



KASB Modaraba

An Islamic Financial Institution



ANNUAL REPORT 2012

صاف اور شفاف آمدنی،
سچا سکون ہے...

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CORPORATE INFORMATION

Board of Directors

Syed Waseem-ul-Haq Haqqie
Syed Majeedullah Husaini
Mir Mujahid Ali Khan
Syed Muhammad Rehmanullah

Chairman
Chief Executive Officer
Director
Director

Company Secretary & Chief Financial Officer

Ms. Faiqa Naz

Management Company

KASB Invest (Private) Limited

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Committee

Mir Mujahid Ali Khan
Syed Muhammad Rehmanullah
Syed Waseem-ul-Haq Haqqie

Chairman
Member
Member

Bankers

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

Registered Office

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

Certificate Transfer Office

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

Legal Advisor

Ghulam Ali & Co.
Ahmed & Qazi

Shariah Advisor

Mufti Abdul Sattar Laghari

Branch Offices

Gulshan-e-Iqbal Branch - I

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

Gulshan-e-Iqbal Branch - II

B-9, Allama Shabbir Ahmed Usmani Road
Gulshan-e-Iqbal, Block 1
Opposite Shaheen Public School
Karachi
Phone No.: 021-34983034-35
Fax No. : 021-34965081

D.H.A. Branch

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

Web Address

www.kasbmodaraba.com

E-mail

info.modaraba@kasb.com



DIRECTORS' REPORT



The Board of Directors of KASB Invest (Private) Limited, the Management Company of KASB Modaraba (the Modaraba) is pleased to present the twenty first annual report together with the audited financial statements of Modaraba for the year ended June 30, 2012 to the Certificate Holders.

FINANCIAL HIGHLIGHTS

The operating results are summarized as under:

Description	June 2012 Rupees	June 2011 Rupees
Income from Leasing / Ijarah Operations	9,591,012	11,344,091
Profit on Musharaka Finance	11,284,741	8,375,250
Profit on Murabaha Finance	96,843,874	73,575,017
Profit on Modaraba Finance	11,150,745	13,195,593
Profit on Diminishing Musharaka Finance	58,340,551	38,862,735
Profit on Bank Deposit	6,647,709	11,893,342
Profit on Investments	3,894,861	3,759,758
Other Income	7,263,552	6,837,593
Total Income	205,017,045	167,843,379
Total Expenses	(159,819,812)	(123,244,988)
Modaraba Company Management Fee	(4,519,723)	(4,459,839)
Net Profit	40,677,510	40,138,552
Earning per Certificate	1.44	1.42
Total Assets	1,636,965,983	1,113,872,460
Total Liabilities	1,306,744,433	806,232,805
Net Equity	330,221,549	307,639,655



OPERATIONS AND PERFORMANCE

Profitability:

During the year ended June 30, 2012; KASB Modaraba continued to adopt a steady approach towards business focusing on qualitative growth and Institutional strength. The Modaraba recorded a profit of Rs. 40,677,510 with an Earning per Certificate of Rs. 1.44 and return on equity of 12.75%. Keeping market conditions in perspective the results are very good and indicate a strong base for future growth.

The total income of the Modaraba increased from Rs. 167.843 million in 2011 to Rs. 205.017 million in the year ended June 2012; showing an increase of approximately 1.22 times. This remarkable growth in total income reflects the capacity of the Modaraba to acquire business and create a dependable revenue stream.

The growth in total income was made possible by adopting a proactive business policy that spontaneously met market needs for Islamic products. Our resources have been prudently spread over a wide array of Islamic assets which reveal our thrust for innovation and our aspirations to genuinely serve a craving Islamic market. As a result of these efforts we have attained an impressive increase in our Asset portfolio comprising of well known Islamic products like Musharaka finance, Murabaha, Modaraba and Diminishing Musharaka.

It is understood that expansion of this size, for a company in its infancy cannot be accomplished without the acquisition of meaningful resources, be it funds, human expertise or infrastructure. KASB Modaraba has uncompromisingly pursued these prerequisites but at the same time ensured that wastage and extravagance does not creep into our working culture, at all.

Total expenditure increased by Rs 36.5 million. This increase is mainly due to increase in financial charges incurred on retail deposits mobilized in the form of Certificate of Musharaka. During the year we generated liquidity of Rs 290 million through our retail deposits.

Rise in other expenses like utilities, stationery, fees etc was also growth oriented, and we hope that economies of scale will further improve our profitability and returns as we gradually expand business.

However, it is worth appreciating that the administrative expenses over average assets ratio has reduced from 3.3% in 2011 to 3.01% in 2012.

Balance sheet growth:

Diversification is our hallmark!

The statement is supported by the perfect mix of our finance portfolio as evident by the balance sheet position.

The balance sheet standing of the Modaraba in terms of total assets has improved substantially, i.e. 16.80 %, from Rs. 1,113.872 million in 2011 to Rs. 1,636.965 million in 2012.

The major increase was in Murabaha Finance from Rs. 480.436 million in 2011 to Rs. 807.764 million in 2012. Further, Diminishing Musharaka increased from Rs. 279.100 million in 2011 to Rs. 470.813 million in 2012, Musharaka Finance from Rs. 42.798 million in 2011 to Rs. 82.208 million in 2012, Modaraba Finance increased from Rs. 75.630 million in 2011 to Rs. 77.456 million in 2012.

This clearly shows that the increase in the balance sheet footing was largely on account of growth in business indices.

Type of Financing	2012	2011
	Rs	Rs
Murabaha Finance	807,764,601	480,436,030
Modaraba Finance	77,455,748	75,630,285
Musharaka Finance	82,207,511	42,797,914
Diminishing Musharaka Finance	470,812,921	279,100,639
Finance Lease	1,541,889	7,329,083
Ijarah Assets	66,459,510	56,235,042

In order to ensure better management of liquidity and cash flow we have a credit line of Rs.300 million. The availability of credit line assisted us in procuring business including profitable trading deals.

DIRECTORS' REPORT



YEAR AT A GLANCE

During the last one year KASB Modaraba has shown substantial growth in all areas of Islamic Finance. As a result, a fairly diversified revenue stream was added, with income coming in from other non traditional sources and lessening our dependence on pure Ijarah. We will continue to look for innovative 'Shariah compliant' asset products in order to create a more substantive Islamic portfolio and at the same time diversify risk

FUTURE PROSPECTS

KASB Modaraba will endeavor to raise its business portfolio in areas of trade finance and commodity financing. Moreover, it will strive to generate quality revenues with a good customer base. The management realizes that future growth of our Modaraba depends on product innovation and our adaptation to international developing trends in the field of Islamic finance.

SIGNIFICANT EVENTS

The portfolio of Certificate of Musharaka, a liability scheme floated, has shown tremendous growth and generated funds to the tune of Rs. 290 million during the year ended June 30, 2012. The Modaraba intends to keep this funding mode largely retail and individual based, to ensure stable deposits

CREDIT RATING

JCR-VIS has reaffirmed the long term entity rating to BBB+ and short term entity rating of A3 with a "stable" outlook to the Modaraba.

CORPORATE AND FINANCIAL REPORTING

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

- The financial statements prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IASs) as applicable in Pakistan have been followed in preparation of Financial Statements and any departure there from has been adequately disclosed.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- The Modaraba is financially sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The Modaraba operates an unapproved unfunded gratuity scheme for its permanent employees, value of which is Rs.790,694/- as at June 30, 2012.
- 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, 2012 except as disclosed in the financial statements.
- None of the directors of Modaraba, CFO, CFO, Company Secretary and their spouses and minor children has carried out trading of certificates of the Modaraba.
- During the year, four meetings of the Board of Directors were held. Attendance by each director is as follows

DIRECTORS' REPORT



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

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

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing regulations relevant for the year ended June 30, 2012 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.

STATUTORY RESERVES

The Board has transferred 50% of net profit after tax amounting Rs. 20,337,470 million to its statutory reserve as per the requirement of Rule 2 of Part III of Prudential Regulation for Modarabas as issued by Securities and Exchange Commission of Pakistan through Circular No. 4 of 2004 dated January 28, 2004.

DIVIDEND

The Board is pleased to announce a cash dividend of 6.5% i.e. Rs 0.65 / certificate.

AUDITORS

On the recommendation of the Audit Committee, the Board has approved the re-appointment of the present auditors Messrs. Ernst and Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as auditors for the year ending June 30, 2013, subject to approval by the Registrar of Modaraba Companies and Modaraba.



