



KASB Modaraba

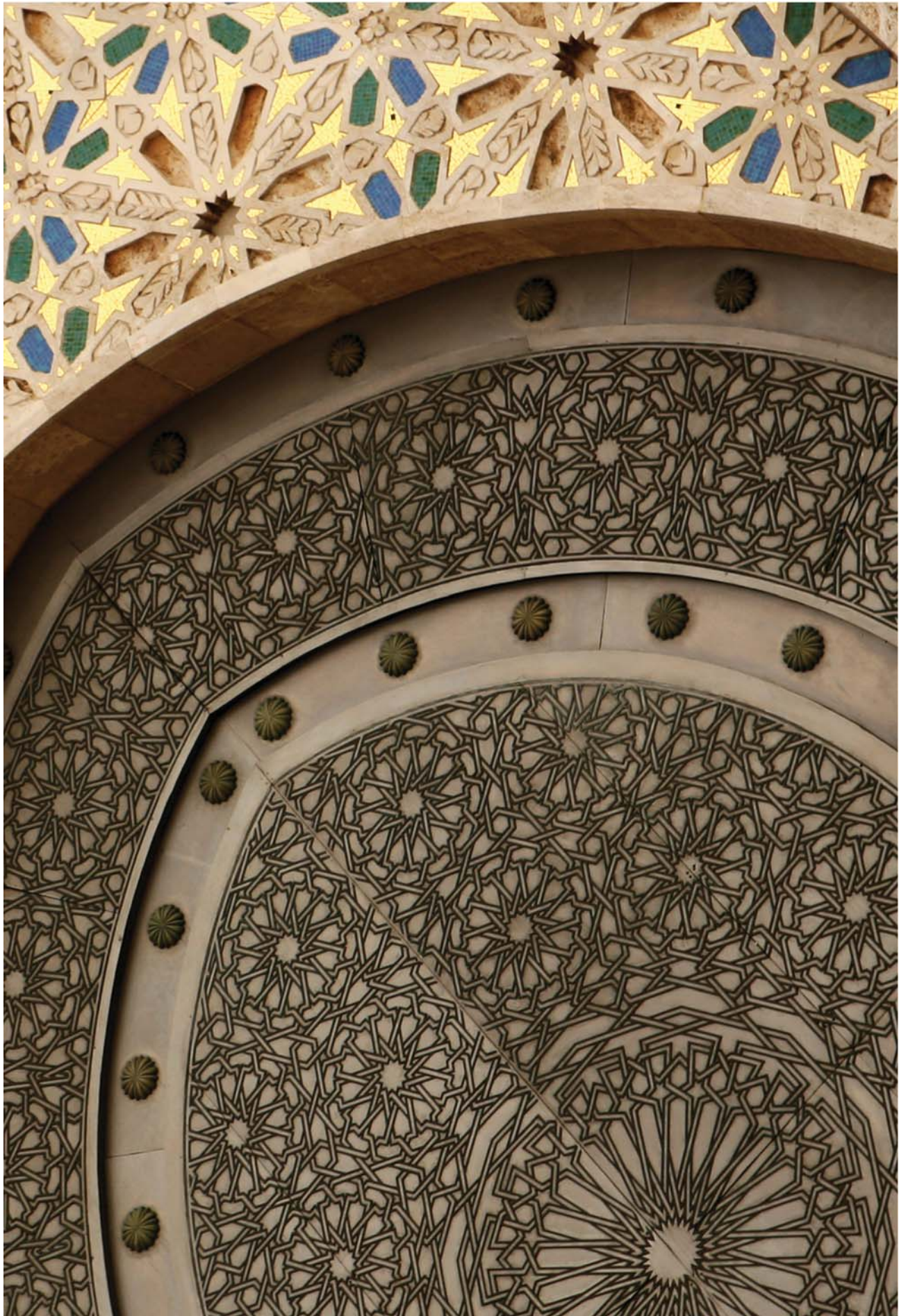
An Islamic Financial Institution



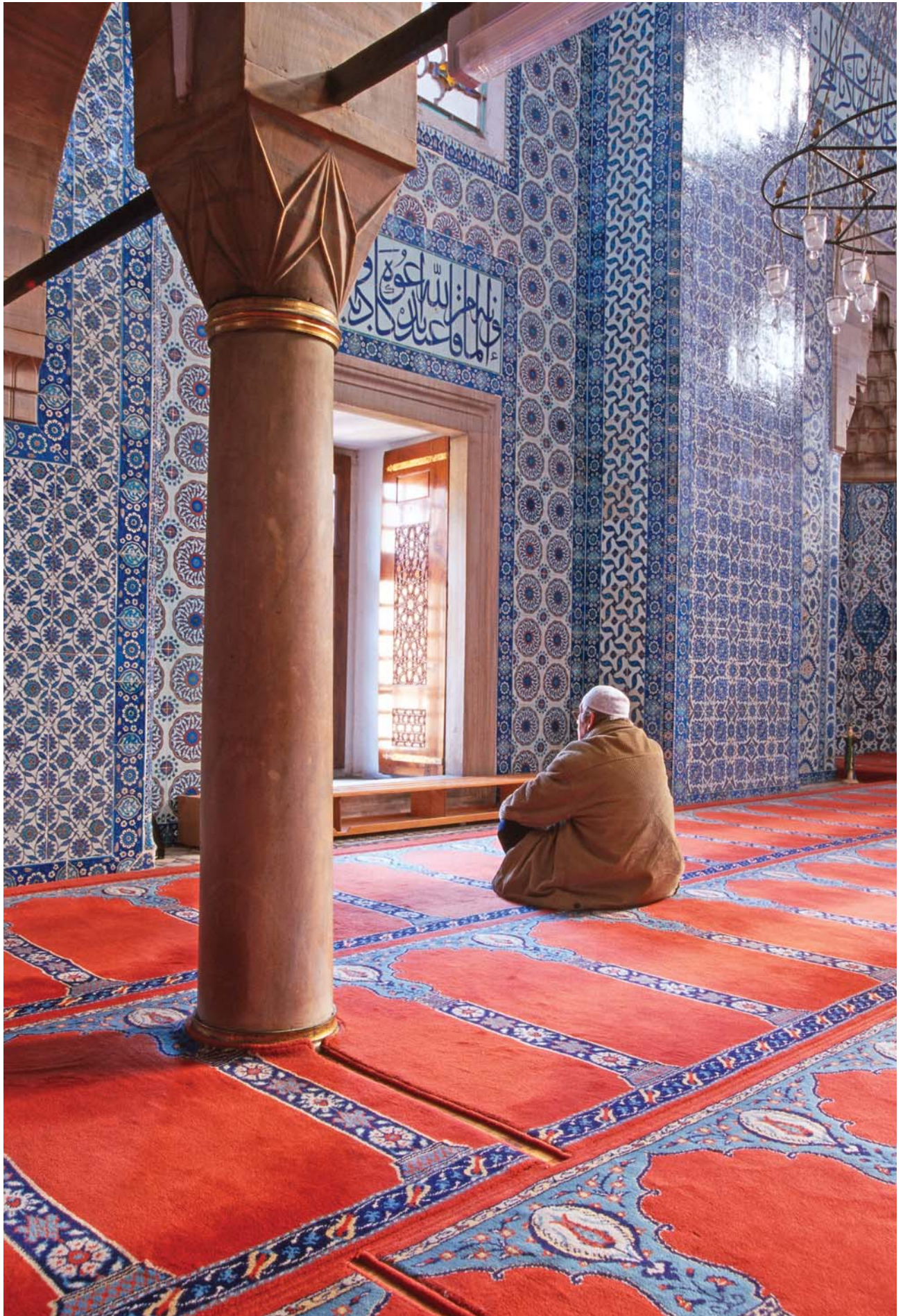
اسلامی مالیاتی ادارہ

ANNUAL REPORT 2016

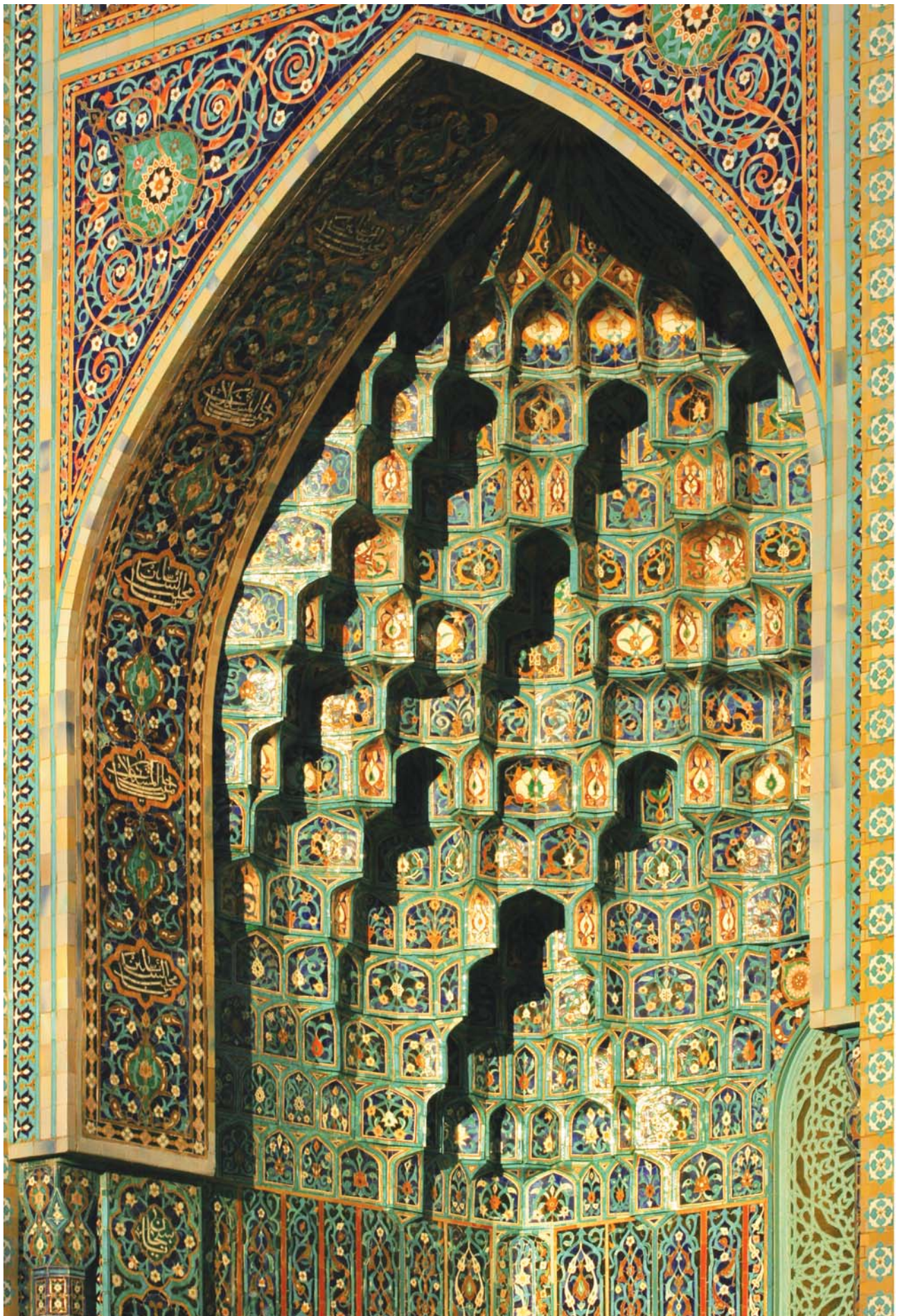
صاف اور شفاف آمدنی،
سچا سکون ہے...



