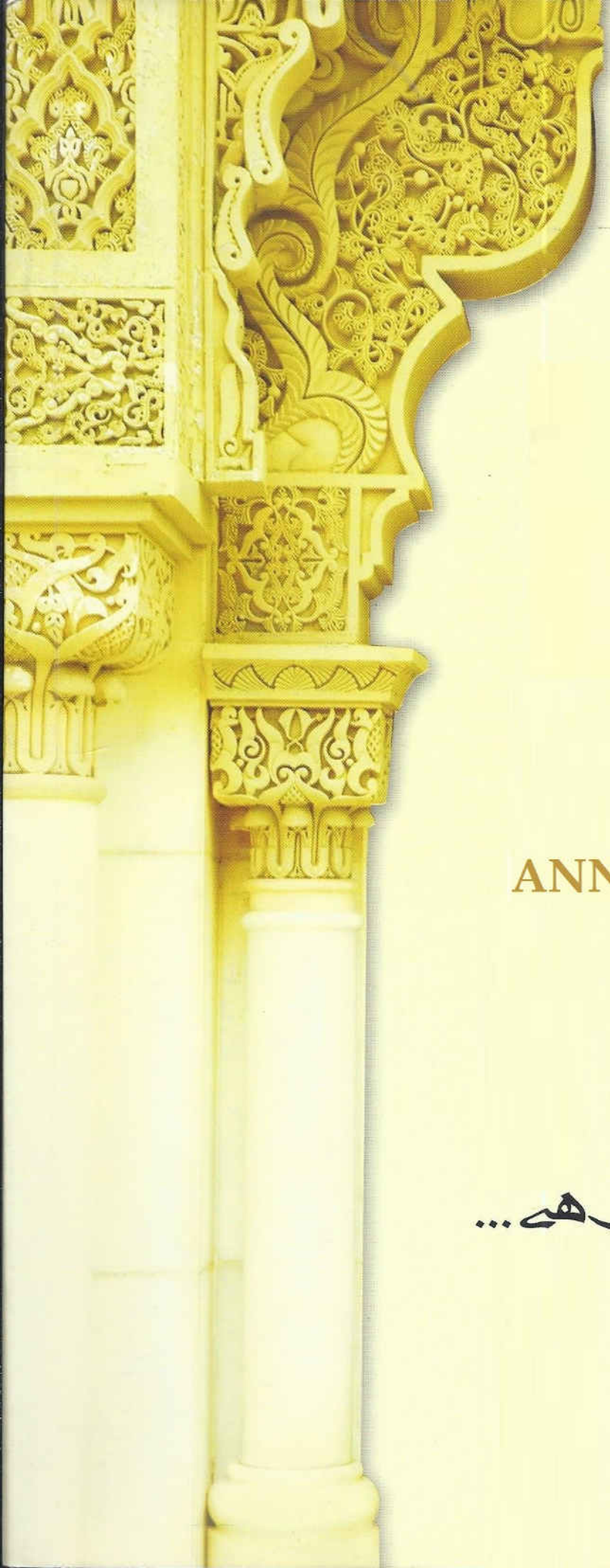

KASB Modaraba

An Islamic Financial Institution

مضاربہ

اسلامی مالیاتی ادارہ

ANNUAL REPORT 2018

صاف اور شفاف آمدنی،
سچا سکون ہے...

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

CORPORATE INFORMATION

Board of Directors
Muzaffar Ali Shah Bukhari Chairman
Farrukh S. Ansari Director
Amer Maqbool Director/Chief Executive Officer

Chief Financial Officer
Aftab Afroz Mahmoodi

Company Secretary
Syed Shahid Owais

Management Company
KASB Invest (Pvt.) Limited

Auditor
RSM Avais Hyder (Pvt.) Limited

Internal Auditor
EY Ford Rhodes

Audit Committee
Farrukh S. Ansari Chairman
Muzaffar Ali Shah Bukhari Member

Human Resource and Remuneration Committee
Farrukh S. Ansari Chairman
Muzaffar Ali Shah Bukhari Member
Amer Maqbool Member

Certificate Transfer Office
C&K Management Associates (Pvt.) Limited
404, Trade Tower,
Abdullah Haroon Road,
Near Metropole Hotel,
Karachi – 75530
Phone : 021-35687839 - 021-35685930

Legal Advisor
Ahmed & Qazi
S & B Durrani Law Associates

Shariah Advisor
Al-Hilal Shariah Advisor

Registered Office & Head Office
16-C, Bukhari Towers,
Main Khayaban-e-Bukhari, Phase VI,
DHA, Karachi
Phone : 021-35171786-89

Web Address
www.kasbmodaraba.com

E-mail
Sales.mod@kasb.net & takaful.mod@kasb.net

DHA Branch Office
16-C, Bukhari Towers
Main Khayaban-e-Bukhari, Phase VI, DHA, Karachi
Phone : 021-35171786-89

Lahore Branch Office
Office No. 318 3rd Floor,
Lahore Stock Exchange Building,
19 Khayaban-e-Awan-e-Iqbal, Lahore.