DIRECTORS' REPORT



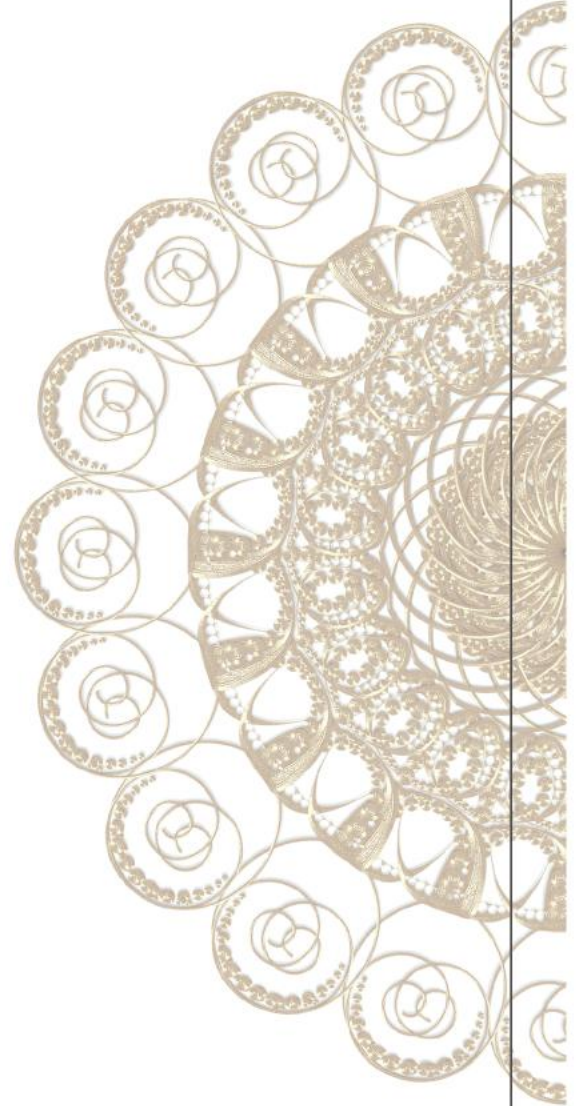
ACKNOWLEDGEMENT

The Board would like to take this opportunity to thank for the support and guidance provided by Securities and Exchange Commission of Pakistan, Registrar Modaraba Companies, valued customers and Certificate Holders, all of whom have made our task so pleasant.

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

For and behalf of
Board of Directors

Syed Waseem-ul-Haq Haqqie
Chairman
Dated: August 27, 2012
Karachi



KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE



	2012	2011	2010	2009	2008	2007
	----- Rupees in Thousand -----					
Total Assets	1,636,965	1,113,872	953,667	450,397	233,723	54,764
Musharaka Finance	82,207	42,798	83,634	39,594	24,968	640
Murabaha Finance	807,764	480,436	362,561	70,777	20,231	-
Modaraba Finance	77,455	75,630	154,440	20,774	-	-
Diminishing Musharaka	470,812	279,101	131,600	-	-	-
Ijarah Assets	66,459	56,235	65,997	55,337	-	-
Investment in Lease	1,541	7,329	45,002	97,718	146,916	1,776
Equity	330,221	307,640	274,753	258,322	62,674	52,873
Current Assets	1,164,791	769,492	762,536	309,109	126,254	53,111
Current Liabilities	1,189,717	633,387	665,904	166,594	81,526	1,398
Income	205,017	167,843	89,730	42,948	11,688	5,329
Taxation	-	-	-	-	(650)	(180)
Profit/(Loss) after Tax	40,678	40,139	17,096	16,023	(8,078)	2,227
Dividend (Rs.)	0.65	0.64	0.28	-	-	0.25
EPS (Rs.)	1.44	1.42	0.6	0.65	(1.10)	0.30

KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE

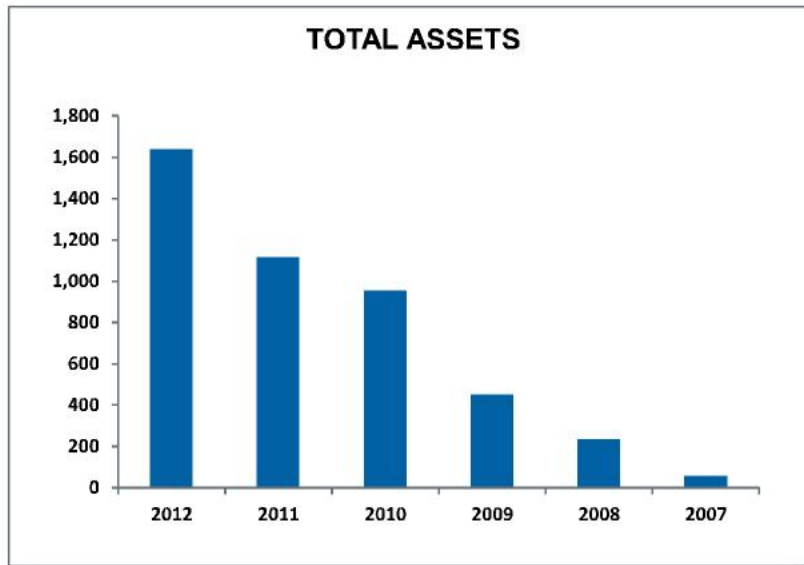


Table showing comparison of total assets for last six years

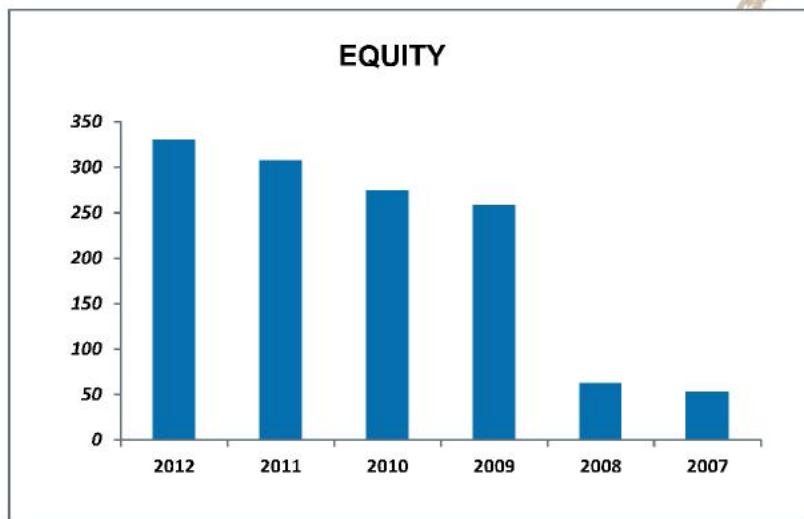


Table showing movement in equity for last six years

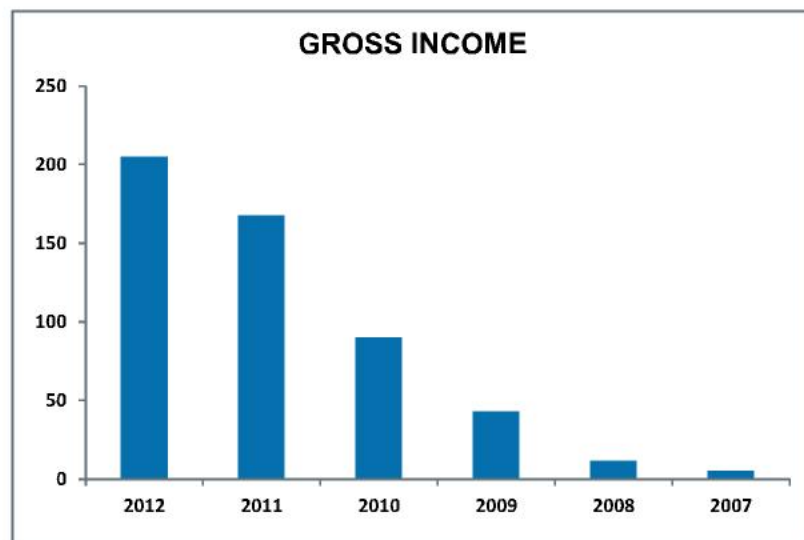


Table showing movement in total income for last six years

KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE

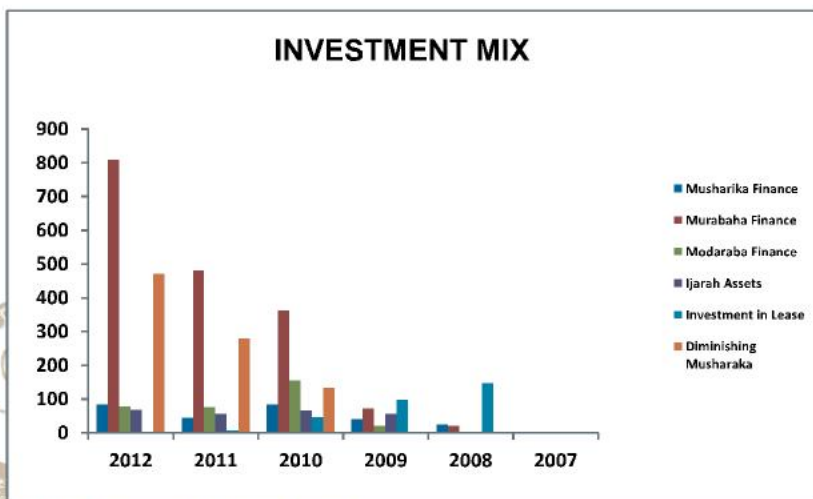


Table showing movement in total income for last six years



Table showing movement in profit / (loss) for last six years

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE



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

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

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

Category	Names
Independent Directors	Mir Mujahid Ali Khan
Executive Directors	Syed M. Husaini
Non-Executive Directors	Syed Waseem-ul-Haq Haqqie Syed Muhammad Rehmanullah

The independent director meets the criteria of independence under clause i (b) of the Code.