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

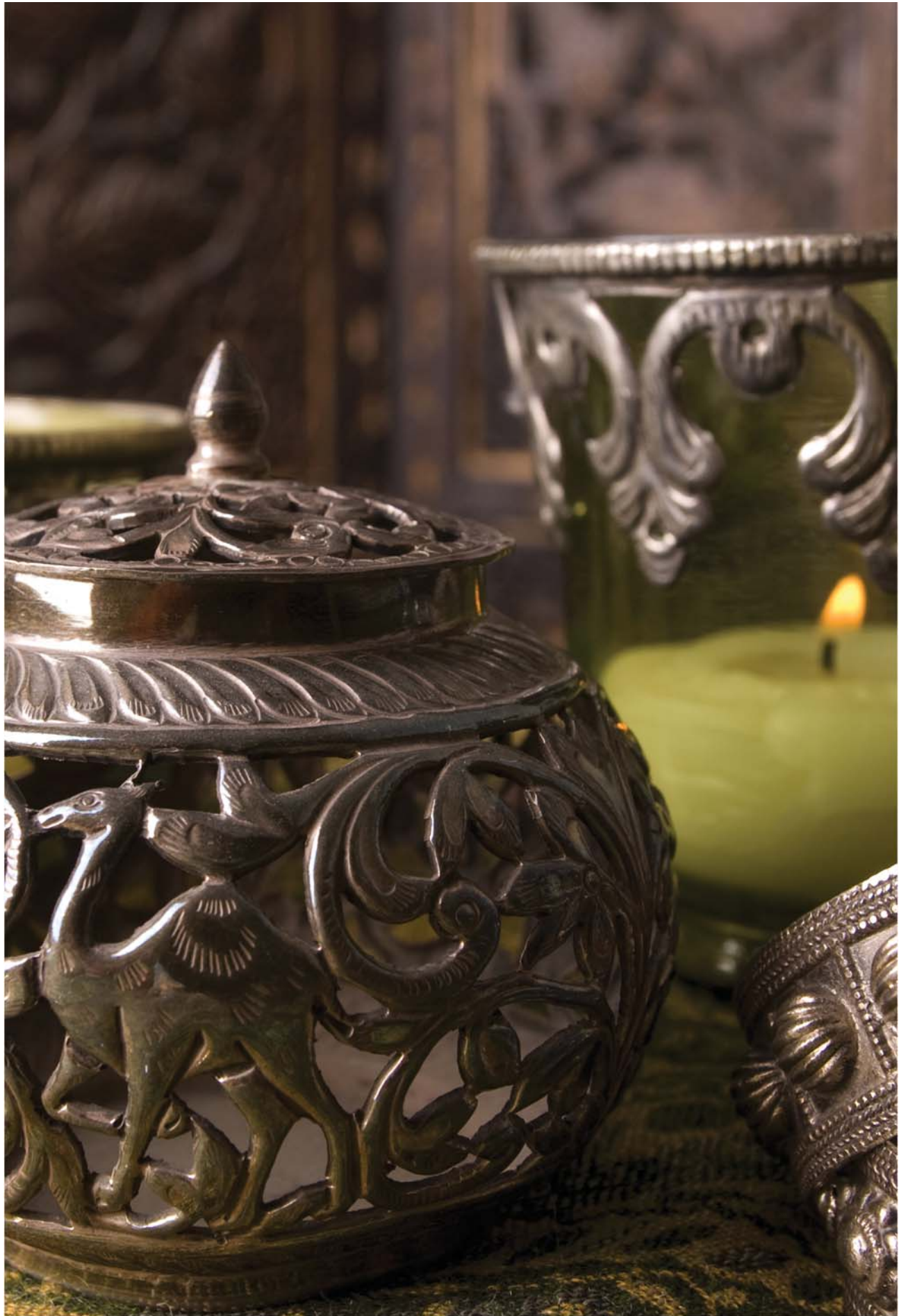


Social values of Islam provide the faithful with a large measure of spiritual peace and serenity, and this contentment can be reaped while pursuing business aspirations within the confines of Islamic law. We visualize creating an institution where society can seek a just and fair advantage from the richness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



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CORPORATE INFORMATION

Board of Directors

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

Chairman
Chief Executive Officer
Director
Director

Chief Financial Officer

Aftab Afroz Mahmoodi

Company Secretary

Zia-ul-Haq

Head of Internal Audit

Syed Shahid Owais

Management Company

KASB Invest (Private) Limited

Auditors

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

Audit Committee

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

Chairman
Member
Member

Human Resource and Remuneration Committee

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

Chairman
Member
Member
Member

Bankers

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

Registered & Head Office

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

Certificate Transfer Office

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

Legal Advisor

Ahmed & Qazi
S&B Durrani Law Associates

Shariah Advisor

Mufti Abdul Sattar Laghari

PECHS Branch:

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

Lahore Branch:

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

Islamabad Branch:

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

Web Address

www.kasbmodaraba.com

E-mail

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

DIRECTORS' REPORT



The Board of Directors of KASB Invest (Private) Limited, the Management Company of KASB Modaraba is pleased to present the annual audited financial statements of the Modaraba for the year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

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

	June 30, 2016 Rs "000"	June 30, 2015 Rs "000"
BALANCE SHEET		
Cash and bank balance	48,705	145,845
Modaraba Finance	53,747	22,740
Musharaka Finance	14,100	45,490
Murabaha Finance	267,366	312,873
Diminishing Musharaka Finance	316,083	354,488
Receivable against sale of agricultural produce	18,200	-
Ijarah rental receivable	3,824	2,539
Ijarah Assets	52,765	34,525
Property acquired in satisfaction of financing facility	47,083	-
Total Assets	901,246	982,728
Net Assets	389,033	385,234

	June 30, 2016 Rs "000"	June 30, 2015 Rs "000"
PROFIT & LOSS ACCOUNT		
Gross Income	166,064	195,187
Operating & Financial Charges	156,706	182,092
Provision against doubtful receivables	0	0
Modaraba Management Company fee	948	1,717
Net Profit for the Year	8,245	11,155
Earning per Modaraba Certificate (Rupees)	0.17	0.23

OPERATIONS AND PERFORMANCE

By the Grace of the Almighty Allah, KASB Modaraba successfully completed its financial year under the strategy and philosophy of novation in the business thus capitalizing on non-traditional avenues.

Modaraba booked a gross profit of PKR. 166.06 million, against which Operating and Financial Charges were PKR.156.71 million. Net profit was PKR. 8.25 million and Earning per Certificate was PKR. 0.17. Margins shrunk as compared to the corresponding previous year because of limited liquidity available to the Modaraba for taking or increasing exposures on conventional as well as non-traditional businesses because of limited restriction imposed by Securities & Exchange Commission of Pakistan on mobilization of Certificates of Musharakah. The management is in close coordination with the Commission on the issue and expects that the matter would be favourably considered by the authorities which would help to beefing up the resources.

During the year, the Modaraba took a step ahead in Agriculture and entered into Banola Seed Crushing project for extraction and sale of Banola Oil and its by-products which opened doors for the Modaraba to explore unlimited opportunities accessible in the sector.

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

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

CREDIT RATING

Despite all the hurdles, we are pleased to announce that the Credit Rating Agency PACRA has given a stable future outlook on the Modaraba with a long term entity rating of BBB+ and short term entity rating of A2 in their report as on September 23, 2016.

DIVIDEND

The Board of Directors is pleased to announce a final cash dividend for the year ended June 30, 2016 @ 0.8% i.e Re. 0.08 per certificate. This is the result of the untiring efforts by the management, its unshattered belief in the Sharia compliant business coupled with the blessings of the Almighty.



YEAR AT A GLANCE

Modaraba performed modestly with shrunk deposits and liquidity issues during the year. Our approach remained conservative towards financing projects. Our focus remained converged to Agriculture sector. Banola Seed Crushing project and Wheat straws were major areas of our attention. Finance cost declined substantially in line with reduction in deposits. The management remained vigilant for timely recovery of the deployed funds to develop room for further investments.

FUTURE PROSPECTS

With the aim and strategy of growing with Sharia compliant businesses, we would keep exploring and opting high yield businesses including Dairy Farming and agricultural produce in addition to traditional low risk funding avenues. We trust that we would keep going as per our short and longer term plans for the future and would endeavor to outperform our existing results and ratings with innovative approach that would result in better returns for the Certificate holders.

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 PKR.5,567,634/- as at June 30, 2016.
- 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, 2016 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, five meetings of the Board of Directors were held. Attendance by each director is as follows:

Name		No of Meetings Attended
Syed Waseem Haqqie	Chairman	5
S. M. Rehmanullah	Director	5
Farrukh S. Ansari	Director	5
Rashid K.Siddiqui	Chief Executive	5

- 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 Pakistan Stock Exchange in its Rule Book relevant for the year ended June 30, 2016 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.

INFORMATION TECHNOLOGY

We are in the process of in-house development of state of the art application software for the Modaraba which would provide custom and timely information for better decision making. This would accomplish the growing need for a stronger management information system that could accommodate reporting on all the various and versatile business avenues in which Modaraba is engaged and is planning to enter in the future as well. We hope that this would add good value to our business.

AUDITORS

The term of appointment of present auditors M/s. AvaisHyderLiaquatNauman, Chartered Accountants is expiring on the date of the ensuing Annual Review Meeting of the Modaraba. On the recommendation of the Audit Committee, the Board has approved the reappointment of M/s. AvaisHyderLiaquatNauman, Chartered Accountants, as auditors for the year ending June 30, 2017, subject to approval by the Registrar of Modaraba Companies and Modaraba.

ACKNOWLEDGEMENT

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

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

For and behalf of Board of Directors



Syed Waseem-ul-HaqHaqqie
Chairman
October 07, 2016
Karachi

ڈائریکٹرز رپورٹ

کے اے ایس بی انویسٹ (پرائیویٹ) لمیٹڈ انتظامی کمپنی برائے کے اے ایس بی مضاربہ کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ مضاربہ کے ۳۰ جون ۲۰۱۶ کو اختتام پذیر ہونے والے مالی سال کا سالانہ آڈٹ شدہ مالیاتی گوشوارہ پیش کر رہا ہے۔

مالیاتی جھلکیاں

زیرجائزہ مدت کے لئے مالیاتی جھلکیاں درج ذیل ہیں:

بلینس شیٹ	۳۰ جون ۲۰۱۶ (۰۰۰) روپے	۳۰ جون ۲۰۱۵ (۰۰۰) روپے
نقد اور بینک بیلنس	۲۸,۷۰۵	۱۳۵,۸۲۵
مضاربہ مالیت	۵۳,۷۴۷	۲۲,۷۴۰
مشراکتی مالیات	۱۴,۱۰۰	۲۵,۴۹۰
مراجہ مالیات	۲۶۷,۳۶۶	۳۱۲,۸۷۳
شرکت متناقصہ مالیات	۳۱۶,۰۸۳	۳۵۴,۴۸۸
وصولیابی زرعی پیداوار	۱۸,۴۰۰	-
اجارہ وصولیابی	۳,۸۲۴	۲,۵۳۰
اجارہ اثاثہ جات	۵۲,۷۶۵	۳۴,۵۲۵
قابل وصول قرضہ جات کی وصولی کے سلسلے میں حاصل کی گئی پراپرٹی	۴۷,۰۸۳	-
مجموعی اثاثہ جات	۹۰۱,۲۴۶	۹۸۲,۷۲۸
خالص اثاثہ جات	۳۸۹,۰۳۳	۳۸۵,۴۳۴

نفع و نقصان کا حساب	۳۰ جون ۲۰۱۶ (۰۰۰) روپے	۳۰ جون ۲۰۱۵ (۰۰۰) روپے
مجموعی آمدنی	۱۶۶,۰۶۴	۱۹۵,۱۸۷
انتظامی و مالیاتی اخراجات	۱۵۶,۷۰۶	۱۸۲,۰۹۲
مشکوک وصولی کے خلاف فراہمی	-	-
مینجمنٹ کمپنی فیس	۹۴۸	۱,۷۱۷
خالص سالانہ منافع	۸,۳۴۵	۱۱,۱۵۵
فی حصہ آمدنی	۰-۱۷	۰-۲۳

انتظامی کارکردگی

اللہ تعالیٰ کی مدد سے کے اے ایس بی مضاربہ نے اپنا مالی سال غیر روایتی سرمایہ کاری کے مواقع سے فائدہ اٹھاتے ہوئے جدت کے فلسفے اور حکمت عملی کے ساتھ مکمل کیا۔