Islamabad Branch Office
Basement, 90-91, Razia Sharif Plaza,
Jinnah Avenue, Blue Area, F-7, Islamabad.
Phone: 051-2344422-24

DIRECTORS' REPORT

The Board of Directors of KASB Invest (Private) Limited, the Management Company of KASB Modaraba is pleased to present the annual audited financial statements of the Modaraba for the year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

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

BALANCE SHEET	**June 30, 2018 Rs "000"**	June 30, 2017 Rs "000"
Cash and bank balance	**30,948**	22,604
Modaraba Finance	**112**	50,960
Musharaka Finance	**11,300**	12,900
Murabaha Finance	**125,580**	150,045
Diminishing Musharaka Finance	**95,183**	153,208
Receivable against sale of agricultural produce	**7,651**	18,200
Ijarah rental receivable	**137**	562
Ijarah Assets	**20,265**	32,493
Property acquired in satisfaction of financing facility	**47,083**	47,083
Total Assets	**375,598**	599,607
Net Assets	**274,947**	391,456

PROFIT & LOSS ACCOUNT		
Gross Income	**58,117**	**110,017**
Operating & Financial Charges	**(77,044)**	**(97,835)**
Provision against doubtful receivables	**(95,282)**	**(3,799)**
Modaraba Management Company fee	**0**	**457**
Net (Loss) /Profit for the Year	**(114,209)**	**4,570**
Earning per Modaraba Certificate (Rupees)	**(2.38)**	**0.10**

OPERATIONS AND PERFORMANCE

The Modaraba booked a net loss of Rs 114.20 million for the year ended June 30, 2018 as compared to net profit of Rs 4.57 million for the year ended June 30, 2017. The loss per Certificate for the year ended June 30, 2018 was Rs. (2.38) as compared to Rs 0.10 of the corresponding previous year.

The loss of the year ended June 30, 2018 was mainly due to the losses on some Modaraba & Murabaha financing related to Agri business and due to limited liquidity available to the Modaraba for taking or increasing exposures on conventional as well as non-traditional businesses because of restriction imposed by Securities & Exchange Commission of Pakistan on mobilization of Certificates of Musharaka.

The management is optimistic and expects that the matter would be favorably considered by the Commission as borrower through Certificate of Musharaka has been properly managed and timely

paid with profit to each COM holder without any discomfort and default which would help to beefing up the resources.

CREDIT RATING

The Credit Rating Agency PACRA has revised the entity rating of Long Term to BBB from BBB+ with outlook from Stable to negative, however, the Short Term rating remained unchanged as A2.

YEAR AT A GLANCE

Modaraba performed modestly with shrunk deposits and liquidity issues during the year. Our approach remained conservative towards financing projects. The management remained vigilant for timely recovery of the deployed funds to develop room for further investments.

FUTURE PROSPECTS

With the aim and strategy of growing with Sharia compliant businesses, we would keep exploring and opting high yield businesses. We trust that we would keep going as per our short and longer term plans with innovative approach that would result in better returns for the Certificate holders.

BOARD OF DIRECTORS

During the year 2017-18, Syed Muhammad Rehmanullah and Syed Waseem ul Haqqie resigned from the Board and Mr. Amer Maqbool and Mr. Muzaffar Ali Shah Bukhari co-opted as Directors. The approval for the appointment of Mr. Muzaffar Ali Shah Bukhari as Director is awaited from the Registrar Modaraba, Securities and Exchange Commission of Pakistan. Further, Mr. Aftab Afroz Mahmoodi, Chief Executive has resigned and Mr. Amer Maqbool, Director was appointed as CEO by the Board.

ELECTION OF DIRECTORS

The following three Directors were elected in the Extra Ordinary General Meeting (EOGM) of the management company held on June 26, 2018 for the new term of three years :-

1. Muzaffar Ali Shah Bukhari
2. Farrukh S. Ansari
3. Amer Maqbool

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors is pleased to report that:

- 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 except mentioned in notes 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 Corporate Governance Regulations- 2017.

- The Modaraba operates an unfunded gratuity scheme for its permanent employees, value of which was PKR. 3,509,176/- as at June 30, 2018.

- 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, 2018 except as disclosed in the financial statements.

- None of the directors of Modaraba, CEO, CFO, Company Secretary and their spouses and minor children has carried out trading of certificates of the Modaraba.

- During the year, six meetings of the Board of Directors were held. Attendance by each director is as follows:

Name		No of Meetings Attended
Syed Waseem ul Haq Haqqie	Director- Resigned	2
S. M. Rehmanullah	Director- Resigned	1
Farrukh S. Ansari	Director	6
Muzaffar Ali Shah Bukhari	Director- Co-opted on October 30, 2017	3
Amer Maqbool	Director- Co-opted on October 06, 2017 and appointed as Chief Executive with effect from June 14,2018	5
Aftab Afroz Mahmoodi	Chief Executive-(Resigned with effect from June 13,2018)	6

- During the year, four meetings of the Audit Committee were held. Attendance by Members is as follows :

Name		No of Meetings Attended
Farrukh S. Ansari	Chairman	4
Syed Waseem ul Haq Haqqie	Member- Resigned	2
S. M. Rehmanullah	Member- Resigned	1
Muzaffar Ali Shah Bukhari	Member- Co-opted on October 30, 2017	1
Amer Maqbool	Member - Co-opted on October 06, 2017 and resigned after appointment as Chief Executive with effect from June 14,2018	3

- During the year, one meeting of the Human Resource and Remuneration Committee (HR&RC) was held. All members of the HR&RC attendant the meeting.
- The pattern of holding of Certificates by the Certificate-holders is included in this annual report

DIRECTOR'S REMUNERATION

The remuneration of Directors for attending meetings of the Board or any Committee of the Board is determined under the Director's Remuneration Policy adopted by the Modaraba Management Company. Under the said policy, independent and non-executive Directors are entitled to receive the prescribed fee and traveling, hotel & other expenses incurred by them for attending meetings of the Board or any Committee of the Board and General Meetings as determined by the Board.