2. The directors of the Management Company have confirmed that none of them is serving as a director on more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies, where applicable).
3. All the resident directors of the Management 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 member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year no casual vacancy occurred on the Board of the Management Company. At the expiry of term of Board, the directors were re-elected as per applicable laws and regulations during the year.
5. The Management 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 of the Management Company has developed a vision/mission statement, overall Corporate strategy and significant policies of the Modaraba. 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 Chief Executive Officer, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged a training program for its director during the year. Syed M. Husaini has passed the Board Development Series Certificate Program conducted by the Pakistan Institute of Corporate Governance as of 30 June 2012.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Modaraba were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
12. The directors, Chief Executive Officer and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
13. The Management Company has complied with all the corporate and financial reporting requirements of the Code with respect to the Modaraba.
14. The Board of the Management Company has formed an Audit Committee. It comprises of three members, of whom are all non-executive directors and the chairman of the committee is an independent director.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE



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

For and on behalf of the Board

Syed Waseem-ul-Haq Haqqie
Chairman
Karachi
Date: August 27, 2012



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 19541, Karachi 75530, Pakistan
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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2012 prepared by the Board of Directors of KASB Invest (Private) Limited (the Management Company) to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges, where the Modaraba is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Modaraba for the year ended 30 June 2012.

Chartered Accountants

Date: 27 August 2012

Karachi

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS



ERNST & YOUNG

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of KASB Modaraba (the Modaraba) as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements'), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion :
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1 to the financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2012 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 27 August 2012

Karachi

ANNUAL REPORT 2012

BALANCE SHEET

AS AT 30 JUNE 2012



	Note	2012	2011
		----- (Rupees) -----	
ASSETS			
Current assets			
Cash and bank balances	7	66,987,448	109,828,648
Short-term investments	8	15,879,244	13,383,500
Short term modaraba finance	9	77,455,748	75,630,285
Short term musharaka finance	10	82,207,511	42,797,914
Current portion of long term murabaha finance - gross	11	657,720,964	413,289,799
Current portion of long term diminishing musharaka finance	12	235,716,615	121,415,169
Current portion of long term net investment in finance lease	13	890,675	5,789,101
Ijarah rentals receivable	14	3,817,801	3,157,976
Advances, prepayments and other receivables	15	13,550,348	6,035,316
Accrued profit	16	10,107,860	8,771,921
Stores		-	117,338
Advance tax	17	457,784	1,027,928
		1,164,791,998	801,244,895
Non-current assets			
Long-term investments	8	10,494,506	18,958,750
Long-term murabaha finance - gross	11	150,043,637	67,146,231
Long-term diminishing musharaka finance	12	235,096,306	157,685,470
Long-term net investment in finance lease	13	651,214	1,539,982
Long-term deposits		546,000	528,000
Ijarah assets	18	66,459,510	56,235,042
Fixed assets	19	8,882,812	10,534,090
		472,173,985	312,627,565
		1,636,965,983	1,113,872,460
TOTAL ASSETS			
LIABILITIES			
Current liabilities			
Short-term finances	20	229,477,558	61,854,581
Current portion of long term deposits	21	873,290,000	506,035,000
Current portion of long term security deposits	22	6,306,521	7,386,054
Current portion of long term deferred murabaha income	11	44,433,083	27,734,291
Creditors, accrued and other liabilities	23	35,151,209	29,669,716
Unclaimed profit distribution		1,059,459	706,878
		1,189,717,822	633,386,520
Non-current liabilities			
Long term deposits	21	72,940,000	149,985,000
Long term security deposits	22	7,752,281	4,873,872
Long-term deferred murabaha income	11	35,543,637	17,446,231
Deferred liabilities - staff gratuity	24	790,694	541,182
		117,026,612	172,846,285
		1,306,744,434	806,232,805
TOTAL LIABILITIES			
NET ASSETS			
		330,221,549	307,639,655
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital			
Authorised:			
50,000,000 (June 30, 2011: 50,000,000) certificates of Rs 10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	25	282,744,000	282,744,000
Statutory reserve	26	60,894,008	40,555,253
Accumulated loss		(13,416,459)	(15,659,598)
CONTINGENCIES AND COMMITMENTS			
	27	-	-
		330,221,549	307,639,655

The annexed notes 1 to 42 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2012



	Note	2012	2011
		------(Rupees)-----	
Income from leasing operations	28	9,570,588	11,344,091
Profit on:			
- musharaka finance		11,225,165	8,375,250
- murabaha finance		96,843,874	73,575,017
- modaraba finance		11,150,745	13,195,593
- diminishing musharaka finance		58,340,551	38,862,735
- sukuk bonds		2,411,350	2,889,780
- bank deposits		6,647,709	11,893,342
Gain on sale of investments - net	29	1,483,511	869,978
Reversal of Musharaka & Ijarah losses		80,000	75,000
		<u>197,753,493</u>	<u>161,080,786</u>
Financial charges	30	(118,306,332)	(89,143,307)
		<u>79,447,161</u>	<u>71,937,479</u>
Other income	31	7,263,552	6,762,593
Administrative and operating expenses	32	(41,513,480)	(34,101,681)
		<u>45,197,233</u>	<u>44,598,391</u>
Modaraba management company's fee	33	(4,519,723)	(4,459,839)
Profit before taxation		<u>40,677,510</u>	<u>40,138,552</u>
Taxation	17	-	-
Net profit for the year		<u>40,677,510</u>	<u>40,138,552</u>
Earnings per certificate	34	<u>1.44</u>	<u>1.42</u>

The annexed notes 1 to 42 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 2012



	2012	2011
	----- (Rupees) -----	
Net profit for the year	40,677,510	40,138,552
Other comprehensive income		
Unrealised loss on reclassification of investments classified as 'available for sale'	(868,238)	-
Reclassification to profit and loss account upon disposal of investments	868,238	665,295
Total comprehensive income for the year	40,677,510	40,803,847

The annexed notes 1 to 42 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 2012



	2012	2011
	-----Rupees-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	40,677,510	40,138,552
Adjustments for non-cash charges and other items:		
Dividend income	(400,000)	(269,000)
Gain on sale of investments - net	(1,483,511)	(869,978)
Loss on disposal of fixed assets - net	11,000	47,490
Gain on disposal of Ijarah assets	(183,133)	(978,163)
Deferred income	(47,856)	-
Depreciation	27,355,755	25,388,695
Amortisation	348,648	334,145
Provision for Workers' Welfare Fund	829,605	802,771
Provision for gratuity	249,512	180,463
Financial charges	118,306,332	89,143,307
Write-off	-	152,708
	185,663,862	154,070,990
(Increase) / decrease in assets		
Net investment in finance lease	5,787,194	37,519,714
Musharaka finance	(39,409,597)	40,835,748
Murabaha finance	(327,328,571)	(117,875,028)
Modaraba finance	(1,825,463)	78,810,057
Diminishing musharaka finance	(191,712,282)	(147,500,953)
Ijarah rentals receivable	(659,825)	(1,194,829)
Advances, prepayments and other receivables	(7,515,032)	(327,070)
Accrued profit	(1,335,940)	(3,403,934)
Stores	117,338	(102,767)
Long-term deposits	(18,000)	(500,000)
	(563,900,178)	(113,739,062)
Increase / (decrease) in liabilities		
Security deposits	1,798,876	(10,674,942)
Deferred murabaha income	34,796,198	33,969,634
Creditors, accrued and other liabilities	(844,443)	2,689,558
	35,750,631	25,984,250
Dividend paid	(17,743,035)	(7,686,744)
Taxes paid	(152,888)	(138,226)
Financial charges paid	(112,102,788)	(85,630,618)
Workers' Welfare Fund paid	(95,847)	(341,914)
	(130,094,558)	(93,797,502)
Net cash used in operating activities	(472,580,243)	(27,481,324)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,346,296)	(4,495,495)
Sales proceeds from disposal of fixed assets	704,940	65,900
Purchase of Ijarah assets	(39,201,844)	(23,964,544)
Sales proceeds from disposal of Ijarah assets	3,897,255	10,919,346
Dividends received	400,000	269,000
Purchase of investments - net	7,452,011	(1,659,087)
Net cash used in investing activities	(28,093,934)	(18,864,880)
CASH FLOW FROM FINANCING ACTIVITIES		
Short-term musharaka finance	167,622,977	(97,080,615)
Deposits	290,210,000	194,030,000
Net cash inflow from financing activities	457,832,977	96,949,385
Net (decrease) / increase in cash and cash equivalents	(42,841,200)	50,603,181
Cash and cash equivalents at the beginning of the year	109,828,648	59,225,467
Cash and cash equivalents at the end of the year	66,987,448	109,828,648

The annexed notes 1 to 42 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 2012



	Certificate capital	Statutory reserve	Unrealised loss on available for sale investments (Rupees)	Accumulated loss	Total
Balance as at 30 June 2010	282,744,000	20,485,977	(665,295)	(27,812,042)	274,752,640
Profit distribution for the year ended - 30 June 2010	-	-	-	(7,916,832)	(7,916,832)
Total comprehensive income for the year ended 30 June 2011	-	-	665,295	40,138,552	40,803,847
Transfer to statutory reserve	-	20,069,276	-	(20,069,276)	-
Balance as at 30 June 2011	282,744,000	40,555,253	-	(15,659,598)	307,639,655
Profit distribution for the year ended - 30 June 2011	-	-	-	(18,095,616)	(18,095,616)
Total comprehensive income for the year ended 30 June 2012	-	-	-	40,677,510	40,677,510
Transfer to statutory reserve	-	20,338,755	-	(20,338,755)	-
Balance as at 30 June 2012	282,744,000	60,894,008	-	(13,416,459)	330,221,549

The annexed notes 1 to 42 form an integral part of these financial statements.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder and is managed by KASB Invest (Private) Limited (the Management Company), a company incorporated in Pakistan. The registered office of the Modaraba is located at 80-C, 13th Commercial Street, DHA Phase-II, Extension, Karachi. The Management Company is a subsidiary of KASB Bank Limited, which holds 3,985,000 shares out of total issued capital of 4,150,000 shares of the Management Company.