مضاربہ کا حاصل شدہ مجموعی منافع ۰۶-۱۶۶ ملین روپے ہے جبکہ انتظامی و مالیاتی اخراجات ۱-۱۵۶ ملین روپے ہے خالص منافع ۲۵-۸ ملین روپے جبکہ فی حصہ منافع ۱-۰۷ روپے رہا۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے سٹریٹجک آف مشارکہ (COM) کے اجراء پر عائد محدود پابندی کی وجہ سے یہ منافع پچھلے برس کے مقابلے میں کم رہا۔ تاہم کے اے ایس بی کی انتظامیہ ریگولیٹری اتھارٹی کے ساتھ مسلسل قریبی رابطے میں ہے۔ اور ہمیں امید ہے کہ یہ ادارہ ہمارے حق میں فیصلہ کر دے گا جس سے ہم دوبارہ اپنے اہداف کی طرف سفر شروع کر دیں گے۔

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

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

کریڈٹ ریٹنگ

مضاربہ کو درپیش تمام تر مشکلات کے باوجود ہم انتہائی مسرت کے ساتھ اس بات کا اعلان کرتے ہیں کہ کریڈٹ ریٹنگ ایجنسی PACRA نے اپنی رپورٹ برائے ۲۳ ستمبر ۲۰۱۶ میں مضاربہ کا مستقبل مستحکم ظاہر کیا ہے اور اس کی طویل المدت درجہ بندی BBB+ اور مختصر المدت درجہ بندی A-2 کی ہے۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ مضاربہ کے حصہ داروں کے لئے اختتامی سال ۳۰ جون ۲۰۱۶ کیلئے حتمی منافع منقسمہ بحساب ۸-۰ فیصد (۰-۰۸ روپے فی حصہ) کا اعلان کرتے ہیں۔ یہ سب اللہ تعالیٰ کے کرم، انتظامیہ کا شریعت کے مطابق کاروبار پر غیر متزلزل ایمان اور اسکی انتھک محنت کا نتیجہ ہے۔

موجودہ مالی سال پر ایک سرسری نظر

دوران مدت مالی مسائل اور ذخائر کی کمی کے باوجود مضاربہ کی کارکردگی مناسب رہی فنانسنگ منصوبوں کی طرف ہمارا رویہ محتاط رہا۔ ہمارا مح نظر شعبہ زراعت رہا۔ بنولہ سیڈ کرشنگ پروجیکٹ اور توڑی کا کاروبار ہماری توجہ کا اہم مرکز رہے۔ مالی ذخائر میں کمی کے باعث ہمارے مالیاتی اخراجات میں خاطر خواہ کمی آئی۔

جاری شدہ قرضہ جات کی بروقت وصولی کیلئے انتظامیہ پوری طرح چوکس اور مستعد رہی تاکہ اس کے ذریعے مزید منافع بخش سرمایہ کاری کیلئے راہ ہموار کی جائے۔

مستقبل کے امکانات

شریعت کے مطابق کاروبار کے ذریعے ترقی کرنے کے مقصد اور حکمت عملی کے ساتھ ہم اعلیٰ پیداواری اور منافع بخش کاروبار کی تلاش اور جستجو کرتے رہیں گے۔ ان کاموں میں ڈیری فارمنگ، زرعی پیداوار اور کم رسک والے مالیات کے منصوبے اہم ہیں۔

ہم اس یقین کے ساتھ آگے بڑھتے رہیں گے کہ ہمارے قلیل المیعاد اور طویل المدت اہداف حاصل ہو جائیں۔ ہم جدید تر کاروبار کے ساتھ جدوجہد میں مصروف رہیں گے تاکہ موجودہ کاروباری نتائج اور درجہ بندی کے مقابلے میں بہتر نتائج حاصل کر سکیں۔ جس کے ذریعے حصہ داروں کو بہتر منافع پہنچا سکیں۔

کارپوریٹ اور مالیاتی رپورٹ

بورڈ آف ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ کوڈ آف کارپوریٹ گورننس کے تحت اپنے فرائض اور ذمہ داریوں سے پوری طرح آگاہ ہیں۔ مندرجہ ذیل بیانات میں بورڈ کا فلسفہ بیان کیا گیا ہے۔ اور کارپوریٹ گورننس کے اعلیٰ معیارات کو برقرار رکھنے کا پابند رہنے کا اظہار کیا گیا ہے۔

☆ مضاربہ کی انتظامیہ کی جانب سے مالی گوشوارہ عمدگی سے پیش کیا گیا ہے جو اس کے آپریشنز، کیش فلوا اور ایکویٹی میں تبدیلیوں کا نتیجہ ہے۔

☆ مضاربہ کی باقاعدہ اکاؤنٹ کتابیں تیار کی گئی ہیں۔

☆ مالی گوشوارے کی تیاری میں موزوں اکاؤنٹنگ پالیسی کو یکساں طور پر استعمال کیا گیا ہے۔ اور اکاؤنٹنگ تخمینہ جات مناسب اور عاقبت اندیشانہ فیصلوں کی بنیاد پر کئے گئے ہیں۔

☆ مالی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی اکاؤنٹنگ (IASs) معیارات پر عمل کیا گیا ہے۔ اور اس سے کسی رخصت کو مناسب طور پر ظاہر کیا گیا ہے۔

☆ انٹرنل کنٹرول کا انتظام مستحکم ہے اور موثر طور پر نفاذ و نگرانی کی جاتی ہے۔

☆ مضاربہ بناوٹ میں مالی طور پر مستحکم ہے اور موثر طور پر نفاذ و نگرانی کی جاتی ہے۔

☆ مضاربہ کی مالی و انتظامی صلاحیت کو کوئی خطرہ نہیں ہے اور اس سلسلے میں کوئی قابل تشویش بات نہیں ہے۔

☆ مضاربہ میں کارپوریٹ گورننس کے بہترین اصولوں کو مد نظر رکھا گیا ہے۔

☆ مضاربہ نے اپنے مستقل ملازمین کیلئے ایک غیر منظور شدہ انفنڈیڈ گریجویٹ اسکیم قائم کر رکھی ہے جس کی قدر ۳۰ جون ۲۰۱۶ کو ۱/۶۳۳،۵۶۷،۵۶۷ روپے تھی۔

☆ پچھلے چھ سالوں کا مالیاتی گوشوارہ خلاصہ کی صورت میں اس سالانہ رپورٹ میں شامل کیا گیا ہے۔

☆ یہاں ۳۰ جون ۲۰۱۶ کو ٹیکس ڈیویڈنڈ جرمانہ اور واجبات کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں ماسوائے جیسا کہ مالیاتی گوشواروں میں ظاہر کیا گیا ہے۔

☆ مضاربہ کے ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری اور ان کے شریک حیات اور نابالغ بچوں نے مضاربہ کے سرٹیفکیٹ کی کوئی خرید و فروخت نہیں کی ہے۔

☆ سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی شرکت درج ذیل ہے:

نام	عہدہ	اجلاس میں شرکت کی تعداد
سید وسیم الحق حقی	چیئر مین	۵
ایس ایم رحمن اللہ	ڈائریکٹر	۵
فرخ ایس انصاری	ڈائریکٹر	۵
راشد کے صدیقی	چیف ایگزیکٹو	۵

سرٹیفکیٹ ہولڈر کی جانب سے سرٹیفکیٹ رکھنے کا طریقہ کار اس سالانہ رپورٹ میں شامل ہے۔

کوڈ آف کارپوریٹ گورننس کی تعمیل

پاکستان اسٹاک ایکسچینج کی جانب سے اپنی ”رول بک“ میں مرتب کردہ، ۳۰ جون ۲۰۱۶ء سے متعلق احکامات کو مضاربہ نے اختیار کیا ہے اور ان کی تعمیل بھی کی ہے اس سلسلے میں ایک بیان اس رپورٹ کے ساتھ منسلک ہے۔

ہومن ریورسز

بورڈ پر اعتماد ہے کہ آپ کے مضاربہ کی انتظامیہ اور ملازمین راست بازی اور جوش اور ولولے سے مسلسل کام کریں گے۔ آپ کا مضاربہ انشاء اللہ مسلسل فروغ پاتا رہے گا۔ بہترین انسانی وسائل میں سرمایہ کاری ہماری پالیسی کا بنیادی عنصر ہے۔

انفارمیشن ٹیکنالوجی

ہم مضاربہ کے لئے ایک جدید ترین سافٹ ویئر کی تیاری کر رہے ہیں جو کہ بہتر فیصلہ سازی کیلئے بروقت اور مرضی کے مطابق معلومات فراہم کرے گا۔ یہ سافٹ ویئر مضاربہ کی ایک ایسے مضبوط مینجمنٹ انفارمیشن سسٹم کی بڑھتی ہوئی ضرورت کو پورا کریگا جو ان تمام مختلف الانواع کاروبار، جن میں مضاربہ اس وقت مصروف عمل ہے اور جو مستقبل میں کرنے کی منصوبہ بندی کر رہا ہے، کا احاطہ کریگا۔ ہمیں اُمید ہے کہ یہ ہمارے کاروبار میں ایک قیمتی جوہر کا اضافہ کریگا۔

آڈیٹرز

موجودہ آڈیٹران میسرز اولیس حیدر لیاقت نعمان چارٹرڈ اکاؤنٹینٹس کی تقرری کی مدت مضاربہ کی سالانہ جائزہ اجلاس کی تاریخ پر ختم ہو رہی ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ نے میسرز اولیس حیدر لیاقت نعمان چارٹرڈ اکاؤنٹینٹس کو بحیثیت آڈیٹرز ۳۰ جون ۲۰۱۷ء تک دوبارہ تقرری کی منظوری دی ہے۔ جو رجسٹرڈ مضاربہ کی منظوری سے مشروط ہے۔

اعتراف

بورڈ ریگولیٹری اتھارٹی، حصہ داروں، کسٹمرز اور بینکران کی معاونت اور تعاون کو بہت سراہتا ہے اور مستقبل میں بھی ان کی معاونت اور مشورے کا منتظر رہے گا۔

ہم اللہ کے حضور آپ کے مضاربہ کی کامیابی کیلئے دعا گو ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے



سید وسیم الحق حقی

چیئر مین

۱۷ اکتوبر ۲۰۱۶ء

کراچی۔

KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE



	2016	2015	2014	2013	2012	2011
	-----Rupees in Thousand-----					
Total Assets	901,246	982,728	1,305,559	1,516,092	1,636,965	1,113,872
Musharika Finance	14,100	45,490	93,777	98,161	82,207	42,798
Murabaha Finance	267,366	312,873	395,090	627,204	807,764	480,436
Modaraba Finance	53,747	22,739	36,236	83,696	77,455	75,630
Diminishing Musharaka	316,083	354,488	399,437	424,230	470,812	279,101
Ijarah Assets	52,765	34,525	72,363	47,368	66,459	56,235
Equity	389,033	385,234	289,672	265,717	330,221	307,640
Current Assets	591,031	680,456	1,004,538	1,175,724	1,164,791	769,492
Current Liabilities	295,207	345,046	846,682	1,187,542	1,189,717	633,387
Income	166,063	195,187	174,401	239,148	205,017	167,843
Taxation	-	-	-	-	-	-
Profit/(Loss) after Tax	8,244	11,155	23,994	(46,029)	40,678	40,139
Dividend (Rs.)	0.08	0.11	0.24	-	0.65	0.64
EPS (Rs.)	0.17	0.23	0.85	(1.63)	1.44	1.42

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of the Listing of Companies and Securities Regulations of the Rule Book of Pakistan Stock Exchange 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.