GOVERNANCE & SHARIAH COMPLIANCE

The Board of Directors is committed to ensure compliance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations-2017, Regulations of Pakistan Stock Exchange and the Modaraba is incompliance with the requirements relevant for the year ended June 30, 2018. A statement to this effect is annexed with the report. The Shariah Advisor is involved from the outset to ensure that the business of the Modaraba is in line with Shariah Principles.

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.

AUDITORS

The term of appointment of present auditors M/s. Avais Hyder Liaquat Nauman, Chartered Accountants is expiring on the date of the ensuing Annual Review Meeting of the Modaraba. On the recommendation of the Audit Committee, the Board has approved the reappointment of M/s. Avais Hyder Liaquat Nauman, Chartered Accountants, as auditors for the year ending June 30, 2019, subject to approval by the Registrar of Modaraba Companies and Modaraba.

ACKNOWLEDGEMENT

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

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

For and behalf of Board of Directors

Chairman
October 01, 2018
Karachi

Director

ڈائریکٹرز رپورٹ

کے اے ایس بی انویسٹ (پرائیویٹ) لمیٹڈ مینجمنٹ کمپنی برائے کے اے ایس بی مضاربہ، کے بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ مضاربہ کے ۳۰ جون 2018 کو اختتام پذیر ہونے والے مالی سال کا سالانہ آڈٹ شدہ مالیاتی گوشوارہ پیش کر رہا ہے۔

مالیاتی جھلکیاں

زیر جائزہ مدت کے لئے مالیاتی جھلکیوں کا خلاصہ درج ذیل ہے:۔

بیلنس شیٹ	30 جون 2017 روپے "000" میں	30 جون 2018 روپے "000" میں
نقد اور بینک بیلنس	22,604	30,948
مضاربہ مالیت	50,960	112
مشراکتی مالیت	12,900	11,300
مرابحہ مالیت	150,045	125,580
شرکت متناقصہ مالیات	153,208	95,183
وصولیابی زرعی پیداوار	18,200	7,651
اجارہ وصولیابی	562	137
اجارہ اثاثہ جات	32,493	20,265
قابل وصول قرضہ جات کی وصولی کے سلسلے میں حاصل پراپرٹی	47,083	47,083
مجموعی اثاثہ جات	599,707	375,598
خالص اثاثہ جات	391,456	274,947
نفع ونقصان کا حساب	**30 جون 2017 روپے "000" میں**	**30 جون 2018 روپے "000" میں**
مجموعی آمدنی	110,017	58,117
انتظامی و مالیاتی اخراجات	(97,835)	(77,044)
مشکوک وصولی کی مد میں فراہمی	(3,799)	(95,282)
مینجمنٹ کمپنی فیس	(457)	(-)
خالص سالانہ منافع	4,570	(114,209)
فی حصہ آمدنی (روپے)	0.10	(2.38)

انتظامی کارکردگی

برائے سال 2018 مضاربہ کا مجموعی نقصان 114.20 ملین روپے رہا، جبکہ برائے سال 2017، 4.57 ملین روپے کا منافع تھا۔ فی حصہ نقصان برائے سال 2018 (2.38) روپیہ رہا جبکہ برائے سال 2017 فی حصہ منافع 0.10 روپیہ تھا۔

سال 2018 میں ہونے والے نقصان کی بنیادی وجہ زراعت سے متعلق چند مضاربہ اور مرابحہ میں ہونے والا نقصان اور سیکیورٹیز اینڈ ایکسچینج کمیشن کی جانب سے مشارکہ سرٹیفکیٹ پر عائد پابندی کے باعث مالی ذخائر کی کمی رہے جس کی وجہ سے مضاربہ روایتی اور غیر روایتی مالیات میں

سرمایہ کاری نہ کرسکا۔

مضاربہ انتظامیہ پُر امید ہے کہ کمیشن یہ لحاظ کرتے ہوئے کہ مضاربہ نے تمام مشارکہ سرٹیفکیٹ رکھنے والوں کو کوئی تکلیف دیئے بغیر تمام رقوم کی منافع کے ساتھ ادائیگی کی ہے، اس پابندی کا ہمدردانہ حل نکالے گا۔

کریڈٹ ریٹنگ

کریڈٹ ریٹنگ ایجنسی PACRA نے اپنی رپورٹ میں نظر ثانی کرتے ہوئے مضاربہ کی طویل المدّتی درجہ بندی BBB+ سے BBB اور مختصر المدّتی درجہ بندی A-2 پر قائم رکھی ہے۔

موجودہ مالی سال پر ایک سرسری نظر

دورانِ مدت مالی مسائل اور ذخائر کی کمی کے باعث مضاربہ کی کارکردگی واجبی رہی۔ مالیاتی منصوبوں کی طرح ہمارا رویہ محتاط رہا۔ جاری شدہ قرضہ جات کی بروقت وصولی کے لئے انتظامیہ پوری طرح چوکس اور مستعد رہی۔ تاکہ اس کے ذریعے مزید منافع بخش سرمایہ کاری کے لئے راہ ہموار کی جائے۔