The Modaraba is a multipurpose perpetual modaraba and is primarily engaged in ijarah financing, musharaka financing, murabaha financing, modaraba financing, diminishing musharaka and investing in listed securities. The Modaraba is listed on the Karachi and Lahore Stock Exchanges.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 New and amended standards and interpretations

During the year, following amendments, interpretations and improvements to the accounting standards became effective:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)
- IAS 24 – Related Party Disclosures (Revised)
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

- IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures
- IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity
- IAS 34 – Interim Financial Reporting - Significant events and transactions
- IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS



FOR THE YEAR ENDED 30 JUNE 2012

4.2 Cash and cash equivalents

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

4.3 Financial assets**4.3.1 Classification**

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

At fair value through profit or loss

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

Loans and receivables

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

Held to maturity

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

Available-for-sale financial assets

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

4.3.2 Initial recognition and measurement

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

4.3.3 Subsequent measurement

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

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

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

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

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

'Loans and receivables' and 'held to maturity'

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

4.3.4 Regular way contracts

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



4.3.5 Impairment

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

i) Financial assets carried at amortised cost

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

4.3.6 Derecognition

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

4.4 Net Investment in Finance lease

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

4.5 Receivable from terminated / matured contracts

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

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

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

4.7 Offsetting of financial assets and liabilities

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

4.8 Financial liabilities

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

**4.9 Fixed assets - Tangible****4.9.1 Owned assets**

Assets are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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.

4.9.2 Ijarah assets

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

4.9.3 Gain or loss on disposal

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

4.9.4 Impairment

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

4.9.5 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Modaraba and the cost of item can be measured reliably. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 16 to these financial statements after taking into account residual value, if any. The residual values, useful lives and amortisation method are reviewed and adjusted, as appropriate, at each balance sheet date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

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

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

4.10 Loans, advances and other receivables

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

4.11 Taxation**4.11.1 Current**

The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability in the current year.

4.11.2 Deferred

The Modaraba has not recognised any amount in respect of deferred tax in these financial statements as the Modaraba intends to continue availing the tax exemption in future years by distributing at least 90% of its profits, as reduced by transfer to statutory reserve, to its certificate holders every year.

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.

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. Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the higher of the present value of the Modaraba's gratuity obligation and the fair value of the Modaraba's assets are amortised over the expected average remaining working lives of the employees.

4.15 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

**4.15.6 Non-performing financing arrangements**

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

4.15.7 Dividend Income

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

4.16 Proposed profit distribution to modaraba certificate holders

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

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

- i) Classification and valuation of investments (notes 4.3 and 8)
- ii) Provision for non-performing finance lease (notes 4.4 and 13.3)
- iii) Provision for non-performing finance arrangements (notes 4.6 and 10)
- iv) Determining the residual values and useful lives of fixed assets (notes 4.9, 18 and 19)
- v) Accounting for staff retirement benefits (notes 4.14 and 24)

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

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

Standard, interpretation or amendment	Effective date (annual periods beginning on or after)
IFRS 7 – Financial Instruments : Disclosures - (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 July 2012 01 January 2013
IAS 1 – Presentation of Financial Statements - Presentation of items of comprehensive income	01 July 2012
IAS 12 – Income Tax (Amendment) – Deferred Taxes : Recovery of Underlying Assets	01 January 2012
IAS 19 – Employee Benefits - (Amendment)	01 January 2013
IAS 32 – Offsetting Financial Assets & Financial Liabilities - (Amendment)	01 January 2014
IFRIC 20 – Stripping costs in the production phase of a Surface Mine	01 January 2013

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



The Modaraba expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Modaraba's financial statements in the period of initial application except for certain additional disclosures.

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

Standards	Effective date (annual periods beginning on or after)
	1 January 2015
IFRS 10 – Consolidated Financial Statements	1 January 2013
IFRS 11 – Joint Arrangements	1 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 – Fair Value Measurement	1 January 2013

7. CASH AND BANK BALANCES

Cash at bank in :
- current accounts
- saving accounts
- term deposits

Note	2012	2011
	----- (Rupees) -----	
7.1	1,065,580	2,878,943
7.1 & 7.2	65,890,118	51,936,459
	-	55,000,000
	66,955,698	109,815,402
	20,250	10,646
	11,500	2,600
	66,987,448	109,828,648

Cash in hand
Stamp papers

7.1 Balances with banks include an amount of Rs. 13,452,956/- (2011: Rs. 12,644,560/-) held with KASB Bank Limited, a related party.

7.2 The expected profit rates on these accounts range between 6% to 11% (2011: 5% to 12.15%).

8. INVESTMENTS

8.1 Short-term investments

Available-for-sale

- Ordinary shares - unlisted

8.1.1 **13,000,000** 13,000,000

Held to maturity

Current portion of Sukuk Bonds - unlisted

8.2 **2,879,244** 383,500

15,879,244 13,383,500

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



8.1.1 Ordinary shares - unlisted

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

8.2 Long-term investments - held to maturity

Sukuk bonds - unlisted

Name of investee company	Profit rate	Maturity	Carrying amount	
			2012	2011
------(Rupees)-----				
(Sukuk bonds of Rs.5,000 each)				
Kohat Cement Company Limited	13.47% (3M KIBOR + 1.50%)	September 2016	3,020,000	8,980,000
Maple Leaf Cement Factory Limited - 1st issue	12.95% (3M KIBOR + 1.00%)	December 2018	9,978,750	9,987,250
Maple Leaf Cement Factory Limited - 2nd issue	12.91% (3M KIBOR + 1.00%)	March 2013	375,000	375,000
Total Sukuk Bonds			13,373,750	19,342,250
Less: Current portion of Sukuk Bonds			(2,879,244)	(383,500)
			10,494,506	18,958,750

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.

10. MUSHARAKA FINANCE

	2012	2011
------(Rupees)-----		
Musharaka finance - considered good	82,207,511	42,797,914
- considered doubtful	(547,268)	(606,844)
	82,754,779	43,404,758
Less: provision for non-performing musharaka arrangements	(547,268)	(606,844)
	82,207,511	42,797,914

10.1 The Modaraba has provided funds under musharaka arrangements for working capital requirements on profit and loss sharing basis. Expected rate of profit ranges between 6.00% to 20.00% (2011: 17.50% to 20.00%) per annum. Musharaka arrangements are secured against property mortgage and personal guarantees.

11. MURABAHA FINANCE - considered good

Murabaha finance - gross	807,764,601	480,436,030
Murabaha finance - due after one year	(150,043,637)	(67,146,231)
Current portion of murabaha finance	657,720,964	413,289,799

11.1 Deferred murabaha income

Deferred murabaha income	79,976,720	45,180,522
Deferred murabaha income - due after one year	(35,543,637)	(17,446,231)
Current portion of deferred murabaha income	44,433,083	27,734,291

11.2 The profit rates on these murabaha arrangements range between 14.50% to 20.00%. (2011: 14.50% to 20.00%).

12. DIMINISHING MUSHARAKA FINANCE - considered good

Diminishing musharaka finance - gross	575,454,259	352,051,754
Unearned Income	(104,641,338)	(72,951,115)
	470,812,921	279,100,639
Diminishing musharaka due after one year	(235,096,306)	(157,685,470)
Current portion of diminishing musharaka	235,716,615	121,415,169

The profit rates on these diminishing musharaka arrangements range between 16.00% to 21.00%. (2011: 16.00% to 20.00%). Diminishing musharaka arrangements are secured by way of Modaraba's title over underlying assets and personal guarantees.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



13. NET INVESTMENT IN FINANCE LEASE

Note	2012			2011		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
Minimum lease payments receivable	685,672	651,214	1,336,886	3,557,299	1,152,032	4,709,331
Residual value	410,049	-	410,049	2,687,240	410,050	3,097,290
	1,095,721	651,214	1,746,935	6,244,539	1,562,082	7,806,621
Unearned finance income	(20,493)	-	(20,493)	(180,457)	(22,100)	(202,557)
Suspended income	13.2 (2,283)	-	(2,283)	(72,287)	-	(72,287)
Allowance for non-performing leases	13.3 (182,270)	-	(182,270)	(202,694)	-	(202,694)
Present value of minimum lease payments	890,675	651,214	1,541,889	5,789,101	1,539,982	7,329,083

13.1 There are no lease contracts receivable over six years. The Modaraba's implicit rate of return on lease finance ranges between 12.99% to 15.95% per annum (2011: 8.89% to 18.14%). Finance lease arrangements are secured against leased assets and personal guarantees.