The Company has applied the principles contained in the CCG in the following manner:

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

Category	Names
Independent & Non- Executive Directors	Syed Waseem ul Haq Haqqie; Syed Muhammad Rehmanullah; and Mr. Farrukh Shauket Ansari
Executive Directors	Mr. Rashid K. Siddiqui

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

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 NBFII or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during the period.
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, in his absence, by a director elected by the board for this purpose 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. All Directors have obtained certification under the Directors Training Program as required by the CCG, except one who is exempt for director's training program by virtue of his experience as prescribed under Regulation 15.19.7 of the Listing of Companies and Securities Regulations of the Rule Book of Pakistan Stock Exchange.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors and the chairman of the committee is an independent director.
16. 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 are advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises four members of whom three are non-executive directors and the chairman of the committee is an independent director.
18. The board has set up an effective internal audit function. The Head of Internal audit is suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company 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 ICAP.
20. 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 auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/ price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Syed Waseem-ul-HaqHaqqie
Chairman
Karachi

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 Aakhirah

Shariah Advisor's Report 2016

Alhamdulillah, I have conducted the Shariah audit & review of KASB Modaraba managed by KASB Invest (Private) Limited, Modaraba Management Company for the year ended June 30, 2016 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observations as report hereunder, in my opinion;

- i. 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.

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

- i. KASB modaraba has collected and credited to charity account Rs. 442,418/- during the period.

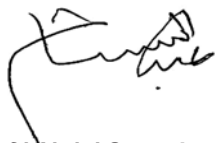
Observations:

- I. The mechanism of allocations of weightages / profit rates needs further better development in addition with the It system / module being used for it.

Recommendation:

In many 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.



Mufti Abdul Sattar Laghari
Shariah Advisor



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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of KASB Invest (Pvt.) Limited, the Management Company of KASB Modaraba for the year ended June 30, 2016 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange where the Modaraba is listed.

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

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risk and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the board of Directors for their review and approval of 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures 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 of Compliance does not appropriately reflect the Management Company's compliance, in all materials respects, which the best practices contained in the Code as applicable to the Modaraba, for the year ended June 30, 2016.

RSM Avais Hyder Liaquat Nauman

Chartered Accountants
Karachi.

Dated: 07-October-2016

Engagement Partner: Adnan Zaman

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AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **KASB MODARABA (The Modaraba)** as at June 30, 2016 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 (hereinafter 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 financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, 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:

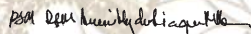
- a) Included in short term modaraba finance (Note 9 to the financial statements) is an outstanding amount of Rs. 7.31 million which, in our view is doubtful of recovery, however, no provision has been made against the same in the financial statements
- b) In our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- c) In our opinion:
 - (i) except for the financial effect of matter referred to in the paragraph (a) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the 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 accounts and are further in agreement with accounting policies consistently applied;


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- (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;
- d) except for the financial effect of matter referred to in the paragraph (a) above, 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 June 30, 2016 and the profit, its cash flows, its total comprehensive income and changes in equity for the year then ended; and
- e) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the Modaraba for the year ended June 30, 2015 were audited by another firm of chartered accountants who expressed a modified opinion on the financial statements of the Modaraba for the year ended June 30, 2015 vide their audit report dated October 5, 2015. Our report is modified on the same issue.



 Chartered Accountants
Karachi.
Dated: 07-October-2016

Engagement Partner: Adnan Zaman

BALANCE SHEET

AS AT 30 JUNE 2016

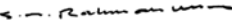


ASSETS	Note	2016	2015
------(Rupees)-----			
Current assets			
Cash and bank balances	7	48,704,707	145,845,016
Short-term investments	8	-	1,000,000
Short term modaraba finance	9	53,746,587	22,739,500
Short term musharaka finance	10	14,100,000	45,490,042
Current portion of long term murabaha finance - gross	11	174,380,177	247,871,070
Current portion of long term diminishing musharaka finance	12	168,567,091	169,358,244
Current portion of long term net investment in finance lease	13	28,756	98,756
Receivable against sale of agricultural produce	14	18,200,140	-
Ijarah rentals receivable	15	3,824,204	2,539,147
Advances, prepayments and other receivables	16	62,396,463	45,514,503
Property acquired in satisfaction of financing facility	17	47,082,936	-
		591,031,061	680,456,278
Non-current assets			
Long-term investments	8	-	2,609,452
Long-term murabaha finance - gross	11	92,985,970	65,001,709
Long-term diminishing musharaka finance	12	147,515,621	185,130,263
Long-term deposits		1,060,300	685,300
Ijarah assets	18	52,764,940	34,525,218
Fixed assets	19	15,887,663	14,319,938
		310,214,494	302,271,880
TOTAL ASSETS		901,245,555	982,728,158
LIABILITIES			
Current liabilities			
Current portion of redeemable capital	20	225,860,000	293,680,000
Current portion of long term security deposits	21	5,640,999	1,921,348
Current portion of long term deferred murabaha income	11	5,289,448	9,968,907
Creditors, accrued and other liabilities	22	55,473,002	37,638,138
Unclaimed profit distribution		2,943,902	1,837,275
		295,207,351	345,045,668
Non-current liabilities			
Long term portion of redeemable capital	20	199,090,000	236,240,000
Long term security deposits	21	6,271,450	4,180,050
Long-term deferred murabaha income	11	6,075,981	7,255,054
Deferred liabilities - staff gratuity	23	5,567,634	4,773,205
		217,005,065	252,448,309
TOTAL LIABILITIES		512,212,416	597,493,977
NET ASSETS		389,033,139	385,234,181
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital			
Authorised:			
50,000,000 (June 30, 2015: 50,000,000) certificates of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital			
Discount on issuance of certificates	24	480,664,800	480,664,800
		(98,960,400)	(98,960,400)
Statutory reserve	25	82,591,086	78,468,762
Accumulated loss		(75,262,346)	(74,938,981)
CONTINGENCIES AND COMMITMENTS	26	389,033,139	385,234,181

The annexed notes 1 to 43 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 2016



	Note	2016 ------(Rupees)-----	2015
Income from:			
- diminishing musharaka finance		59,293,080	66,061,326
- murabaha finance		45,846,666	43,266,061
- Ijarah finance	27	26,634,972	50,293,167
- musharaka finance		4,219,869	6,293,330
- modaraba finance - gross		3,704,611	366,178
- dairy project - gross		-	4,691,988
- banola project - gross		1,060,000	-
- takaful commission income		435,865	-
- sukuk bonds		324,441	518,697
- Gain on sale of 'Available-for-sale' investments - net	28	-	2,066,158
		<u>141,519,504</u>	<u>173,556,905</u>
Financial charges	29	(51,415,181)	(65,699,697)
Direct Cost:			
- Musharaka , Murabaha Finance		(1,624,465)	(331,800)
- Biological assets		-	(2,270,900)
- Modaraba finance		(1,818,205)	(6,730,477)
- Depreciation on assets under ijarah arrangements	18.1	(24,076,383)	(40,852,230)
		<u>(78,934,234)</u>	<u>(115,885,104)</u>
		<u>62,585,270</u>	<u>57,671,801</u>
Other income	30	24,543,845	21,630,174
Waivers/Write offs		(4,102,627)	-
Administrative and operating expenses	31	(73,668,814)	(66,206,931)
		<u>9,357,674</u>	<u>13,095,044</u>
Modaraba management company's fee (Inclusive of Sales tax)	32	(948,134)	(1,717,189)
Provision for Workers' Welfare Fund	33	(164,893)	(223,095)
		<u>8,244,647</u>	<u>11,154,760</u>
Profit before taxation			
Taxation	34	-	-
Net profit for the year		<u><u>8,244,647</u></u>	<u><u>11,154,760</u></u>
Earnings per certificate - basic and diluted	35	<u><u>0.17</u></u>	<u><u>0.23</u></u>

The annexed notes 1 to 43 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)


Chief Executive


Director


Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

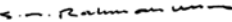


	2016	2015
	------(Rupees)-----	
Net profit for the year	8,244,647	11,154,760
Other comprehensive income		
Item to be reclassified to profit and loss account in subsequent periods:		
Unrealised gain / (loss) on remeasurement of investments classified as 'available for sale'	-	(1,224,203)
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gain/(loss) on defined benefit plans (note 23.7)	841,625	(1,792,625)
Total comprehensive income for the year	<u>9,086,272</u>	<u>8,137,932</u>

The annexed notes 1 to 43 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 2016

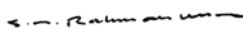


	2016	2015
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	8,244,647	11,154,760
Adjustments for non-cash charges and other items:		
Gain on sale of investments - net	-	(2,066,158)
Gain on disposal of fixed assets - net	-	(2,000)
Gain on disposal of Ijarah assets	(1,103,458)	(915,830)
Gain on disposal of Property	-	(1,187,740)
Depreciation	27,160,118	42,939,106
Amortisation	195,000	206,046
Provision for Workers' Welfare Fund	164,893	223,095
Provision for gratuity	1,712,021	1,805,155
	36,373,221	52,156,434
(Increase) / decrease in assets		
Modaraba finance	(31,007,087)	13,496,293
Musharaka finance	31,390,042	48,287,405
Murabaha finance	(1,576,304)	82,217,717
Diminishing musharaka finance	38,405,795	44,949,399
Net investment in finance lease	70,000	417,909
Ijarah rentals receivable	(1,285,057)	(115,796)
Advances, prepayments and other receivables	(16,881,960)	(18,737,592)
Receivable against sale of Agricultural produce	(18,200,140)	-
Property acquired in satisfaction of financing facility	-	34,947,600
Long-term deposits	(375,000)	945,000
	540,289	206,407,935
Increase / (decrease) in liabilities		
Security deposits	5,811,051	(2,035,030)
Deferred murabaha income	(5,858,532)	(14,094,685)
Creditors, accrued and other liabilities	17,669,971	(10,354,142)
	17,622,490	(26,483,857)
Profit distribution paid	(4,180,687)	(11,306,081)
Staff gratuity paid	(75,967)	(390,219)
	(4,256,654)	(11,696,300)
Net cash generated from operating activities	50,279,346	220,384,212
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(4,846,460)	(9,687,470)
Sales proceeds from disposal of fixed assets	-	10,000
Purchase of Ijarah assets	(55,363,219)	(15,738,072)
Sales proceeds from disposal of Ijarah assets	14,150,572	13,639,945
Investments - net	3,609,452	61,723,213
Net cash (used in) / generated from investing activities	(42,449,655)	49,947,616
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of certificates at discount	-	98,960,400
Certificate of musharaka - net	(104,970,000)	(395,570,343)
Net cash (used in) / generated from financing activities	(104,970,000)	(296,609,943)
Net (decrease) / increase in cash and cash equivalents	(97,140,309)	(26,278,115)
Cash and cash equivalents at the beginning of the year	145,845,016	172,123,131
Cash and cash equivalents at the end of the year	48,704,707	145,845,016

The annexed notes 1 to 43 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)


Chief Executive


Director


Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

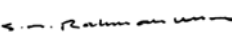


	Certificate capital	Discount on issuance of certificates	Statutory reserve	Accumulated loss	Unrealised Gain on revaluation of available for sale investments	Total
	------(Rupees)-----					
Balance as at 30 June 2014	282,744,000	-	72,891,382	(67,187,781)	1,224,203	289,671,804
Issue of right certificates (Note 24)	197,920,800	(98,960,400)	-	-	-	98,960,400
Net profit for the year	-	-	-	11,154,760	-	11,154,760
Other comprehensive income/(loss)	-	-	-	(1,792,625)	(1,224,203)	(3,016,828)
Profit distribution for the year ended June 30, 2014 @Rs. 0.24 per certificate	-	-	-	(11,535,955)	-	(11,535,955)
Transfer to statutory reserve at 50%	-	-	5,577,380	(5,577,380)	-	-
Balance as at 30 June 2015	<u>480,664,800</u>	<u>(98,960,400)</u>	<u>78,468,762</u>	<u>(74,938,981)</u>	<u>-</u>	<u>385,234,181</u>
Net profit / (loss) for the year	-	-	-	8,244,647	-	8,244,647
Other comprehensive income	-	-	-	841,625	-	841,625
Profit distribution for the year ended June 30, 2015 @Re. 0.11 per certificate	-	-	-	(5,287,314)	-	(5,287,314)
Transfer to statutory reserve at 50%	-	-	4,122,324	(4,122,324)	-	-
Balance as at 30 June 2016	<u>480,664,800</u>	<u>(98,960,400)</u>	<u>82,591,086</u>	<u>(75,262,346)</u>	<u>-</u>	<u>389,033,139</u>

The annexed notes 1 to 43 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 2016



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 8-C, Block 6, PECHS Off. Shahrah-e-Faisal, Karachi.