مستقبل کے امکانات

شریعت کے مطابق کاروبار کے ذریعے ترقی کرنے کے مقصد اور حکمتِ عملی کے ساتھ ہم اعلیٰ پیداواری اور منافع بخش کاروبار کی تلاش اور جستجو کرتے رہیں گے۔

ہم اس یقین کے ساتھ آگے بڑھتے رہیں گے کہ ہمارے طویل المعیاد اور طویل المدّت اہداف حاصل ہو جائیں، ہم جدید طرزِ کاروبار کے ساتھ جدوجہد میں مصروف رہیں گے تاکہ موجودہ کاروباری نتائج اور درجہ بندی کے مقابلے میں بہتر نتائج حاصل کرسکیں جس کے ذریعے حصہ داروں کو بہتر منافع پہنچا سکیں۔

بورڈ آف ڈائریکٹرز

سال 2017-18 کے درمیان سید محمد رحمٰن اللہ اور سید وسیم الحق حقی بورڈ سے مستعفی ہوئے اور ان کی جگہ جناب عامر مقبول اور جناب مظفر علی شاہ بخاری بطور ڈائریکٹر منتخب ہوئے۔ جناب مظفر علی شاہ بخاری کا انتخاب رجسٹرار مضاربہ، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی منظوری سے مشروط ہے۔ مزید جناب آفتاب افروز محمودی بطور چیف ایگزیکٹو مستعفی ہوئے اور جناب عامر مقبول کا تقرر بحیثیت چیف ایگزیکٹو ہوا۔

انتخابات برائے ڈائریکٹر

مندرجہ ذیل تین ڈائریکٹرز کا انتخاب 26 جون 2018 کو منعقدہ غیر معمولی عام اجلاس کے ذریعے مزید تین سالہ مدت کے لئے عمل میں لایا گیا۔

1۔ جناب مظفر علی شاہ بخاری
2۔ جناب فرخ ایس انصاری
3۔ جناب عامر مقبول

کارپوریٹ اور مالیاتی رپورٹنگ

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

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

☆ مضاربہ کی باقاعدہ اکاؤنٹ کی کتابیں تیار کی گئی ہیں۔

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

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

☆ انٹرنل کنٹرول کا نظام مستحکم ہے اور مؤثر طور پر نفاذ و نگرانی کی جاتی ہے۔

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

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

☆ مضاربہ میں کارپوریٹ گورننس کے بہترین اصولوں کو مدنظر رکھا گیا ہے جیسا کہ کارپوریٹ گورننس ریگولیشن برائے 2017 میں درج ہے۔

☆ مضاربہ نے اپنے مستقل ملازمین کے لئے غیر منظور شدہ اور غیر مالی گریجویٹی اسکیم قائم کر رکھی ہے جس کی قدر 30 جون 2018 کو 3,509,176 روپے تھی۔

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

☆ یہاں 30 جون 2018 کو ٹیکس، ڈیوٹیز، جرمانے اور واجبات کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں ماسوائے جیسا کہ مالیاتی گوشواروں میں ظاہر کیا گیا ہے۔

☆ مضاربہ کے ڈائریکٹرز، CEO، CFO، کمپنی سیکرٹری اور ان کے شریکِ حیات اور نابالغ بچوں نے مضاربہ کے سرٹیفکیٹس کی کوئی خرید و فروخت نہیں کی۔

☆ سال کے دوران بورڈ آف ڈائریکٹرز کے 6 اجلاس منعقد ہوئے ہر ڈائریکٹر کی شرکت درج ذیل ہے۔

نام		اجلاس میں شرکت کی تعداد
سید وسیم الحق حقی	ڈائریکٹر۔ مستعفی	2
ایس ایم رحمان اللہ	ڈائریکٹر۔ مستعفی	1
فرخ ایس انصاری	ڈائریکٹر	6
آفتاب افروز محمودی	چیف ایگزیکٹیو۔ مستعفی 13 جون 2018	6
مظفر علی شاہ بخاری	ڈائریکٹر (انتخاب: 30 اکتوبر 2017)	3
عامر مقبول	ڈائریکٹر (انتخاب: 16 اکتوبر 2017) چیف ایگزیکٹو (انتخاب: 14 جون 2018)	5

☆ سال کے دوران آڈٹ کمیٹی کی چار میٹنگز منعقد ہوئیں، حاضری کی تفصیلات درج ذیل ہے:

نام		اجلاس میں شرکت کی تعداد
فرخ ایس انصاری	چیئرمین	4
سید وسیم الحق حقی	ممبر- مستعفی	2
ایس ایم رحمٰن اللہ	ممبر- مستعفی	1
مظفر علی شاہ بخاری	ممبر (انتخاب:30 اکتوبر 2017)	1
عامر مقبول	ممبر (انتخاب:6 اکتوبر 2017) بحیثیت چیف ایگزیکٹو تقرری کے بعد مستعفی (بتاریخ 14 جون 2018)	3