13.2 Suspended income

Note	2012	2011
	----- (Rupees) -----	
Balance at beginning of the year	72,287	92,514
Income suspended during the year	22,644	45,834
Reversals during the year	(92,648)	(66,061)
	2,283	72,287

13.3 Allowance for non-performing losses

Opening balance	202,694	244,538
Reversal during the year	(20,424)	(41,844)
Closing balance	182,270	202,694

13.3.1 As at 30 June 2012, leases with outstanding principal of Rs. 0.182 million (2011: Rs. 0.203 million) have been classified as non-performing as per the requirements of Prudential Regulations for Modarabas issued by the SECP.

14. IJARAH RENTAL RECEIVABLES

Ijarah rentals receivable - considered good	3,817,801	3,157,976
- considered doubtful	39,975	15,625
	3,857,776	3,173,601
Provision for non-performing ijarah receivables	(39,975)	(15,625)
	3,817,801	3,157,976

15. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to:		
- executives	15.1	860,396
- employees	15.1	1,526,198
Advances to suppliers		3,201,600
Prepayments		4,481,017
Others		3,481,137
		13,550,348

15.1 Represents short term advances to executives and employees of the Modaraba, for domestic purposes, carrying markup at the rate of 10% (2011: 10%) per annum.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS



FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
------(Rupees)-----			
16. ACCRUED PROFIT			
Accrued profit on modaraba		1,641,099	960,377
Accrued profit on Sukuk Bonds		4,405,510	3,704,735
Accrued profit on bank deposits	16.1	10,005	1,257,010
Accrued profit on musharaka arrangements		4,051,246	2,849,799
		10,107,860	8,771,921

16.1 Accrued profit on bank accounts includes an amount of Nil (2010: Rs. 9,171/-) receivable from KASB Bank Limited.

17. TAXATION

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

17.2 No provision for current taxation has been made in these financial statements as the Modaraba intends to distribute at least 90 percent of its total income for the year after transfer to mandatory reserve.

18. IJARAH ASSETS

Equipment	633,627	529,497
Plant and machinery	39,010,802	42,094,988
Motor vehicles	26,815,081	13,610,557
	66,459,510	56,235,042

18.1 The following is a statement of ijarah assets:

	2012									
	Cost			Accumulated Depreciation			Book value		Rate of depreciation %	
	As at 01 July 2011	Additions	Deletions	As at 30 June 2012	As at 01 July 2011	Charge for the year	Deletions	As at 30 June 2012		
------(Rupees)-----										
Equipment	863,000	404,900	(35,000)	1,232,900	333,503	273,546	(7,776)	599,273	633,627	20 - 66
Plant and machinery	69,844,863	12,898,567	-	82,743,430	27,749,875	15,982,753	-	43,732,628	39,010,802	14 - 33
Motor vehicles	28,942,300	25,898,375	(8,118,900)	46,721,775	15,331,743	9,166,471	(4,591,520)	19,906,694	26,815,081	20 - 50
	99,650,163	39,201,842	(8,153,900)	130,698,105	43,415,121	25,422,770	(4,599,296)	64,238,595	66,459,510	

	2011									
	Cost			Accumulated Depreciation			Book value		Rate of depreciation %	
	As at 01 July 2010	Additions	Deletions	As at 30 June 2011	As at 01 July 2010	Charge for the year	Deletions	As at 30 June 2011		
------(Rupees)-----										
Equipment	710,000	153,000	-	863,000	134,974	198,529	-	333,503	529,497	20 - 66
Plant and machinery	46,867,719	22,977,144	-	69,844,863	13,451,897	14,297,978	-	27,749,875	42,094,988	14 - 33
Motor vehicles	46,154,092	834,400	(18,046,192)	28,942,300	14,148,183	9,288,569	(8,105,009)	15,331,743	13,610,557	20 - 50
	83,731,811	23,964,544	(18,046,192)	99,650,163	27,735,054	23,785,076	(8,105,009)	43,415,121	56,235,042	

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 proceeds	Gain	Mode of disposal	Particulars of buyer
------(Rupees)-----							
Motor vehicle	1,060,000	742,000	318,000	318,000	-	As per Ijarah Contract	Machani Associates - Karachi
Motor vehicle	769,000	615,200	153,800	153,800	-	As per Ijarah Contract	Mainrifi Pakistan (Private) Limited - Karachi
Motor vehicle	664,000	485,550	178,450	219,234	40,784	As per Ijarah Contract	New Horizon Exploration & Production Limited - Karachi
Motor vehicle	2,500,000	2,062,500	437,500	556,607	119,107	As per Ijarah Contract	Zubair Anwar Bewani - Karachi
Motor vehicle	59,000	53,100	5,900	5,900	-	As per Ijarah Contract	Choudary Gulam Ali - Karachi
Motor vehicle	83,400	48,657	34,743	42,243	7,500	As per Ijarah Contract	Muhammad Ejaz - Karachi
Motor vehicle	1,743,500	549,213	1,194,287	1,353,800	159,513	As per Ijarah Contract	JCR-VIS Credit Rating Company Limited - Karachi
Motor vehicle	1,200,000	13,432	1,186,568	1,198,234	9,666	As per Ijarah Contract	Shabbir Ahmed Mohajir - Karachi
2012	8,078,900	4,569,652	3,509,248	3,845,818	336,570		
------(Rupees)-----							
Motor vehicle	16,762,192	7,519,706	9,242,486	10,115,965	873,479	As per Ijarah Contract	M/S Rite Logistics - Karachi
Motor vehicle	642,000	246,477	395,523	444,518	48,995	As per Ijarah Contract	Imran Ghaffar - Karachi
Motor vehicle	642,000	338,826	303,174	358,863	55,689	As per Ijarah Contract	Mohammad Ali - Karachi
2011	18,046,192	8,105,009	9,941,183	10,919,346	978,163		

19. FIXED ASSETS

	Note	2012	2011
------(Rupees)-----			
Tangible assets	19.1	8,796,219	10,143,848
Intangible assets	19.2	86,593	390,242
		8,882,812	10,534,090

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS



FOR THE YEAR ENDED 30 JUNE 2012

20. SHORT-TERM FINANCES

- 20.1** The Modaraba has availed a short-term running finance facility from KASB Bank Limited, a related party, amounting to Rs. 300 million (2011: Rs. 300 million). The rate of profit payable on this facility ranges between 14.41% to 16.04% (2011: 14.85% to 16.02%).
- 20.2** KASB Bank Limited, a related party, has also provided letter of credit and letter of guarantee to various customers of the Modaraba amounting to Rs. 350 million (2011: Rs. 350 million).
- 20.3** The above facilities are secured by way of supplemental letter of hypothecation over the present and future current assets of the Modaraba amounting to Rs. 860 million (2011: Rs. 860 million).

21. DEPOSITS

	Note	2012	2011
		(Rupees)	
Certificates of Musharaka	21.1	946,230,000	654,020,000
Others		-	2,000,000
		<u>946,230,000</u>	<u>656,020,000</u>
Less: Certificate of Musharaka due after one year		<u>(72,940,000)</u>	<u>(149,985,000)</u>
		<u>873,290,000</u>	<u>506,035,000</u>

- 21.1** The estimated share of profit payable on Certificate of Musharaka ranges between 11.25% to 14.75% (2011: 9.65% to 14.75%) per annum. It includes an amount of Rs. 72,750,000/- (2011: Rs. 17,300,000/-) due to related parties carries profit at a rate ranging between 11.50% to 14.75% (2011: 12.00% to 14.75%).

22. SECURITY DEPOSITS

	2012			2011		
	Finance lease	Ijarah	Total	Finance lease	Ijarah	Total
	(Rupees)					
Security deposits received	410,049	13,648,753	14,058,802	3,097,290	9,162,636	12,259,926
Less: adjustable after one year	-	7,752,281	7,752,281	410,050	4,463,822	4,873,872
Current portion of security deposits	<u>410,049</u>	<u>5,896,472</u>	<u>6,306,521</u>	<u>2,687,240</u>	<u>4,698,814</u>	<u>7,386,054</u>

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

23. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	2012	2011
		(Rupees)	
Management fee payable	23.1	4,519,723	4,459,839
Sundry creditors		1,771,139	4,796,125
Accrued expenses		2,950,814	1,572,314
Accrued financial charges	23.1	23,472,098	17,268,554
Advance received against Certificates of Musharaka		225,000	225,000
Advance ijarah rentals		1,149,736	464,733
Other liabilities		1,062,691	883,151
		<u>35,151,201</u>	<u>29,669,716</u>

- 23.1** Amounts due to associated undertakings as at 30 June 2012 aggregated to Rs. 11,903,544/- (2011: Rs. 8,863,357/-).