The Modaraba is a multipurpose perpetual modaraba and is primarily engaged in ijarah financing, musharaka financing, murabaha financing, modaraba financing, diminishing musharaka and investing in sukuk bonds and mutual funds. The Modaraba is listed on the Pakistan Stock Exchange.

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 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 described below:

4.1 Cash and cash equivalents

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

4.2 Financial assets

4.2.1 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'.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



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.

4.2.2 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.

4.2.3 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.

4.2.4 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.

4.2.5 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



4.2.6 Derecognition

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

4.3 Net Investment in Finance lease

Leasing transactions entered into by the Modaraba 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 Modarabas issued by SECP and is charged to the profit and loss account currently.

4.4 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 Modarabas issued by the SECP or based on the judgment of management, whichever is higher. Receivables that becomes irrecoverable are written off.

4.5 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 Modaraba. Receivables that becomes irrecoverable are written off.

4.6 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.

4.7 Financial liabilities

All financial liabilities are recognised at the time when the Modaraba 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.

4.8 Fixed assets - Tangible

4.8.1 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 Modaraba 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.

4.8.2 Ijarah assets

Ijarah 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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



charged in the month of maturity / termination.

4.8.3 Gain or loss on disposal

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

4.8.4 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.

4.8.5 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.

4.9 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.

4.10 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.

4.11 Taxation

Current

Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits available, if any. Under clause 100 of Part - I of the Second Schedule to the Income Tax Ordinance, 2001, the income of non-trading modarabas is exempt from tax provided that not less than 90 percent of their profits are distributed to the certificate holders.

Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes. However, deferred tax liability has not been provided in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 percent of distributable profit.

4.12 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



4.13 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.

4.14 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. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit or loss in subsequent periods.

4.15 Revenue recognition

4.15.1 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.

4.15.2 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.

4.15.3 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.

4.15.4 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.

4.15.5 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.

4.15.6 Diminishing Musharaka

Profit on diminishing musharaka is recognised as and when profits become due on a systematic basis over the term of diminishing musharaka period.

4.15.7 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.

4.15.8 Dividend Income

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



4.16 Proposed profit distribution to modaraba certificate holders

Profit distribution and other appropriations of profit are recognized in the year in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which these relate.

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 4.2 and 8)
- ii) Provision for non-performing finance lease (notes 4.3 and 13.2)
- iii) Provision for non-performing finance arrangements (notes 4.5 and 10, 11)
- iv) Determining the residual values and useful lives of fixed assets (notes 4.8, 16 and 17)
- v) Accounting for staff retirement benefits (notes 4.14 and 21)

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

The following 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 or Interpretation	Effective (annual periods Beginning on or after)
IFRS 2 Share-based payments - Classification and Measurement of Share-based Payments Transaction (Amendments)	1-Jan-18
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment on Associates - Investment Entities: Applying the Consolidation Exception (Amendment)	1-Jan-16
IFRS 10 Consolidation Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	1-Jan-16
IAS 1 Presentation of Financial Statements - Disclosure Initiative (Amendment)	1-Jan-16
IAS 7 Financial Instruments: Disclosure - Disclosure Initiative - (Amendment)	1-Jan-17
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendment)	1-Jan-17
IAS 16 Property, Plant and Equipment and IAS 28 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	1-Jan-16
IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	1-Jan-16
IAS 27 - Separate Financial Statements - Equity Method in "Separate Financial Statements"	1-Jan-16

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB on September 2014. Such improvement are generally effective for accounting periods beginning on or after 01 January 2016. The Modaraba expects that such improvement to the standards will not have any material impact on the Modaraba's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of application in Pakistan.

Standard or Interpretation	Effective (annual periods Beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	1-Jan-18
IFRS 14 - Regulatory Deferral Accounts	1-Jan-16
IFRS 15 - Revenue from Contracts with Customers	1-Jan-18
IFRS 16 - Leases	1-Jan-19

Note 2016 2015
------(Rupees)-----

7. CASH AND BANK BALANCES

Cash at bank in :			
- current accounts	7.1	2,936,985	1,905,753
- saving accounts		45,557,869	143,737,494
		<u>48,494,854</u>	<u>145,643,247</u>
Cash in hand		140,157	176,305
Stamp papers		69,696	25,464
		<u>48,704,707</u>	<u>145,845,016</u>

7.1 The expected profit rates on these accounts range between 4.00% and 6.40% (2015: 4.0% and 7.30%).

8. INVESTMENTS

8.1 Short-term investments

Held to maturity

Current portion of Sukuk Bonds - unlisted	8.2	-	1,000,000
		<u>-</u>	<u>1,000,000</u>

8.2 Sukuk bonds - unlisted

Name of investee company	Profit rate	Carrying amount	
		2016	2015
------(Rupees)-----			
(Sukuk bonds of Rs.5,000 each)			
Maple Leaf Cement Factory Limited - 1st issue (3M KIBOR + 1.00%)		-	3,609,452
Total Sukuk bonds		-	3,609,452
Less: Current portion of Sukuk Bonds		-	(1,000,000)
		<u>-</u>	<u>2,609,452</u>

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.

Modaraba Finance includes an aggregate outstanding balance of Rs. 9.408 million on account of a modaraba transaction with a customer. Due to the financial difficulty of the said customer, the underlying asset was sold

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in prior year to settle this transaction and the post dated cheques of Rs. 2.1 million were also received from the customer. The management believes that the balance of Rs. 7.308 million will also be recovered in due course of time through profit expected to be earned from another financing facility provided to the said customer, hence no provision against the same has been made in these financial statements.

	2016	2015
	------(Rupees)-----	
10. MUSHARAKA FINANCE		
Musharaka finance - considered good	-	31,390,042
- considered doubtful	38,702,297	38,702,297
	38,702,297	70,092,339
Less: provision for non-performing musharaka arrangements	(24,602,297)	(24,602,297)
	14,100,000	45,490,042
10.1	The Modaraba has provided funds under musharaka arrangements on profit and loss sharing basis. Expected rate of profit was 17.50% (2015: 17.50% and 20.00%) per annum. Musharaka arrangements are secured against property mortgage and personal guarantees.	
11. MURABAHA FINANCE - considered good		
Murabaha finance - considered good	267,366,147	312,872,779
- considered doubtful	44,327,865	44,327,865
	311,694,012	357,200,644
Less: provision for non-performing murabaha arrangements	(44,327,865)	(44,327,865)
	267,366,147	312,872,779
Murabaha finance - due after one year	(92,985,970)	(65,001,709)
Current portion of murabaha finance	174,380,177	247,871,070
11.1 Deferred murabaha income		
Deferred murabaha income	11,365,429	17,223,961
Deferred murabaha income - due after one year	(6,075,981)	(7,255,054)
Current portion of deferred murabaha income	5,289,448	9,968,907
11.2	The profit rates on these murabaha arrangements range between 12.50% and 20.00% (2015: 15.00% and 25.00%).	
12. DIMINISHING MUSHARKA FINANCE - considered good		
Diminishing musharaka finance - gross	374,819,656	429,851,207
Unearned Income	(58,736,944)	(75,362,695)
	316,082,712	354,488,512
Diminishing musharaka due after one year	(147,515,621)	(185,130,268)
Current portion of diminishing musharaka	168,567,091	169,358,244
12.1	The profit rates on these diminishing musharaka arrangements range between 13.00% and 21.00% (2015: 9.51% and 21.00%). Diminishing musharaka arrangements are secured by way of Modaraba's title over underlying assets and personal guarantees.	
13. NET INVESTMENT IN FINANCE LEASE		

	2016			2015		
	Later than one and less than five years		Total	Later than one and less than five years		Total
	Not later than one year	Total		Not later than one year	Total	
	------(Rupees)-----					
Minimum lease payments receivable	203,442	-	203,442	273,442	-	273,442
Unearned finance income	(74)	-	(74)	(74)	-	(74)
Allowance for non-performing leases	(174,612)	-	(174,612)	(174,612)	-	(174,612)
Present value of minimum lease payments	28,756	-	28,756	98,756	-	98,756

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13.1 As at 30 June 2016, leases with outstanding principal of Rs. 0.174 million (2015: Rs. 0.174 million) have been classified as non-performing as per the requirements of Prudential Regulations for Modarabas issued by the SECP.

14. Receivable against sale of Agriculture Produce

During the year KASB Modaraba (KASBM) & First Prudential Modaraba (FPrM) entered into a joint project for crushing of agriculture produce i.e. Banola seed and sale of its Final product i.e. oil cake (Khal) in the market. The natural cyclical shortage in productivity of cotton crop in the country, affected the availability of the Banola seed, therefore project was prudently discontinued by the management to safeguard the interest of Modaraba. At the time of discontinuance of the project, an amount of Rs. 59.31million was held as an advance with the seller/ service provider for purchase of Banola seed and an amount of Rs. 48.51million was receivable against the sale of agriculture produce. As per the settlement agreement dated April 27, 2016 with seller/ service provider, the advance for purchase of Banola seed has been converted into Ijarah Finance (secured) whereas receivable against sale of agriculture produce is being recovered in due course of business through seller/ service provider. The detail of the net receivable as on June 30, 2016 is as under:

Description	KASBM	FPrM	Total
Initial Investment	51,000,000	81,000,000	132,000,000
Add: Gain on sale of Agriculture Produce	1,060,000	1,590,000	2,650,000
Less: Receipt against sale of Agriculture Produce	(14,353,590)	(14,473,432)	(28,827,022)
Less: converted to Ijarah Financing	(19,311,320)	(40,000,000)	(59,311,320)
Less Consultancy Charges	(194,950)	(305,050)	(500,000)
	18,200,140	27,811,518	46,011,658

15. IJARAH RENTALS RECEIVABLE

	2016	2015
	------(Rupees)-----	
Ijarah rentals receivable - considered good	3,824,204	2,539,147
Ijarah rentals receivable - considered doubtful	8,837,192	7,121,049
	12,661,396	9,660,196

16. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to:		
- executives	16.1	1,239,714
- employees	16.1	1,381,882
Advances to suppliers		24,269,003
Prepayments		8,058,635
Short term security deposits		750,000
Accrued profit	16.2	13,234,339
Advance tax		1,610,457
Others		11,852,433
		62,396,463
		45,514,503

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

16.2 Accrued Profit

Accrued profit on modaraba	2,558,802	1,153,163
Accrued profit on Sukuk Bonds	671,506	2,248,640
Accrued profit on bank deposits	394,187	567,074
Accrued profit on musharaka arrangements	1,573,867	6,652,986
Accrued profit on murabaha arrangements	7,808,421	-
Accrued income on takaful	227,556	-
	13,234,339	10,621,863

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17 PROPERTY ACQUIRED IN SATISFACTION OF FINANCING FACILITY

This represents real state property at SITE Karachi acquired by the Modaraba in satisfaction of murabaha finance facility. The assessed market value of the said property is Rs. 55 million.