مشاہرہ برائے ڈائریکٹرز

بورڈ آف ڈائریکٹرز اور بورڈ کی کسی بھی کمیٹی کی میٹنگز میں حاضری کے عوض ڈائریکٹرز کے مشاہرہ کا تعین منیجمنٹ کمپنی کی مشاہرہ پالیسی کے زیرِ عمل ہے۔ اس پالیسی کے تحت انڈیپنڈنٹ اور نان ایگزیکٹو ڈائریکٹر کسی بھی کمیٹی اور عام اجلاس کے سلسلے میں مشاہرہ، سفری، ہوٹل اور دیگر اخراجات حاصل کرنے مجاز ہیں۔

گورننس اور شریعہ کی تعمیل

بورڈ آف ڈائریکٹرز پُرعزم ہے کہ وہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2017 پاکستان اسٹاک ایکسچینج کے قوانین 30 جون 2018 کو ختم ہونے والے سال کے لئے عمل کو یقینی بنائے گا۔ اس سلسلے میں ایک خاکہ اس رپورٹ کے ساتھ منسلک ہے۔ شریعہ ایڈوائزر ابتدائی مراحل سے شرعی اصولوں کی پاسداری کے لئے مضاربہ کے ساتھ منسلک ہے۔

ہیومن ریسورسز

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

آڈیٹرز

موجودہ آڈیٹران میسرز اویس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس کی تقرری کی مدت مضاربہ کی سالانہ جائزہ اجلاس کی تاریخ پر ختم ہوگئی ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ نے میسرز اویس حیدر لیاقت نعمان، چارٹرڈ اکاؤنٹنٹس کو بحیثیت آڈیٹر 30 جون 2018 تک دوبارہ تقرری کی منظوری دی ہے جو رجسٹرار آف مضاربہ کمپنیز اور مضاربہ کی منظوری سے مشروط ہے۔

اعتراف

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

ہم اللہ کے حضور آپ کے مضاربہ کی کامیابی کے لئے دُعا گو ہیں۔

بورڈ آف ڈائریکٹرز کی جانب وتوسط سے

ڈائریکٹر

چیئرمین

1 اکتوبر 2018

کراچی

KASB MODARABA

KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE

	2018	2017	2016	2015	2014	2013
	----------Rupees in Thousand----------					
Total assets	375,598	599,707	901,245	982,728	1,305,559	1,516,092
Musharaka Finance	11,300	12,900	14,100	45,490	93,777	98,161
Murabaha Finance	125,580	150,045	267,365	312,873	395,090	627,204
Modaraba Finance	112	50,960	53,746	22,739	36,236	83,696
Diminishing Musharaka	95,184	153,209	316,083	354,488	399,437	424,230
Ijarah Assets	20,265	32,493	52,765	34,525	72,363	47,368
Equity	274,947	391,456	389,033	385,234	289,672	265,717
Currents Assets	277,741	488,336	591,031	680,456	1,004,538	1,175,724
Current Liabilities	79,115	137,637	295,207	345,046	846,682	1,187,542
Income	58,118	110,830	166,063	195,187	174,401	239,148
Taxation		-		-	-	-
Profit/ (Loss) after Tax	(114,209)	4,570	8,244	11,115	23,994	(46,029)
Dividend (Rs.)	-	0.07	0.08	0.11	0.24	-
EPS (Rs.)	(2.38)	0.10	0.17	0.23	0.85	(0.16)

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
KASB MODARABA ("the Company")
YEAR ENDED JUNE 30, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are three as the following :
   a. Male : Three
   b. Female: Nil

2. The composition of board is as follows :
   a) Independent Directors : Mr. Farrukh S. Ansari
   b) Other Non-Executive Director : Mr. Muzaffar Ali Shah Bukhari
   c) Executive Directors : Mr. Amer Maqbool

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of board.

8. The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Company has already in compliance regarding the training of Directors till June 30, 2018; therefore during the year no Directors' Training program was arranged by the Company.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below :

a) Audit Committee

i.	Mr. Farrukh S. Ansari	Chairman
ii.	Mr. Muzaffar Ali Shah Bukhari	Member
iii.	Mr. Amer Maqbool	Member (Resigned 13/06/2018 after appointment as CEO)

b) HR and Remuneration Committee

i.	Mr. Farrukh S. Ansari	Chairman-
ii.	Mr. Muzaffar Ali Shah Bukhari	Member
iii.	Mr. Amer Maqbool	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committees were as per follows :-

a.	Audit Committee;	Quarterly
b.	HR and Remuneration Committee :	Yearly

15. The board has outsourced the internal audit function to M/s EY Ford Rhodes, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other material principles enshrined in the CCG have been complied with except for:

    a. Number of independent directors is at least two or one third of total board member whichever is higher. However, at present the Modaraba has one independent Director and requirement of two independent directors will be complied by the Modaraba subsequent to the year end.

    b. Audit committee at least three members comprising of non-executive directors and at least one independent director, the company was in compliance of the composition, however, due to the appointment of one director as CEO on 13th June, 2018, the audit committee of the company has now two members and the Modaraba will comply the same subsequent to the year end.