24. STAFF RETIREMENT BENEFIT SCHEME**24.1 Staff Gratuity Scheme**

As disclosed in note 4.14, the Modaraba operates an unapproved, unfunded gratuity scheme for its permanent employees. The latest actuarial valuation was carried out by actuaries at 30 June 2012, using the Projected Unit Credit Method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



24.2 Principal actuarial assumptions used:

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

	2012	2011
- Valuation discount rate	12.5%	14.0%
- Expected rate of increase in salaries	9.5%	12.0%

24.3 Amount recognised in the profit and loss account:

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

	Note	2012 ----- (Rupees)	2011
Current service cost		184,146	129,126
Interest cost		66,756	54,071
Transitional (asset) recognised		(1,390)	(2,734)
		<u>249,512</u>	<u>180,463</u>

24.4 Liability recognised in the balance sheet:

Present value of obligation	24.6	1,195,498	476,825
Unrecognised actuarial (losses) / gains		(404,804)	64,357
		<u>790,694</u>	<u>541,182</u>

24.5 Movement in liability:

Opening liability		541,182	360,719
Expense	24.3	249,512	180,463
Liability to be recognised in the balance sheet		<u>790,694</u>	<u>541,182</u>

24.6 Reconciliation of present value of defined benefit obligation

Present value of defined benefit obligation as at 1 July 2011		476,825	295,618
Current service cost		184,146	129,126
Interest cost		66,755	54,071
Actuarial (gain) / or loss on obligation		467,772	(1,990)
Present value of defined benefit obligation as at 30 June 2012		<u>1,195,498</u>	<u>476,825</u>

24.7 Actuarial (gain) / loss on obligation

		<u>(404,804)</u>	<u>64,357</u>
--	--	------------------	---------------

24.8 Based on actuarial advice, the Modaraba estimates a gratuity expense of Rs. 537,688/- during the year ending 30 June 2012.

25. CERTIFICATE CAPITAL

Authorised certificate capital

2012	2011		2012	2011
Number of certificates			----- (Rupees)	
<u>50,000,000</u>	<u>50,000,000</u>	Modaraba Certificates of Rs 10/- each	<u>500,000,000</u>	<u>500,000,000</u>

Issued, subscribed and paid-up capital

<u>24,958,400</u>	<u>24,958,400</u>	Modaraba Certificates of Rs 10/- each fully paid in cash	<u>249,584,000</u>	<u>249,584,000</u>
<u>3,316,000</u>	<u>3,316,000</u>	Modaraba Certificates of Rs 10/- each issued as fully paid bonus certificates	<u>33,160,000</u>	<u>33,160,000</u>
<u>28,274,400</u>	<u>28,274,400</u>		<u>282,744,000</u>	<u>282,744,000</u>

25.1 As at 30 June 2012, the Management Company held 4,141,695 (2011: 4,141,695) certificates whereas KASB Bank Limited held 10,446,767 (2011: 10,446,767) Certificates of the Modaraba.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

**26. 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.

During the current year the Modaraba has transferred an amount of Rs. 20,338,755/- (2011: Rs. 20,069,275/-) which represents 50% (2011: 50%) of the profit after tax for the year ended 30 June 2012.

27. CONTINGENCIES AND COMMITMENTS

27.1 The Modaraba has provided guarantees amounting to Rs. 40,700,000/- (2011: Rs. 8,100,000/-) on behalf of customers to various banks.

27.2 There were no contingencies as at 30 June 2012.

28. INCOME FROM LEASING OPERATIONS**Finance lease**

Mark-up earned

Plant and machinery

Motor vehicles

Other

Gain on termination

Less:

Recovery / (suspension) of income

Ijarah

Rentals

Plant and machinery

Motor vehicle

Other

Gain on disposal of ijarah assets

Less:

Direct cost associated with ijarah assets

Suspended income

Depreciation on ijarah assets

2012
----- (Rupees) -----
2011

	4,706	794,182
	154,853	694,439
	-	349,369
	692	16,173
	160,251	1,854,163
	70,004	(45,834)
	230,255	1,808,329
	22,638,809	19,402,347
	11,605,515	12,685,740
	364,897	274,313
	183,133	978,163
	34,792,354	33,340,563
	4,900	4,100
	24,350	15,625
	25,422,771	23,785,076
	(25,452,021)	(23,804,801)
	9,340,333	9,535,762
	9,570,588	11,344,091
	615,273	-
	868,238	869,978
	1,483,511	869,978
	14,915,601	15,135,065
	103,274,911	73,900,205
	115,820	108,037
	118,306,332	89,143,307
	(11,000)	(47,490)
	400,000	269,000
	3,838,268	4,186,933
	1,624,100	1,339,502
	400,000	216,500
	47,856	-
	336,000	-
	438,711	490,214
	189,617	307,934
	7,263,552	6,762,593

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



	Note	2012	2011
		------(Rupees)-----	
32. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and benefits	32.1	19,805,263	14,888,379
Utilities		2,523,255	2,042,652
Insurance		1,757,573	1,254,890
Vehicle running and maintenance		1,258,942	927,662
Postage		337,601	388,894
Repairs and maintenance		352,190	141,837
Entertainment		613,961	532,514
Printing and stationery		1,157,450	952,331
Travelling and conveyance		843,121	416,390
Fee and subscriptions		1,061,908	1,021,337
Auditors' remuneration	32.2	471,337	435,999
Legal and professional charges		2,170,634	1,792,848
Depreciation		1,932,985	1,603,619
Amortization		348,648	334,145
Advertisements		774,442	2,683,214
Rent, rate and taxes		2,710,231	2,079,073
Generator expenses		575,476	322,539
Newspapers and periodicals		127,486	119,100
CIB charges		29,062	20,044
Donations		12,000	24,000
Write-off		-	152,708
Verysis charges		49,001	40,274
Security services		413,363	46,200
Workers' Welfare Fund		829,605	802,771
Others		1,357,946	1,078,261
		<u>41,513,480</u>	<u>34,101,681</u>
32.1 REMUNERATION OF OFFICERS			
Basic salary		11,553,174	9,124,679
Medical allowance		1,155,291	912,479
House rent allowance		3,465,948	2,737,408
Utility allowance		1,155,315	912,455
Employee benefits		708,681	589,775
EOBI contribution		193,550	176,750
Bonus		1,573,304	434,833
		<u>19,805,263</u>	<u>14,888,379</u>
		Number	Number
Total number of persons at end of the year		<u>50</u>	<u>46</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



	2012	2011
	------(Rupees)-----	
32.2 Auditors' Remuneration		
Annual audit fee	310,000	275,000
Review of interim financial statements	75,000	75,000
Out of pocket expenses	86,337	85,999
	<u>471,337</u>	<u>435,999</u>

33. MODARABA MANAGEMENT COMPANY FEE

In accordance with the Modaraba Companies and Modaraba Rules, 1981, management fee at the rate of 10% of annual profits is payable to the Management Company amounting to Rs. 4,519,723/- (2011: Rs. 4,459,839/-).

34. EARNINGS PER CERTIFICATE

Profit for the year (Rupees)	40,677,510	40,138,552
Weighted average number of certificates	28,274,400	28,274,400
Earning per certificate	1.44	1.42

35. FINANCIAL INSTRUMENTS BY CATEGORY

	2012			
	Loans and receivables	Available for sale	Held to maturity	Total
	------(Rupees)-----			
FINANCIAL ASSETS				
Cash and bank balances	66,987,448	-	-	66,987,448
Investments	-	13,000,000	13,373,750	26,373,750
Murabaha finance	807,764,601	-	-	807,764,601
Modaraba finance	77,455,748	-	-	77,455,748
Musharaka finance	82,207,511	-	-	82,207,511
Diminishing musharaka finance	470,812,921	-	-	470,812,921
Net investment in finance lease	1,541,889	-	-	1,541,889
Ijarah rental receivable	3,817,801	-	-	3,817,801
Advances and other receivables	9,069,331	-	-	9,069,331
Accrued profit	10,107,860	-	-	10,107,860
Long-term deposits	546,000	-	-	546,000
	<u>1,530,311,110</u>	<u>13,000,000</u>	<u>13,373,750</u>	<u>1,556,684,860</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



	2011			Total
	Loans and receivables	Available for sale	Held to maturity	
------(Rupees)-----				
FINANCIAL ASSETS				
Cash and bank balances	109,828,648	-	-	109,828,648
Investments	-	13,000,000	19,342,250	32,342,250
Murabaha finance	480,436,030	-	-	480,436,030
Modaraba finance	75,630,285	-	-	75,630,285
Musharaka finance	42,797,914	-	-	42,797,914
Diminishing musharaka finance	279,100,639	-	-	279,100,639
Net investment in finance lease	7,329,083	-	-	7,329,083
Ijarah rental receivable	3,157,976	-	-	3,157,976
Advances and other receivables	3,776,018	-	-	3,776,018
Accrued profit	8,771,921	-	-	8,771,921
Long-term deposits	528,000	-	-	528,000
	<u>1,011,356,514</u>	<u>13,000,000</u>	<u>19,342,250</u>	<u>1,043,698,764</u>

FINANCIAL LIABILITIES

	2011 (Rupees)
Short-term musharaka finance	61,854,581
Deposits	656,020,000
Security deposits	12,259,926
Creditors, accrued and other liabilities	29,669,716
Unclaimed profit distribution	706,878
Deferred liabilities - staff gratuity	541,182
	<u>761,052,283</u>

36. FINANCIAL RISK MANAGEMENT

The Modaraba finances its operations through equity and borrowings. 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.