		2016	2015
		------(Rupees)-----	
18 IJARAH ASSETS			
Equipment		42,918	140,009
Plant and machinery		41,799,087	2,923,346
Motor vehicles		10,922,935	31,461,863
	18.1	52,764,940	34,525,218

18.1 The following is a statement of ijarah assets:

	Cost		2016			Book value		Rate of depreciation %
	As at 01 July 2015	Additions/ Deletions	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 30 June 2016	
	------(Rupees)-----							
Equipment	403,600	-	403,600	263,591	97,091	360,682	42,918	20 - 66
Plant and machinery	13,752,000	47,791,219 (2,752,000)	58,791,219	10,828,654	8,640,278 (2,476,800)	16,992,132	41,799,087	14 - 33
Motor vehicles	60,716,035	7,572,000 (38,186,849)	30,101,186	29,254,172	15,339,014 (25,414,935)	19,178,251	10,922,935	20 - 50
	74,871,635	55,363,219 (40,938,849)	89,296,005	40,346,417	24,076,383 (27,891,735)	36,531,065	52,764,940	
------(Rupees)-----								
	Cost		2015			Book value		Rate of depreciation %
	As at 01 July 2014	Additions/ Deletions	As at 30 June 2015	As at 01 July 2014	Charge for the year	As at 30 June 2015	As at 30 June 2015	
	------(Rupees)-----							
Equipment	705,500	-	403,600	612,080	156,978 (505,467)	263,591	140,009	20 - 66
Plant and machinery	46,924,934	-	13,752,000	33,031,188	7,677,589 (29,880,123)	10,828,654	2,923,346	14 - 33
Motor vehicles	74,862,217	15,738,072 (29,884,254)	60,716,035	16,485,892	33,017,663 (20,249,383)	29,254,172	31,461,863	20 - 50
	122,492,651	15,738,072 (63,359,088)	74,871,635	50,129,160	40,852,230 (50,634,973)	40,346,417	34,525,218	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



18.2 Disposal of Ijarah 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		Mode of disposal	Particulars of buyer
				proceeds	Gain		
------(Rupees)-----							
Vehicles	1,371,403	1,371,403	-	-	-	As per Modarba's policy	International Port and Shipping
Plant & Machinery	2,752,000	2,476,800	275,200	275,200	-	-----do-----	Quetta Textile Mills Limited
Vehicles	700,000	630,000	70,000	70,000	-	-----do-----	Maqbool Associates
Vehicles	1,347,500	972,972	374,528	449,164	74,636	-----do-----	Shabbir Ahmed Mohajir
Vehicles	60,475	60,475	-	-	-	-----do-----	Kamran
Vehicles	2,113,000	2,113,000	-	-	-	-----do-----	Maqbool Associates
Vehicles	1,555,000	1,399,500	155,500	155,500	-	-----do-----	General Fan Company
Vehicles	2,389,000	2,150,100	238,900	238,900	-	-----do-----	General Fan Company
Vehicles	1,262,000	457,474	804,526	900,191	95,665	-----do-----	Amir Iqbal
Vehicles	1,000,000	500,000	500,000	500,000	-	-----do-----	Usman Zaman Khan
Vehicles	613,598	613,598	-	-	-	-----do-----	Jawaid Bross Label Industries
Vehicles	716,391	443,482	272,909	323,000	50,091	-----do-----	Wiltrans Cargo Services
Vehicles	375,428	375,428	-	-	-	-----do-----	Stone World
Vehicles	593,862	593,862	-	-	-	-----do-----	Nuricon Mud Logging
Vehicles	979,229	979,229	-	-	-	-----do-----	National Metal Packaging Ltd.
Vehicles	1,352,015	1,352,015	-	-	-	-----do-----	National Metal Packaging Ltd.
Vehicles	434,102	434,102	-	-	-	-----do-----	Fuel Tech Private Ltd.
Vehicles	834,125	834,125	-	-	-	-----do-----	Nuricon Wireline Services
Vehicles	755,686	755,686	-	-	-	-----do-----	Nuricon Petroservices
Vehicles	515,096	515,096	-	-	-	-----do-----	Techlogix Pakistan (Pvt.) Ltd.
Vehicles	753,420	753,420	-	-	-	-----do-----	Direct Digital
Vehicles	582,529	582,529	-	-	-	-----do-----	Furrukh Ismail
Vehicles	510,084	510,084	-	-	-	-----do-----	Embassy Freight Services
Vehicles	433,318	433,318	-	-	-	-----do-----	Symmetry Digital (Pvt.) Ltd.
Vehicles	1,111,939	1,111,939	-	-	-	-----do-----	Fuel Tech Private Ltd.
Vehicles	425,640	425,640	-	-	-	-----do-----	Transbridge Logistics
Vehicles	503,397	284,531	218,866	224,311	5,445	-----do-----	Imran Aziz
Vehicles	557,097	557,097	-	-	-	-----do-----	Khalil Anwer Hassan
Vehicles	846,469	846,469	-	-	-	-----do-----	Nuricon Petroservices
Vehicles	1,808,773	1,808,773	-	-	-	-----do-----	Millennium Entertainment
Vehicles	1,808,773	1,237,345	571,428	571,428	-	-----do-----	Millennium Entertainment
Vehicles	2,377,500	178,314	2,199,186	2,486,478	287,292	-----do-----	Sheeraz Shaikh
Vehicles	7,500,000	133,929	7,366,071	7,956,400	590,329	-----do-----	Sheeraz Shaikh
	<u>40,938,849</u>	<u>27,891,735</u>	<u>13,047,114</u>	<u>14,150,572</u>	<u>1,103,458</u>		

19. FIXED ASSETS

	Note	2016	2015
------(Rupees)-----			
Tangible assets	19.1	14,962,900	14,125,175
Intangible assets	19.2	924,763	194,763
		<u>15,887,663</u>	<u>14,319,938</u>

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19.1 Tangible Assets

	2016							Rate of depreciation %
	Cost		Accumulated Depreciation			Book value		
	As at 01 July 2015	Additions/ Deletions	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 30 June 2016	
----- (Rupees) -----								
Owned								
Furniture and fixtures	10,711,736	1,890,236	12,601,972	3,346,725	1,174,788	4,521,513	8,080,459	10
Office equipment	322,060	229,142	551,202	179,133	56,592	235,725	315,477	20
Electrical equipment	3,499,441	1,185,773	4,685,214	1,688,386	629,098	2,317,484	2,367,730	20
Motor vehicles	4,317,630	-	4,317,630	419,509	768,577	1,188,086	3,129,544	20
Computers and accessories	2,717,988	616,309	3,334,297	1,809,927	454,680	2,264,607	1,069,690	30
	21,568,855	3,921,460	25,490,315	7,443,680	3,083,735	10,527,415	14,962,900	

	2015							Rate of depreciation %
	Cost		Accumulated Depreciation			Book value		
	As at 01 July 2014	Additions/ Deletions	As at 30 June 2015	As at 01 July 2014	Charge for the year	As at 30 June 2015	As at 30 June 2015	
----- (Rupees) -----								
Owned								
Furniture and fixtures	6,277,734	4,434,002	10,711,736	2,482,875	863,850	3,346,725	7,365,011	10
Office equipment	322,060	-	322,060	120,001	59,132	179,133	142,927	20
Electrical equipment	3,102,599	489,692 (92,850)	3,499,441	1,227,716	545,520 (84,850)	1,688,386	1,811,055	20
Motor vehicles	188,074	4,155,950 (26,394)	4,317,630	95,707	332,146 (8,344)	419,509	3,898,121	20
Computers and accessories	2,092,112	625,876	2,717,988	1,523,699	286,228	1,809,927	908,061	30
	11,982,579	9,705,520 (119,244)	21,568,855	5,449,998	2,086,876 (93,194)	7,443,680	14,125,175	

19.2 Intangible assets

	2016							Rate of amortization %
	Cost		Accumulated Amortization			Book value		
	As at 01 July 2015	Additions/ Deletions	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 30 June 2016	
----- (Rupees) -----								
Computer software	1,870,000	925,000	2,795,000	1,675,237	195,000	1,870,237	924,763	30 - 33

	2015							Rate of amortization %
	Cost		Accumulated Amortization			Book value		
	As at 01 July 2014	Additions/ Deletions	As at 30 June 2015	As at 01 July 2014	Charge for the year	As at 30 June 2015	As at 30 June 2015	
----- (Rupees) -----								
Computer software	1,870,000	-	1,870,000	1,469,191	206,046	1,675,237	194,763	30 - 33

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	Note	2016	2015
------(Rupees)-----			
20. REDEEMABLE CAPITAL- PARTICIPATORY AND UNSECURED			
Certificates of Musharaka	20.1	424,950,000	529,920,000
Less: Long Term portion of redeemable capital		(199,090,000)	(236,240,000)
		<u>225,860,000</u>	<u>293,680,000</u>

20.1 The estimated share of profit payable on Certificate of Musharaka ranges between 7.25% and 11.75% (2015: 7.75% and 13.50%) per annum. It includes an amount of Rs. 2.700 million (2015: Rs. 20.600 million) due to related parties carries profit at a rate ranging between 7.25% and 10.00% (2015: 7.75% and 10.00%).

21. SECURITY DEPOSITS

Ijarah deposits		11,912,449	6,101,398
Less: adjustable after one year		6,271,450	4,180,050
Current portion of security deposits		<u>5,640,999</u>	<u>1,921,348</u>

21.1 This represent sums received under ijarah lease arrangements, adjustable at the expiry of the lease period.

22. CREDITORS, ACCRUED AND OTHER LIABILITIES

Management fee payable	22.1	948,134	1,717,189
Sundry creditors		22,495,602	10,099,684
Accrued expenses		1,710,892	2,413,012
Accrued financial charges	22.2	12,679,545	10,184,391
Charity payable		294,155	629,737
Insurance premium received in advance		10,291,613	8,573,358
Advance rentals		1,585,781	1,591,079
Other liabilities		5,467,280	2,429,689
		<u>55,473,002</u>	<u>37,638,138</u>

22.1 This includes Sales Tax Payable amounting to Rs 120,112 for the year ended 30 June 2016. Pursuant to Order of Sindh Revenue Board (SRB), the Modaraba has recorded a provision in respect of Sindh sales tax on Management Company's remuneration at the rate of 15% (2015 : 15%) per annum with effect from November 1,2011 which is pending adjudication.

Considering the view that the amount is a profit sharing rather than a fixed fee against rendering of management services by the Management Company up to the 10% of Modarabas profit as provided in the Modaraba Ordinance, in case of loss in Modaraba venture the Management Company is not entitled to claim any remuneration, the NBF and Modaraba Association, on behalf of various Modarabas, has filed a constitutional petition in Honorable High Court of Sindh (SHC) and challenged said levy. Subsequently, the SHC in its judgement dated February 02, 2015 directed to seek remedy from Appellate Tribunal of SRB which has been recently constituted.

22.2 Amounts due to related party as at 30 June 2016 aggregated to Rs. 0.041 million (2015: Rs. 0.274 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 2016, using the Projected Unit Credit Method. The benefits under the gratuity scheme are payable on cessation of service as under:

Number of years of eligible service completed	Amount of gratuity payable
Less than 3 years	Nil
Equal to 3 years	0.6 times of last drawn basic salary for each year of service
Equal to 4 years	0.8 times of last drawn basic salary for each year of service
Greater than or equal to 5 years	1 times last drawn basic salary for each year of service

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



23.2 Principal actuarial assumptions used:

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

23.3 Significant Actuarial Assumptions

Financial Assumptions

- Valuation discount rate	7.25%	9.75%
- Expected rate of increase in salaries	9.25%	15.00%

Demographic Assumptions

Mortality rates (for death in service)	SLIC(2001-05) High	SLIC(2001-05) High
Rates of employee turnover	2016	2015
	------(Rupees)-----	

23.4 Statement of Financial Position

Present value of defined benefit obligation	5,567,634	4,773,205
---	-----------	-----------

23.5 Movement in the defined benefit liability

Balance accrued as at the beginning of the year	4,773,205	1,565,644
Periodic benefit cost for the year ended	1,712,021	1,805,155
Benefits paid during the year	(75,967)	(390,219)
Amount of remeasurements losses recognised in Other Comprehensive Income during the year	(841,625)	1,792,625
Balance accrued as at the end of the year	<u>5,567,634</u>	<u>4,773,205</u>

23.6 Defined Benefit Cost for the Year

Cost recognised in Profit and Loss Account for the year

Current service cost	1,250,337	1,623,559
Interest Cost on defined benefit obligation	461,684	181,596
	<u>1,712,021</u>	<u>1,805,155</u>

Re-measurements recognised in Other Comprehensive Income during the year

Actuarial (gain)/loss on obligation	(841,625)	1,792,625
-------------------------------------	-----------	-----------

Total defined benefit cost recognised in Profit & Loss Account and Other Comprehensive Income

	<u>870,396</u>	<u>3,597,780</u>
--	----------------	------------------

23.7 Remeasurements recognised in Other Comprehensive (Income) / expense during the year

Actuarial gain / (loss) on obligation

Loss due to change in financial assumptions	652,846	266,498
Loss due to change in demographic assumptions	-	-
Loss due to change in experience adjustments	-	-
- Due to actual salary increase	(1,494,471)	1,526,127
- Due to other reasons	-	-
	<u>(1,494,471)</u>	<u>1,526,127</u>

Total actuarial (gain)/loss on obligation

	<u>(841,625)</u>	<u>1,792,625</u>
--	------------------	------------------

23.8 Maturity profile of the defined benefit obligation

Distribution of timing of benefit payments within the next 12 months (next annual reporting period)	874,116	780,307
between 2 and 5 years	1,627,360	5,894,183
between 5 and 10 years	3,141,629	8,884,721
Beyond 10 years	4,405,623	90,230,378
	<u>10,048,728</u>	<u>105,789,589</u>

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SLIC(2001-05) Hig	SLIC(2001-05) High
2016	2015
------(Rupees)-----	

23.9 Sensitivity Analysis on significant actuarial assumptions: Actuarial Liability

Discount Rate +1%	5,216,221	4,479,587
Discount Rate -1%	5,965,282	5,103,735
Long Term Salary Increases +1%	5,979,734	5,121,111
Long Term Salary Increases -1%	5,196,574	4,459,000
Withdrawals Rates +10%	5,514,811	4,731,964
Withdrawals Rates -10%	5,626,385	4,815,635
1 Year Mortality age set back	5,570,460	4,775,051
1 Year Mortality age set forward	5,564,819	4,772,359

23.10 Based on actuarial advice, the Modaraba estimates a gratuity expense of Rs. 2,357,440/- during the year ending 30 June 2017.