Chairman

Director

Al-Hilal
Shariah Advisors

بِسْمِ اللَّهِ الرَّحْمَٰنِ الرَّحِيمِ

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

SHARIAH ADVISOR'S REPORT 2018

Alhamdulillah, We have conducted the Shariah audit and review of KASB Modaraba managed by (KASB Invest (Private) Limited), Modabara Management Company for the year ended June 30, 2018. In accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in our opinion;

I. The systems, procedures and policies adopted by the KASB Modabara during the period found in line with guidelines issued by SECP.
II. The agreement(s) entered into by the KASB Modaraba are approved by religious board of SECP and the financing agreements have been executed on these formats and it has been tried to meet all the related conditions.

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

I. KASB Modaraba has collected and credited to charity account Rs.816,320 during the period whereas it has already paid Rs.362,983 in lieu of charity during the period under review.

Observations:

II. The client base of Modaraba has decreased as compared to previous few years due to non-availability of funds.
III. The number of transactions have also decreased significantly.
IV. The Shariah Non-Compliant income earned from additional rentals and bounced cheques by Modaraba have been properly credited to the charity account, however, the same is not fully disbursed to the charitable organizations during the period. The management has assured to disburse the charity as soon as possible in the next fiscal year.

Recommendations:

I. The Modaraba should continue its policy of expanding Islamic financing and in this regard continue its focus on employees' training and development relating to Islamic financing products and services offered by Modaraba with specific focus on front staff.

Al-Hilal
Shariah Advisors

II. The Modaraba should focus more on further increasing its Asset base through direct financing to businesses and individuals through the use of approved Shariah compliant modes and efforts.

Conclusion:

Based on the extensive reviews and tests of sample cases for each class of transaction, related documentation, processes, profit distribution mechanism for the depositors and management's representation made in regard, in my opinion, the affairs, activities and transactions, performed by the Modaraba during the year comply with rules and principles of Islamic Shariah in light of guidelines and directives given by the Shariah Advisor and guidelines issued by office of the Registrar Modaraba, Security Exchange Commission of Pakistan (SECP).

And Allah Ta'ala knows Better and Perfect.

Mufti Irshad Ahmad Aijaz
Member Shariah Council

For Faraz Younus Bandukda, CFA
Chief Executive

RSM

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

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

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Independent Auditor's Review Report to the Members of KASB Modaraba

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of KASB Invest (Pvt.) Limited (the Management Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a part of our audit of the 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2018.

Further, we highlight below instances of non-compliance with the requirement(s) of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

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

RSM

S#	Paragraph reference	Description
I.	18 (a)	As per regulation # 6 of Listed Companies (Code of Corporate Governance) Regulations, 2017, number of independent directors is at least two or one third of total board member whichever is higher. However, at present the Modaraba has one independent Director and requirement of two independent directors will be complied by the Modaraba subsequent to the year end.
II.	18 (b)	As per regulation # 28(1)(a) of Listed Companies (Code of Corporate Governance) Regulations, 2017, the board shall establish an Audit committee of at least three members comprising of non-executive directors and at least one independent director, the company was in compliance of the composition, however, due to the appointment of one director as CEO on 13th June, 2018, the audit committee of the company has now two members and the Modaraba will comply the same subsequent to the year end.

-sd-

Chartered Accountants
Karachi.
Dated:

RSM

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

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

T: +92 (21) 35655975-6
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AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of **KASB Modaraba (The Modaraba)** as at June 30, 2018 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;

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

RSM

(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 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;

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, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan ,and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2018 and of the loss, other 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 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

-sd-

Chartered Accountants
Karachi.
Dated:

Engagement Partner: Adnan Zaman

KASB MODARABA
BALANCE SHEET
AS AT 30 JUNE 2018

	Note	2018	2017
		----------(Rupees)----------	
ASSETS			
Current assets			
Cash and bank balances	7	30,947,769	22,604,098
Short term modaraba finance	8	112,000	50,959,603
Short term musharaka finance	9	11,300,000	12,900,000
Current portion of long term murabaha finance - gross	10	96,922,724	136,607,391
Current portion of long term diminishing musharaka finance	11	62,954,705	108,016,846
Receivable against sale of agricultural produce	12	7,651,449	18,200,140
Ijarah rentals receivable	13	137,159	562,271
Other assets	14	-	36,173,465
Advances, prepayments and other receivables	15	20,632,336	55,228,925
Property acquired in satisfaction of financing facility	16	47,082,936	47,082,936
		277,741,078	488,335,675
Non-current assets			
Long-term murabaha finance - gross	10	28,657,452	13,438,136
Long-term diminishing musharaka finance	11	32,229,254	45,192,049
Long term advances	17	624,816	-
Long-term deposits		685,300	685,300
Ijarah assets	18	20,265,346	32,493,132
Fixed assets	19	15,395,147	16,751,759
Capital work-in-progress	20	-	2,811,090
		97,857,315	111,371,466
TOTAL ASSETS		375,598,393	599,707,141
LIABILITIES			
Current liabilities			
Current portion of redeemable capital	21	37,085,000	73,105,000
Current portion of long-term finance	22	25,133,451	25,133,451
Current portion of long term security deposits	23	630,675	9,712,299
Current portion of long term deferred murabaha income	10.1	337,397	2,025,184
Creditors, accrued and other liabilities	24	13,094,289	25,554,967
Unclaimed profit distribution		2,834,156	2,105,731
		79,114,968	137,636,632
Non-current liabilities			
Long term portion of redeemable capital	21	-	27,100,000
Long-term finance	22	12,566,726	37,700,178
Long term security deposits	23	5,459,899	560,675
Long-term deferred murabaha income	10.1	-	499,930
Deferred liabilities - staff gratuity	25	3,509,176	4,753,720
		21,535,801	70,614,503
TOTAL LIABILITIES		100,650,769	208,251,135
NET ASSETS		274,947,624	391,456,006
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital			
Authorised			
50,000,000 (June 30, 2016: 50,000,000) certificates of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	26	480,664,800	480,664,800
Discount on issuance of certificates		(98,960,400)	(98,960,400)
Statutory reserve		83,505,138	83,505,138
Accumulated loss		(190,261,914)	(73,753,533)
CONTINGENCIES AND COMMITMENTS	27.	-	-
		274,947,624	391,456,006