36.1 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.

36.1.1 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.

36.1.2 Profit rate risk

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS



FOR THE YEAR ENDED 30 JUNE 2012

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

2 0 1 2

Effective yield / profit rate %	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
Assets						
Cash and bank balances	66,987,448	65,890,118	-	-	-	1,097,330
Investments	26,373,750	-	605,888	2,273,356	10,494,506	13,000,000
Murabaha finance	807,764,601	96,352,678	130,712,177	233,517,293	114,500,000	232,682,453
Modaraba finance	77,455,748	1,600,000	11,664,141	37,734,868	-	26,456,739
Musharaka finance	82,207,511	16,063,486	6,497,939	59,296,087	-	349,999
Diminishing musharaka finance	470,812,921	25,504,278	35,272,483	170,867,022	235,096,307	4,072,831
Net investment in Ijarah finance	1,541,889	72,058	146,096	415,234	502,694	405,807
Ijarah rentals receivable	3,817,801	-	-	-	-	3,817,801
Advances, prepayments and other receivables	13,550,348	-	-	-	2,386,594	11,163,754
Accrued profit	10,107,860	-	-	-	-	10,107,860
Long-term Deposit	546,000	-	-	-	-	546,000
Total Financial Assets as at 30 June 2012	1,561,165,877	205,482,618	184,898,724	504,103,860	362,980,101	303,700,574
Liabilities						
Deposits	946,230,000	169,305,000	172,935,000	521,050,000	72,940,000	10,000,000
Short-term finance	229,477,558	229,477,558	-	-	-	-
Security deposits	14,058,802	-	-	-	-	14,058,802
Creditors, accrued and other liabilities	35,151,201	-	-	-	-	35,151,201
Unclaimed profit distribution	1,059,459	-	-	-	-	1,059,458
Deferred Liabilities - staff gratuity	790,694	-	-	-	-	790,694
Total Financial Liabilities as at 30 June 2012	1,226,767,714	398,782,558	172,935,000	521,050,000	72,940,000	61,060,155
Total yield / profit risk sensitivity gap		(193,299,940)	11,963,724	(16,946,140)	290,040,101	
Cumulative yield / profit risk sensitivity gap		(193,299,940)	(181,336,216)	(198,282,356)	91,757,745	

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Effective yield / profit rate %	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
Assets						
Cash and bank balances	109,828,648	106,922,249	-	-	-	2,906,399
Investments	32,342,250	-	2,125	381,375	18,958,750	13,000,000
Murabaha finance	480,436,030	102,817,989	98,136,191	169,565,971	49,700,000	60,215,879
Modaraba finance	75,630,285	6,575,023	-	51,000,000	-	18,055,262
Musharaka finance	42,797,914	5,894,878	20,498,918	16,404,118	-	-
Diminishing musharaka finance	279,100,639	8,257,105	22,314,210	88,332,749	157,654,987	2,541,588
Net investment in Ijarah finance	7,329,083	791,423	632,570	1,228,478	982,911	3,693,701
Ijarah rentals receivable	3,157,976	-	-	-	-	3,157,976
Advances, prepayments and other receivables	6,035,316	-	-	-	1,918,328	4,116,988
Accrued profit	8,771,921	-	-	-	-	8,771,921
Long-term Deposit	528,000	-	-	-	-	528,000
Total Financial Assets as at 30 June 2011	1,045,958,062	231,258,667	141,584,014	326,912,691	229,214,976	116,987,714
Liabilities						
Deposits	656,020,000	104,665,000	140,435,000	259,285,000	149,635,000	2,000,000
Short-term finance	61,854,581	61,854,581	-	-	-	-
Security deposits	12,259,926	-	-	-	-	12,259,926
Creditors, accrued and other liabilities	27,734,291	-	-	-	-	27,734,291
Unclaimed profit distribution	706,878	-	-	-	-	706,878
Deferred Liabilities - staff gratuity	541,182	-	-	-	-	541,182
Total Financial Liabilities as at 30 June 2011	759,116,858	166,519,581	140,435,000	259,285,000	149,635,000	43,242,277
Total yield / profit risk sensitivity gap		64,739,086	1,149,014	67,627,691	79,579,976	
Cumulative yield / profit risk sensitivity gap		64,739,086	65,888,100	133,515,791	213,095,767	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



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	
	2012	2011
	------(Rupees)-----	
Changes in basis point		
+100	2,461,047	2,271,449
-100	(2,461,047)	(2,271,449)

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

36.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Modaraba is exposed to price risk in respect of sukuk bonds held at year end amounting to Rs. 13,373,750/- (2011: Rs. 19,342,250/-).

36.2 Credit risk

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

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

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

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

Out of the total financial assets of Rs. 1,556.685 million (2011: Rs. 1,043.698 million) the financial assets which are subject to credit risk amounted to Rs. 1,556.127 million (2011: Rs. 1,043.685 million).

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

	2012	2011
	------(Rupees)-----	
Bank balances		
A	53,473,157	40,011,725
BBB / A2	13,452,956	15,522,852
A-	12,495	54,254,111
Others	17,090	26,714
Sukuk Bonds ratings		
D / BB+	10,353,750	10,362,250
Un-rated	3,020,000	8,980,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS



FOR THE YEAR ENDED 30 JUNE 2012

36.2.3 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:

	2012		2011	
	Total outstanding amount	Payment overdue (in days)	Total outstanding amount	Payment overdue (in days)
Net investment in finance lease	-	-	2,039	1 - 177 Days
Ijarah rentals receivable	4,000	1 - 33 Days	105,429	1 - 67 Days
Murabaha Finance	10,157,345	1 - 56 Days	9,025,063	1 - 30 Days
Modaraba Finance	28,594,372	1 - 54 Days	19,015,640	1 - 90 Days
Diminishing Musharaka Finance	312,722	1 - 59 Days	353,015	1 - 45 Days

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

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

	2011				
	OAEM	Substandard	Doubtful	Loss	Total
Net investment in finance lease	-	-	-	202,694	202,694
Musharaka Finance	-	-	-	606,844	606,844

36.2.5 Concentration of credit risk

36.2.5.1 Net Investment in Finance Lease

	2012		2011	
	(Rupees)	%	(Rupees)	%
Fuel and energy	-	-	1,943,174	26.51
Pharmaceutical and chemicals	-	-	1,185,425	16.17
Electrical and engineering	249,745	16.20	428,087	5.84
Paper and board	-	-	649,117	8.86
Individuals	1,292,144	83.80	3,123,280	42.62
	1,541,889	100.00	7,329,083	100.00

36.2.5.2 Ijarah Assets

	2012		2011	
	(Rupees)	%	(Rupees)	%
Fuel and energy	9,524,218	14.33	16,012,951	28.48
Food and beverage	259,900	0.39	463,300	0.82
Dairy and poultry	179,104	0.27	344,440	0.61
Financial institutions	612,232	0.92	2,013,499	3.58
Travel and transport	1,974,000	2.97	5,992,500	10.66
Textile	17,822,907	26.82	21,047,933	37.43
Electrical and engineering	17,297,119	26.03	1,177,783	2.09
Paper and board	780,000	1.17	2,535,000	4.51
Construction	11,372,451	17.11	-	-
Individuals	5,642,580	8.49	3,264,256	5.80
Others	994,999	1.50	3,383,380	6.02
	66,459,510	100.00	56,235,042	100.00

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



36.2.5.3 For Musharaka, Murabaha, Modaraba and Diminishing Musharaka Finance

Note	2012		2011	
	(Rupees)	%	(Rupees)	%
Textile and allied	288,854,645	20.08	136,690,135	15.57
Trading	268,471,594	18.67	105,181,865	11.98
Leather	65,666,730	4.57	76,299,670	8.69
Pharmaceutical and chemicals	13,111,414	0.91	3,661,692	0.42
Food and beverage	72,121,076	5.01	102,945,961	11.73
Construction	30,429,921	2.12	39,143,178	4.46
Fuel and energy	50,168,012	3.49	130,014,953	14.81
Financial institutions	46,577,244	3.24	30,784,010	3.51
Paper and board	1,040,047	0.07	183,512	0.02
Sugar and allied	54,692,811	3.80	4,966,028	0.57
Distribution	92,525,140	6.43	67,473,594	7.69
Travel and transport	148,801,510	10.35	62,992,877	7.17
Dairy and poultry	6,072,000	0.42	7,188,000	0.82
Technology and telecommunication	10,468,232	0.73	-	-
Electrical and engineering	74,858,243	5.20	13,253,422	1.51
Steel and allied	58,521,662	4.07	-	-
Others	155,860,500	10.84	97,185,971	11.07
36.2.5.4	1,438,240,781	100.00	877,964,868	100.00

36.2.5.4 Finance arrangements

	2012	2011
	------(Rupees)-----	
Murabaha finance	807,764,601	480,436,030
Musharaka finance	82,207,511	42,797,914
Diminishing Musharaka finance	470,812,921	279,100,639
Modaraba finance	77,455,748	75,630,285
	1,438,240,781	877,964,868

36.3 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.