24. CERTIFICATE CAPITAL

Authorised certificate capital

2016	2015		2016	2015
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

24,958,400	24,958,400	Modaraba Certificates of Rs. 10/- each fully paid in cash	249,584,000	249,584,000
3,316,000	3,316,000	Modaraba Certificates of Rs. 10/- each issued as fully paid bonus certificates	33,160,000	33,160,000
19,792,080	19,792,080	Modaraba Certificates of Rs. 10/- each issued at 50% discount as right certificates	197,920,800	197,920,800
<u>48,066,480</u>	<u>48,066,480</u>		<u>480,664,800</u>	<u>480,664,800</u>

24.1 As at 30 June 2016, the Management Company held 23,930,973 (2015: 23,930,973) certificates .

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 2016.

27. INCOME FROM IJARAH FINANCE

	2016	2015
	------(Rupees)-----	
Ijarah Rentals		
Plant and machinery	9,888,946	11,682,127
Motor vehicle	18,522,743	40,816,908
Other	-	286,025
Gain on disposal of ijarah assets	1,103,458	915,830
	<u>29,515,147</u>	<u>53,700,890</u>
Less:		
Direct cost associated with ijarah assets	2,000	10,250
Suspended income	2,878,175	3,397,473
	<u>2,880,175</u>	<u>3,407,723</u>
	<u>26,634,972</u>	<u>50,293,167</u>

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FOR THE YEAR ENDED 30 JUNE 2016



	2016	2015
	------(Rupees)-----	
28. GAIN ON SALE OF INVESTMENTS - NET		
Investments 'available-for-sale'	-	2,066,158
29. FINANCIAL CHARGES		
Profit on Certificates of Musharaka	51,314,820	65,400,514
Bank charges	100,361	299,183
	<u>51,415,181</u>	<u>65,699,697</u>
30. OTHER INCOME		
Gain on sale of property acquired in satisfaction of financing facility	-	1,187,740
Gain / (loss) on disposal of fixed assets - net	-	2,000
Documentation income	553,487	655,685
Front end fee	-	41,082
Deferred income on transfer of assets	-	15,945
Insurance income	5,971,217	4,333,106
Bank deposits	8,553,772	10,856,850
Others	9,465,369	4,537,766
	<u>24,543,845</u>	<u>21,630,174</u>
	Note	
	2016	2015
	------(Rupees)-----	
31. ADMINISTRATIVE AND OPERATING EXPENSES		
Salaries and benefits	31.1 46,719,324	35,878,662
Utilities	3,518,266	2,955,414
Insurance	2,579,765	2,518,858
Vehicle running and maintenance	1,520,795	2,271,114
Postage	284,791	248,210
Repairs and maintenance	924,616	1,364,137
Entertainment	828,510	466,070
Printing and stationery	735,326	627,039
Travelling and conveyance	860,614	559,010
Fee and subscriptions	1,555,536	3,410,999
Auditors' remuneration	31.2 534,000	534,000
Legal and professional charges	3,451,223	3,194,759
Depreciation	3,083,735	2,086,878
Amortization	195,000	206,046
Advertisements	345,414	3,564,302
Rent, rate and taxes	4,128,870	2,589,681
Generator expenses	173,516	191,970
Newspapers and periodicals	16,798	29,734
CIB charges	40,309	-
Verysis charges	11,525	5,225
Security services	1,068,083	1,091,927
Training and seminar	98,195	25,000
Outsource expense	-	1,556,621
Others	994,603	831,275
	<u>73,668,814</u>	<u>66,206,931</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



31.1 REMUNERATION TO OFFICERS AND OTHER EMPLOYEES

	2016		2015	
	Officers	Other Employees	Officers	Other Employees
	----- (Rupees) -----		----- (Rupees) -----	
Managerial remuneration	15,823,942	12,421,675	10,818,011	9,216,127
Medical allowance	1,582,394	1,242,202	1,081,789	922,820
House rent allowance	4,810,826	3,726,507	3,499,962	2,768,438
Utility allowance	1,582,406	1,242,159	1,081,834	922,820
Employee benefits	3,042,986	615,867	3,391,996	1,435,927
EOBI contribution	23,190	86,170	8,320	36,618
Bonus	90,000	429,000	226,000	468,000
	<u>26,955,744</u>	<u>19,763,580</u>	<u>20,107,912</u>	<u>15,770,750</u>
Number of persons	<u>13</u>	<u>75</u>	<u>10</u>	<u>75</u>

31.1.1 The total number of employees as at June 30 2016 are 50. (2015: 68) and the average number of employees during the year equates to 65 (2015: 47).

31.2 Auditors' Remuneration

	2016	2015
	----- (Rupees) -----	
Annual audit fee	325,000	325,000
Review of interim financial statements	95,000	95,000
Out of pocket expenses	114,000	114,000
	<u>534,000</u>	<u>534,000</u>

32. MODARABA MANAGEMENT COMPANY FEE

In accordance with the Modaraba Companies and Modaraba Rules, 1981, management remuneration at the rate of 10% of annual profits is payable to the Management Company.

33. PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) due to which the Modaraba became liable to pay contribution to Workers' Welfare Fund (WWF) at the higher of the profit before taxation as per the financial statements or the return of income.

34. TAXATION

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 (XXXI of 1980) are distributed amongst the shareholders.

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.

35. EARNINGS / (LOSS) PER CERTIFICATE - BASIC AND DILUTED

	2016	2015
Profit / (loss) for the year (Rupees)	<u>8,244,647</u>	<u>11,154,760</u>
Weighted average number of certificates (Number)	<u>48,066,480</u>	<u>48,066,480</u>
Earnings / (loss) per certificate -basic and diluted	<u>0.17</u>	<u>0.23</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



	2016	2015
	------(Rupees)-----	
36. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets as per balance sheet		
Loans and receivables		
Cash and bank balances	48,704,707	145,845,016
Murabaha finance	267,366,147	312,872,779
Modaraba finance	53,746,587	22,739,500
Musharaka finance	14,100,000	45,490,042
Diminishing musharaka finance	316,082,712	354,488,507
Net investment in finance lease	28,756	98,756
Receivable against sale of agricultural produce	18,200,140	-
Ijarah rental receivable	3,824,204	2,539,147
Advances and other receivables	30,068,825	26,119,535
Accrued profit	13,234,339	10,621,863
Long-term deposits	1,060,300	685,300
Held to maturity		
Investments	-	3,609,452
	<u>766,416,717</u>	<u>925,109,897</u>
Financial liabilities as per balance sheet		
Amortized Cost		
Redeemable capital	424,950,000	529,920,000
Security deposits	11,912,449	6,101,398
Creditors, accrued and other liabilities	55,473,002	37,638,138
Unclaimed profit distribution	2,943,902	1,837,275
Deferred liabilities - staff gratuity	5,567,634	4,773,205
	<u>500,846,987</u>	<u>580,270,016</u>

37. 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.

37.1 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.

37.1.1 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.

37.1.2 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. The Modaraba has adopted appropriate policies to minimise its exposure to this risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



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 %	2016					
	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	48,704,707	45,557,869	-	-	-	3,146,838
Murabaha finance	267,366,147	29,008,697	46,586,906	31,950,251	92,985,970	66,834,323
Modaraba Finance	56,746,587	-	-	-	-	56,746,587
Musharaka finance	14,100,000	-	-	-	-	14,100,000
Diminishing musharaka finance	316,082,712	12,407,208	47,657,978	105,018,997	150,998,529	-
Net investment in finance lease	28,756	-	-	-	-	28,756
Receivable against sale of agricultural produce	18,200,140	-	-	-	-	18,200,140
Ijarah rentals receivable	3,824,204	-	-	-	-	3,824,204
Advances, prepayments and other receivables	30,068,825	-	-	-	-	30,068,825
Accrued profit	13,234,339	-	-	-	-	13,234,339
Long-term Deposit	1,060,300	-	-	-	-	1,060,300
Total	766,416,717	86,973,774	94,244,884	136,969,248	243,984,499	204,244,312
Liabilities						
Certificate of musharaka	424,950,000	27,300,000	123,830,000	74,730,000	199,090,000	-
Security deposits	11,912,449	-	-	-	-	11,912,449
Creditors, accrued and other liabilities	55,473,002	-	-	-	-	55,473,002
Unclaimed profit distribution	2,943,902	-	-	-	-	2,943,902
Deferred Liabilities - staff gratuity	5,567,634	-	-	-	-	5,567,634
Total	500,846,987	27,300,000	123,830,000	74,730,000	199,090,000	75,896,987
Total yield / profit risk sensitivity gap		59,673,774	(29,585,116)	62,239,248	44,894,499	
Cumulative yield / profit risk sensitivity gap		59,673,774	30,088,658	92,327,906	137,222,405	

Effective yield / profit rate %	2015					
	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	145,845,016	143,737,494	-	-	-	2,107,522
Investments	3,609,452	-	-	1,000,000	2,609,452	-
Murabaha finance	312,872,779	49,400,000	34,100,000	11,500,000	121,289,284	96,583,495
Modaraba Finance	22,739,500	-	-	-	-	22,739,500
Musharaka finance	45,490,042	15,964,147	13,893,151	-	-	15,632,744
Diminishing musharaka finance	354,488,507	6,892,972	3,230,605	29,087,487	315,277,443	-
Net investment in Ijarah finance	98,756	-	-	-	-	98,756
Ijarah rentals receivable	2,539,147	-	-	-	-	2,539,147
Advances, prepayments and other receivables	26,119,535	-	-	-	-	26,119,535
Accrued profit	10,621,863	-	-	-	-	10,621,863
Long-term Deposit	685,300	-	-	-	-	685,300
Total	925,109,897	215,994,613	51,223,756	41,587,487	439,176,179	177,127,862
Liabilities						
Certificate of musharaka	529,920,000	27,730,000	114,935,000	130,745,000	256,510,000	-
Security deposits	6,101,398	-	-	-	-	6,101,398
Creditors, accrued and other liabilities	37,638,138	-	-	-	-	37,638,138
Unclaimed profit distribution	1,837,275	-	-	-	-	1,837,275
Deferred Liabilities - staff gratuity	4,773,205	-	-	-	-	4,773,205
Total	580,270,016	27,730,000	114,935,000	130,745,000	256,510,000	50,350,016
Total yield / profit risk sensitivity gap		188,264,613	(63,711,244)	(89,157,513)	182,666,179	
Cumulative yield / profit risk sensitivity gap		188,264,613	124,553,369	35,395,856	218,062,035	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



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	
	2016	2015
	------(Rupees)-----	
Changes in basis point		
+100	1,210,584	1,354,161
-100	(1,210,584)	(1,354,161)

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

37.1.3 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.

