45,000
2	45001	50000	97,667
1	55001	60000	56,000
1	60001	65000	62,877
1	75001	80000	78,500
1	100001	105000	101,000
1	105001	110000	109,000
1	110001	115000	113,100
1	120001	125000	122,823
1	165001	170000	166,320
1	270001	275000	273,000
1	300001	305000	304,389
1	470001	475000	470,702
1	500001	505000	505,000
1	685001	690000	687,745
1	795001	800000	795,980
1	805001	810000	809,255
1	2825001	2830000	2,827,440
1	8165001	8170000	8,166,963
1	10445001	10450000	10,446,767
1124	Total		28,274,400



PATTERN OF CERTIFICATE HOLDING FORM "34"

SHAREHOLDER'S STATISTICS AS AT JUNE 30, 2013



CATAGORIES OF CERTIFICATE HOLDERS	NUMBER	CERTIFICATE HELD	PERCENTAGE
INDIVIDUALS	1,075	3,198,088	11.31%
INVESTMENT COMPANIES	2	1,200	0.00%
INSURANCE COMPANIES	3	796,380	2.82%
JOINT STOCK COMPANIES ***	20	8,776,043	31.03%
FINANCIAL INSTITUTIONS *	11	10,472,584	37.05%
LEASING COMPANIES	1	1,246	0.00%
MODARABA COMPANIES	3	36	0.00%
CHARITABLE TRUSTS	3	98,083	0.35%
OTHERS	2	101,300	0.36%
MODARABA MANAGEMENT COMPANIES **	3	4,141,695	14.65%
MUTUAL FUND	1	687,745	2.43%
	1,124	28,274,400	100.00%

* Includes KASB Bank Limited (10,446,767 certificates)

** Includes KASB Invest (Private) Limited (4,141,695 certificates)

*** Includes KASB Finance (Private) Limited (304,389 certificates)

CATAGORIES OF CERTIFICATE HOLDERS	NUMBER	CERTIFICATE HELD	PERCENTAGE
Associated Companies			
KASB Bank Limited		10,446,767	36.95%
KASB Finance (Private) Limited		304,389	1.08%
KASB Invest (Private) Limited		4,141,695	14.65%
	3	14,892,851	52.68%
NIT and CIP			
National Bank of Pakistan, Trustee Deptt.		750,622	2.43%
Investment Corporation of Pakistan		8,002	0.03%
	2	758,624	2.46%
Directors, CEO & their Spouse and Minor Children		-	-
Executives		-	-
Public Sector Companies and Corporations		-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	33	1,118,922	3.95%
Certificate -holders holding five percent or more certificates in the Modaraba			
Al-Hoqqani Securities and Investment Corporation	1	8,166,963	28.88%

NOTICE OF ANNUAL REVIEW MEETING



Notice is hereby given that the 22nd Annual Review Meeting of the Modaraba's Certificate Holders of KASB Modaraba will be held on Thursday, October 31, 2013 at 03.00 p.m. at Haji Abdullah Haroon Muslim Gymkhana Auditorium, Awan-e-Saddar Road, Karachi to review the performance of Modaraba for the year ended June 30, 2013 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular No. 5/2000 by Registrar Modaraba.

By Order of the Board

Karachi
October 07, 2013

Amir Iqbal
Company Secretary

Notes

1. The Modaraba Certificates transfer book shall remain closed from October 25, 2013 to October 31, 2013 (both days inclusive) to determine the names of Certificate Holders eligible to attend the Annual Review Meeting. Transfer received in order at the Registrar Office of the Modaraba (whose address is given below) up to the close of business hours on October 24, 2013 will be treated in time.
2. The Certificate Holders are advised to notify to the Registrar of KASB Modaraba of any change in their addresses to ensure prompt delivery of mails, Further, any Certificates for transfer, etc. should be lodged with the Registrar, C & K Management Associates (Private) Limited, 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi. (Phone: 35687839-35685930)
3. Account Holders holding book entry securities of the Modaraba in Central Depository Company of Pakistan Limited, who wish to attend the Annual Review Meeting, are requested to bring original Computerized National Identity Card for identification purpose and will in addition, have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan (SECP) for attending the meeting.

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