	2012			
	Total	Upto three months	More than three months and upto one year	More than one year
	----- Rupees -----			
Current liabilities				
Deposits	946,230,000	342,240,000	531,050,000	72,940,000
Short-term finance	229,477,558	229,477,558	-	-
Current maturity of security deposits	6,306,521	3,820,771	2,485,750	-
Creditors, accrued and other liabilities	35,151,201	35,151,201	-	-
Unclaimed profit distribution	1,059,459	-	-	1,059,459
Total current liabilities	1,218,224,739	610,689,530	533,535,750	73,999,459
Non-current liabilities				
Security deposits	7,752,281	-	-	7,752,281
Deferred liabilities - staff gratuity	790,694	-	-	790,694
Total non-current liabilities	8,542,975	-	-	8,542,975
	1,226,767,714	610,689,530	533,535,750	82,542,434

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS



FOR THE YEAR ENDED 30 JUNE 2012

	2011			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupees			
Current liabilities				
Deposits	656,020,000	247,100,000	259,285,000	149,635,000
Short-term finance	61,854,581	61,854,581	-	-
Current maturity of security deposits	7,151,062	1,967,390	5,183,672	-
Creditors, accrued and other liabilities	27,734,291	27,734,291	-	-
Unclaimed profit distribution	706,878	-	-	706,878
Total current liabilities	753,466,812	338,656,262	264,468,672	150,341,878
Non-current liabilities				
Security deposits	5,108,864	-	-	5,108,864
Deferred liabilities - staff gratuity	541,182	-	-	541,182
Total non-current liabilities	5,650,046	-	-	5,650,046
	759,116,858	338,656,262	264,468,672	155,991,924

36.4 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.

37. 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.

	2012	2011
	(Rupees)	
Total borrowings and deposits	1,175,707,558	717,874,581
Cash and bank balances	(66,987,448)	(109,828,648)
Net debt	1,108,720,110	608,045,933
Total equity	330,221,549	307,639,655
Total capital	1,438,941,659	915,685,588
Gearing ratio	77.1%	66.4%

38. RELATED PARTIES TRANSACTIONS

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



	2012	2011
	----- (Rupees) -----	
38.1 Transactions during the year		
Management company		
Modaraba management fee	4,519,723	4,459,839
Associated companies		
Income on bank deposits	1,236,128	4,647,027
Financial charges	20,399,720	17,137,821
Rent expense	442,053	425,950
Brokerage expense	1,850	-
Custodian charges	6,799	6,092
Other related parties		
Rentals received	4,114,980	2,306,016
Investments in unlisted shares	-	13,000,000
38.2 Transaction outstanding at the year end		
Management company		
Modaraba management fee payable	4,519,723	4,459,839
Associated companies		
Cash and bank balances	13,452,956	17,704,578
Certificate of Musharaka	72,550,000	17,300,000
Accrued profit on deposits	-	9,171
Short-term musharaka finance	229,477,558	61,854,581
Underwriting commission payable	-	-
Accrued mark-up payable	7,383,821	3,903,444
Custodian charges payable	-	4,060
Other related parties		
Rentals receivables	14,427,567	1,207,714
Investments in unlisted shares	13,000,000	13,000,000

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

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

39. 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.

40. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on Aug 27, 2012 have approved distribution at the rate of 6.50% percent (2011: 6.40%).

41. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on August 27, 2012.

42. GENERAL

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive

Director

Director

PATTERN OF CERTIFICATE HOLDING FORM "34"

SHAREHOLDERS STATISTICS AS AT JUNE 30, 2012



NO. OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING		TOTAL CERTIFICATE HOLDERS
	FROM	TO	
423	1	100	17,101
285	101	500	74,538
169	501	1000	138,559
182	1001	5000	406,144
42	5001	10000	315,853
17	10001	15000	207,894
11	15001	20000	185,552
8	20001	25000	184,532
2	25001	30000	57,345
3	30001	35000	97,113
7	35001	40000	256,300
1	40001	45000	41,000
2	45001	60000	107,837
1	60001	70000	65,469
1	70001	80000	79,500
1	80001	95000	90,500
1	95001	105000	101,000
1	105001	110000	109,000
1	110001	115000	113,100
1	115001	125000	122,823
0	125001	160000	-
2	160001	170000	331,320
0	170001	175000	-
1	175001	180000	177,200
1	180001	470000	304,389
1	470001	505000	975,702
1	505001	690000	687,745
1	690001	800000	795,980
1	800001	810000	809,255
1	810001	2830000	2,827,440
1	2830001	8150000	8,147,442
1	8150001	5645000	-
1	5645001	10450000	10,446,767
1,171		Total	28,274,400

PATTERN OF CERTIFICATE HOLDING FORM "34"

SHAREHOLDERS STATISTICS AS AT JUNE 30, 2012



CATAGORIES OF CERTIFICATE HOLDERS	NUMBER	CERTIFICATE HELD	PERCENTAGE
INDIVIDUALS	1119	3,028,198	10.71%
FINANCIAL INSTITUTIONS*	13	10,556,378	37.34%
INVESTMENT COMPANIES	2	1,200	0.00%
INSURANCE COMPANIES	3	796,380	2.82%
MODARABA COMPANIES	3	36	0.00%
MODARABA MANAGEMENT COMPANIES**	3	4,141,695	14.65%
LEASING COMPANIES	1	1,246	0.00%
CHARITABLE TRUSTS	1	33,000	0.12%
JOINT STOCK COMPANIES***	22	8,927,023	31.57%
MUTUAL FUND	1	687,745	2.43%
OTHERS			
- M/S SHAIKHANI ENTERPRISES	1	101,000	0.36%
- TECHNOLOGY LINKS (PVT) LTD.	1	300	0.00%
- THE KARACHI STOCK EXCHANGE	1	199	0.00%
TOTAL	1,171	28,274,400	100.00%

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

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

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

CATAGORIES OF CERTIFICATE HOLDERS	NUMBER	CERTIFICATE HELD	PERCENTAGE
Associated Companies			
KASB Bank Limited		10,446,767	36.95%
KASB Finance (Private) Limited		304,389	1.08%
KASB Invest (Private) Limited		4,141,695	14.65%
	3	14,892,851	52.68%
NIT and CIP			
National Bank of Pakistan, Trustee Dept.		687,745	2.43%
Investment Corporation of Pakistan		8,002	0.03%
	2	695,747	2.46%
Directors, CEO & their Spouse and Minor Children			
Syed Waseem-ul-Haqqie	1	90,500	0.32%
Executives			
	-	-	-
Public Sector Companies and Corporations			
	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
	20	900,471	3.18%
Certificate-holders holding five percent or more certificates in the Modaraba			
Al-Hoqani Securities and Investment Corporation	1	8,147,442	28.82%



NOTICE OF ANNUAL REVIEW MEETING



Notice is hereby given that the 21st Annual Review Meeting of the Modaraba's Certificate Holders of KASB Modaraba will be held on Wednesday, October 03, 2012 at 03.00 p.m. at Haji Abdullah Haroon Muslim Gymkhana Auditorium, Awan-e-Saddar Road, Karachi to review the performance of Modaraba for the year ended June 30, 2012 in terms of Clause 20 of the Prudential Regulations for Modaraba issued vide Circular No 5/2000 by Registrar Modaraba.

By Order of the Board

Karachi
August 27, 2012

Faiqa Naz
Company Secretary

Notes

1. The Modaraba Certificates transfer book shall remain closed from September 27, 2012 to October 03, 2012 (both days inclusive) to determine the names of Certificate Holders eligible to attend the Annual Review Meeting. Transfer received in order at the Registrar Office of the Modaraba (whose address in given below) up to the close of business hours on September 26, 2012 will be treated in time.
2. The Certificate Holders are advised to notify to the Registrar of KASB Modaraba of any change in their addresses to ensure prompt delivery of mails. Further, any Certificates for transfer etc. should be lodged with the Registrar, C & K Management Associates (Private) Limited, 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi. (Phone: 35687839-35685930)
3. Account holders holding book entry securities of the Modaraba in Central Depository Company of Pakistan Limited, who wish to attend the Annual Review Meeting, are requested to bring original Computerized National Identity Card for identification purpose and will in addition, have to follow the guidelines as laid down in Circular No.1 of 2000 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan (SECP) for attending the meeting.