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive | Director | Director | Chief Financial Officer

KASB MODARABA
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		----------(Rupees)----------	
Income from:			
- diminishing musharaka finance		18,893,263	41,759,676
- murabaha finance		10,905,942	22,774,728
- Ijarah finance	28	16,211,303	20,565,598
- sukuk bonds		-	27,084
		46,010,508	85,127,086
Financial charges	29	(10,010,421)	(21,394,144)
Direct Cost:			
- Musharaka , Diminishing Musharaka, Murabaha Finance		(198,065)	(4,007,480)
- Modaraba finance		(173,593)	-
- Depreciation on assets under ijarah arrangements	18.1	(15,359,721)	(19,719,145)
		(25,741,800)	(45,120,769)
		20,268,708	40,006,317
Other income	30	12,107,715	15,890,244
Reversal of provison against doubtful receivable		-	9,000,000
Reversal of provion against worker's welfare fund	33	-	813,550
Provision/Suspension against potential losses -Modaraba-Murabaha & Others		(84,733,726)	(3,799,928)
Provision for doubtful receivable against sale of agriculture produce		(10,548,691)	
Administrative and operating expenses	31	(51,302,896)	(56,722,937)
		(114,208,890)	5,187,246
Modaraba management fee	32	-	(457,026)
Services sales tax		-	(68,554)
Provision for Sind Workers' Welfare Fund	33	-	(91,405)
(Loss) / profit before taxation		(114,208,890)	4,570,261
Taxation	34	-	-
Net (loss) / profit for the year		(114,208,890)	4,570,261
(Loss) / earnings per certificate - basic and diluted	35	(2.38)	0.10

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive | Director | Director | Chief Financial Officer

KASB MODARABA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
		----------(Rupees)----------	
Net (loss) / profit for the year		**(114,208,890)**	4,570,261
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain on defined benefit plans	25.6	**1,065,162**	1,697,923
Total comprehensive (loss) / income for the year		**(113,143,728)**	**6,268,184**

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive	Director	Director	Chief Financial Officer

KASB MODARABA
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	----------Rupees----------	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(114,208,890)	4,570,261
Adjustments for non-cash charges and other items:		
Gain on disposal of Ijarah assets	(110,842)	(62,317)
Gain on disposal of own ssets	(116,479)	-
Depreciation	18,523,983	22,959,416
Amortisation	277,500	300,625
Provision/Suspension against potential losses -Modaraba-Murabaha & Others	84,733,726	
Provision for doubtful receivable against sale of agriculture produce	10,548,691	
Reversal of provision for Workers' Welfare Fund	-	(813,550)
Provision for Sind Workers' Welfare Fund	-	91,405
Provision for gratuity	2,300,073	2,013,639
	1,947,762	29,059,479
Decrease) / (increase) in assets		
Modaraba finance	12,353,677	2,786,984
Musharaka finance	1,600,000	1,200,000
Murabaha finance	(16,332,956)	117,320,620
Diminishing musharaka finance	58,024,936	162,873,817
Receivable against sale of agricultural produce	-	-
Net investment in finance lease	-	28,756
Ijarah rentals receivable	425,112	3,261,933
Advances, prepayments and other receivables	28,579,560	7,167,538
Other assets	36,173,465	(36,173,465)
Long-term deposits	-	375,000
	120,823,794	258,841,183
Decrease in liabilities		
Security deposits	(4,182,400)	(1,639,475)
Deferred murabaha income	(2,187,717)	(8,840,315)
Creditors, accrued and other liabilities	(12,460,678)	(29,195,889)
	(18,830,795)	(39,675,679)
Profit distribution paid	(2,636,229)	(4,683,489)
Staff gratuity paid	(2,479,455)	(1,129,630)
	(5,115,684)	(5,813,119)
Net cash generated from operating activities	98,825,076	242,411,864
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(585,107)	(4,404,992)
Sales proceeds from disposal of fixed assets	1,378,250	-
Purchase of ijarah assets	(9,900,000)	(2,267,500)
Sales proceeds from disposal of Ijarah assets	6,878,903	2,882,480
Capital work in progress	-	(2,811,090)
Net cash generated used in investing activities	(2,227,954)	(6,601,102)
CASH FLOW FROM FINANCING ACTIVITIES		
Term Financing received	-	74,641,243
Term Financing repaid	(25,133,452)	(11,807,614)
Certificate of musharaka - Repaid	(63,120,000)	(324,745,000)
Net cash used in financing activities	(88,253,452)	(261,911,371)
Net increase / (decrease) in cash and cash equivalents	8,343,671	(26,100,609)
Cash and cash equivalents at the beginning of the year	22,604,098	48,704,707
Cash and cash equivalents at the end of the year	30,947,769	22,604,098