37.2 Credit risk

37.2.1 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, diminishing musharaka and ijarah rental receivables.

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.

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

Bank balances	2016	2015
	------(Rupees)-----	
AAA	1,654,203	29,105
AA	2,131	2,126
A	462	66,588
A-	24,969,653	35,454,511
A+	797,912	696,666
AA-	21,070,493	109,394,251

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



37.2.3 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:

	2016		2015	
	Total outstanding amount	Payment overdue (in days)	Total outstanding amount	Payment overdue (in days)
Ijarah rentals receivable	178,705	1 - 76 Days	519,363	1 - 87 Days
Murabaha Finance	27,539,331	1 -61 Days	1,607,087	1 -87 Days
Diminishing Musharaka Finance	1,868,119	1 - 82 Days	2,671,898	1 - 89 Days
Modaraba Finance	4,500,000	1 - 03 Days	-	

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

	2016				
	OAEM	Substandard	Doubtful	Loss	Total
	-----Rupees-----				
Net investment in finance lease	-	-	-	127,650	127,650
Ijarah rentals receivable	-	33,162	5,533,260	-	5,566,422
Murabaha Finance	32,038,548	-	-	33,064,558	65,103,106
Musharaka Finance	-	-	-	38,702,297	38,702,297
Diminishing Musharaka Finance	2,250,180	-	5,011,038	1,444,186	8,705,404

	2015				
	OAEM	Substandard	Doubtful	Loss	Total
	-----Rupees-----				
Net investment in finance lease	-	-	-	174,612	174,612
Ijarah rentals receivable	2,358,577	7,528,718	-	96,689	9,983,984
Murabaha Finance	90,893,583	61,053,256	43,500,795	927,070	196,374,704
Musharaka Finance	250,000	10,170	-	38,702,297	38,962,467
Diminishing Musharaka Finance	6,882,299	5,011,139	2,421,435	-	14,314,873

37.2.5 Concentration of credit risk

37.2.5.1 Net Investment in Finance Lease

	2016		2015	
	(Rupees)	%	(Rupees)	%
Individuals	28,756	100.00	98,756	100.00
	28,756	100.00	98,756	100.00

37.2.5.2 Ijarah Assets

	2016		2015	
	(Rupees)	%	(Rupees)	%
Fuel and energy	2,001,261	3.79	7,840,677	14.86
Travel and transport	5,079,755	9.63	2,799,995	5.31
Textile	23,391,911	44.33	2,099,133	3.98
Electrical and engineering	-	-	5,613,800	10.64
Paper and board	-	-	928,728	1.76
Construction	-	-	1,633,043	3.09
Individuals	2,862,139	5.42	1,872,827	3.55
Others	19,429,874	36.82	11,737,015	22.24
	52,764,940	99.99	34,525,218	65.43

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



37.2.5.3 For Musharaka, Murabaha, Modaraba and Diminishing Musharaka Finance

	2016		2015	
	(Rupees)	%	(Rupees)	%
Textile and allied	105,920,891	16.26	159,032,289	24.69
Trading	73,004,278	11.21	63,225,007	9.82
Leather	43,550,000	6.69	47,300,000	7.34
Pharmaceutical and chemicals	25,727,994	3.95	24,322,549	3.78
Food and beverage	10,773,517	1.65	31,562,060	4.90
Construction	11,191,398	1.72	44,035,908	6.84
Fuel and energy	16,069,153	2.47	24,867,769	3.86
Financial institutions	61,390,825	9.43	64,708,348	10.05
Paper and board	7,312,500	1.12	12,788,212	1.99
Sugar and allied	8,590,360	1.32	4,686,674	0.73
Distribution	4,000,000	0.61	-	-
Travel and transport	72,051,741	11.06	45,619,730	7.08
Dairy and poultry	34,204,233	5.25	32,758,971	5.09
Technology and telecommunication	42,586,451	6.54	47,014,804	7.30
Electrical and engineering	15,477,519	2.38	45,064,706	7.00
Steel and allied	19,810,431	3.04	21,527,992	3.34
Others	99,634,155	15.30	67,075,809	10.42
	651,295,446	100.00	735,590,828	100.00

37.2.5.4 Finance arrangements

	2016	2015
	----- (Rupees) -----	
Murabaha finance	267,366,147	312,872,779
Musharaka finance	14,100,000	45,490,042
Diminishing Musharaka finance	316,082,712	354,488,507
Modaraba finance	53,746,587	22,739,500
	651,295,446	735,590,828

37.3 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.

	2016			
	Total	Upto three months	More than three months and upto one year	More than one year
	----- Rupees -----			
Liabilities				
Redeemable capital	424,950,000	151,130,000	74,730,000	199,090,000
Security deposits	5,640,999	5,640,999	-	-
Creditors, accrued and other liabilities	55,473,002	55,473,002	-	-
Unclaimed profit distribution	2,943,902	-	-	2,943,902
Deferred liabilities - staff gratuity	5,567,634	-	-	5,567,634
Total liabilities	494,575,537	212,244,001	74,730,000	207,601,536

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



	2015			
	Total	Upto three months	More than three months and upto one year	More than one year
Liabilities				
Redeemable capital	529,920,000	142,665,000	130,745,000	256,510,000
Security deposits	6,101,398	1,921,348	-	4,180,050
Creditors, accrued and other liabilities	37,638,138	37,638,138	-	-
Unclaimed profit distribution	1,837,275	-	-	1,837,275
Deferred liabilities - staff gratuity	4,773,205	-	-	4,773,205
Total liabilities	580,270,016	182,224,486	130,745,000	267,300,530

37.4 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 estimates.

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.

38. 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.

	2016	2015
	------(Rupees)-----	
Total borrowings and deposits	424,950,000	529,920,000
Cash and bank balances	(48,704,707)	(145,845,016)
Net debt	376,245,293	384,074,984
Total equity	389,033,139	385,234,181
Total capital	765,278,432	769,309,165
Gearing ratio	49.2%	49.9%

39. 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:

39.1 Transactions during the year

	2016	2015
	------(Rupees)-----	
Management company		
Modaraba management fee	948,134	1,115,476
Associated companies		
Financial charges	-	10,851,889
Rent expense	1,497,500	1,120,000
Supervision fee	-	600,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016



	2016	2015
	------(Rupees)-----	
Other related parties		
Financial charges	581,739	904,862
Salaries and other benefits	4,612,580	3,552,038
39.2 Balances due to / from related parties at the year end		
Management company		
Modaraba management fee payable	948,134	1,115,476
Issue of certificates at discount	98,946,390	98,945,390
Associated companies		
Certificate of Musharaka	-	29,000,000
Accrued mark-up payable	-	273,918
Creditors, accrued and other liabilities	-	670,000
Other related parties		
Certificate of Musharaka	2,700,000	20,600,000
Accrued mark-up payable	41,527	660,442

40. 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.

41. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have approved dividend for the year ended June 30, 2016 of Re. 0.08 per certificate (2015: Re. 0.11 per certificate), amounting to Rs. 3,845,318 (2015: Rs. 5,287,313) at their meeting held on 07-10-2016. The financial statements for the year ended June 30, 2016 do not include the effect of the above which will be accounted for in the period in which it is declared.

42. GENERAL

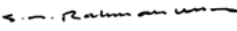
Figures in these financial statements have been rounded off to the nearest Rupee.

43. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on 07-10-2016.

For KASB Invest (Private) Limited
(Management Company)


Chief Executive


Director


Director

PATTERN OF CERTIFICATE HOLDING FORM "34"

SHAREHOLDERS STATISTICS AS AT JUNE 30, 2016



NO. OF SHOLD	SHARE HOLDING		TOTAL SHARES HOLD
	FROM	TO	
419	1	- 100	17,243
267	101	- 500	70,479
158	501	- 1000	128,434
170	1001	- 5000	371,236
39	5001	- 10000	292,120
12	10001	- 15000	151,635
13	15001	- 20000	224,275
6	20001	- 25000	136,996
5	25001	- 30000	141,345
3	30001	- 35000	95,200
9	35001	- 40000	334,378
4	40001	- 100000	260,877
2	100001	- 105000	204,000
2	105001	- 125000	235,923
2	125001	- 200000	366,320
1	200001	- 305000	304,389
2	305001	- 400000	744,245
2	400001	- 475000	907,702
1	795001	- 800000	795,980
1	3850001	- 3900000	3,851,000
1	3900001	- 4500000	4,054,963
1	10445001	- 10450000	10,446,767
1	10450001	- 25000000	23,930,973
1121		Total	48,066,480

PATTERN OF CERTIFICATE HOLDING FORM "34"

SHAREHOLDERS STATISTICS AS AT JUNE 30, 2016



CATAGORIES OF CERTIFICATE HOLDERS	NUMBER	CERTIFICATE HELD	PERCENTAGE
INDIVIDUALS	1,075	3,857,587	8.03%
INSURANCE COMPANIES	4	798,180	1.66%
JOINT STOCK COMPANIES**	15	8,513,757	17.71%
FINANCIAL INSTITUTIONS	19	10,798,324	22.47%
LEASING COMPANIES	1	1,246	0.00%
MODARABA COMPANIES	2	30	0.00%
CHARITABLE TRUSTS	2	65,083	0.14%
OTHERS	2	101,300	0.21%
MODARABA MANAGEMENT COMPANIES*	1	23,930,973	49.79%
	1,121	48,066,480	100.00%

*Includes KASB Invest (Private) Limited (23,930,973 certificates)

**Includes KASB Corporation Limited (304,389 certificates)

CATAGORIES OF CERTIFICATE HOLDERS	NUMBER	CERTIFICATE HELD	PERCENTAGE
Associated Companies			
KASB Corporation Limited		304,389	0.63%
KASB Invest (Private) Limited		23,930,973	49.79%
	2	24,235,362	50.42%
NIT and ICP			
National Bank of Pakistan, Trustee Deptt.		392,245	0.82%
Investment Corporation of Pakistan		8,002	0.02%
	2	400,247	0.83%
Directors, CEO & their Spouse and Minor Children			
		-	-
Executives			
		63,000	0.13%
	1	63,000	0.13%
Public Sector Companies and Corporations			
		-	-
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
	22	1,315,027	2.74%
Certificate -holders holding five percent or more certificates in the Modaraba			
Al-Hoqqani Securities and Investment Corporation	1	4,054,963	8.44%
Sulaiman Ahmed Saeed Al-Hoqqani	1	3,851,000	8.01%

NOTICE OF ANNUAL REVIEW MEETING



Notice is hereby given that the 25th Annual Review meeting of the Modaraba's Certificate Holders of KASB Modaraba will be held on Monday October 31, 2016 at 7:15 pm at KASBIT Auditorium, 84-B, S.M.C.H.S, Off Shahra-e-Faisal, Karachi to review the performance of Modaraba for the year ended June 30, 2016 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

Zia-ul-Haq
Company Secretary

Karachi
October 09, 2016

Notes

1. The Modaraba Certificates transfer book shall remain closed from October 25, 2016 to October 31, 2016 (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 KASB Modaraba (whose address is given below) up to the close of business hours on October 24, 2016 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 KASB 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 25, 2000 of the Securities and Exchange Commission of Pakistan (SECP) for attending the meeting.
4. Pursuant to the provisions of the Finance Act 2016 effective July 01, 2016, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

a) Rate of tax deduction for filers of income tax returns	12.5%
b) Rate of tax deduction for non-filers of income tax returns	20.0%

All the certificate holders of KASB Modaraba who hold certificates in physical form are therefore requested to send a valid copy of their CNIC and NTN Certificate, to KASB Modaraba Registrar, C & K Management (Private) Limited, at the above mentioned address to allow KASB Modaraba to ascertain the status of certificate holders.

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