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive | Director | Director | Chief Financial Officer

KASB MODARABA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Certificate capital	Discount on Issuance of certificates	Statutory reserve*	Accumulated loss	Total
	----------(Rupees)----------				
Balance as at 30 June 2016	480,664,800	(98,960,400)	82,591,086	(75,262,346)	389,033,140
Net (loss) / profit for the year	-	-	-	4,570,261	4,570,261
Other comprehensive income	-	-	-	1,697,923	1,697,923
Profit distribution for the year ended June 30, 2016 @Rs. 0.08 per certificate	-	-	-	(3,845,318)	(3,845,318)
Transfer to statutory reserve at 20%	-	-	914,052	(914,052)	-
Balance as at 30 June 2017	480,664,800	(98,960,400)	83,505,138	(73,753,532)	391,456,006
Net loss for the year	-	-	-	(114,208,890)	(114,208,890)
Other comprehensive income	-	-	-	1,065,162	1,065,162
Profit distribution for the year ended June 30, 2017 @Re. 0.08 per certificate	-	-	-	(3,364,654)	(3,364,654)
Transfer to statutory reserve at 20%	-	-	-	-	-
Balance as at 30 June 2018	480,664,800	(98,960,400)	83,505,138	(190,261,914)	274,947,624

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

During the current year, the Modaraba has transferred an amount of Rs. 442,624/- (2017: Rs.534.107/-) to Statutory Reserve which represent 20% of the profit after tax.

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive | Director | Director | Chief Financial Officer

KASB MODARABA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

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

1.1 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND

All significant transactions and events that have affected the Company's statement of financial position and performance during the year have been adequately disclosed in the notes to these financial statements. For a detailed discussion about these significant transactions and events please refer to the Directors' report.

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 (IFRSs) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Islamic Financial Accounting Standards (IFASs), Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba, and directives issued by SECP differ with the requirements of IFRS, the requirements of the Islamic Financial Accounting Standards (IFASs), Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Prudential Regulations for Modaraba, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP shall prevail.

3. BASIS OF MEASUREMENT

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

4.1 Cash and cash equivalents

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

4.2 Financial assets

4.2.1 Classification

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

At fair value through profit or loss

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

Loans and receivables

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

Held to maturity

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

Available-for-sale financial assets

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

4.2.2 Initial recognition and measurement

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

4.2.3 Subsequent measurement

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

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

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

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

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

'Loans and receivables' and 'held to maturity'

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

4.2.4 Regular way contracts

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

4.2.5 Impairment

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

i) Financial assets carried at amortised cost

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

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

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

4.2.6 Derecognition

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

4.3 Net Investment in Finance lease

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

4.4 Receivable from terminated / matured contracts

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

4.5 Inventories held-for-sale

Inventories held-for-sale are valued principally at the lower of cost determined on the weighted average basis and net realizable value. Cost comprises invoice value and other cost incurred in bringing the inventories to their present location and condition.

Net realizable value comprises of the estimated selling price in the ordinary course of business less costs which are necessarily incurred in order to make the sale.

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 Modaraba. 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 Modaraba becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

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

4.9 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 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to the relevant category of fixed assets / ijarah assets as and when the assets are available for intended use.

4.9.3 Ijarah assets

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

4.9.4 Gain or loss on disposal

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

4.9.5 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.

4.9.6 **Intangible assets**

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Modaraba and the cost of item can be measured reliably. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 19.3 to these financial statements after taking into account residual value, if any. The residual values, useful lives and amortisation method are reviewed and adjusted, as appropriate, at each balance sheet date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

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

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

4.10 **Loans, advances and other receivables**

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

4.11 **Earnings per certificate**

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

4.12 **Taxation**

Current

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

Deferred

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

4.13 **Creditors, accrued and other liabilities**

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

4.14 **Provisions**

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

4.15 **Staff retirement benefits**

Unfunded gratuity scheme

The Modaraba operates an unfunded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. Annual provision is made on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit or loss in subsequent periods.

4.16 **Revenue recognition**

4.16.1 **Finance Lease**

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

4.16.2 **Ijarah**

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

4.16.3 **Musharaka Finance**

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

4.16.4 **Murabaha Finance**

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

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4.16.5 Modaraba Finance

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

4.16.6 Diminishing Musharaka

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

4.16.7 Non-performing financing arrangements

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

4.16.8 Dividend Income

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

4.17 Proposed profit distribution to modaraba certificate holders

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

i) Classification and valuation of investments (notes 4.2)
ii) Provision for non-performing finance lease (notes 4.3)
iii) Provision for non-performing finance arrangements (notes 4.5)
iv) Determining the residual values and useful lives of fixed assets (notes 4.8, 18 and 19)
v) Accounting for staff retirement benefits (notes 4.14 and 21)

6. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING

Accounting standards and interpretations not yet effective

The following standards and amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. The applicable changes may have impact on the Company's annual financial statements. The management is in the process of determining the impact of such changes.

IFRS 2 – Share Based Payments - Classification and Measurement of Share- based Payments Transactions (Amendments)

IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.

IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures.

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.

IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.

Accounting standards and interpretations:		Effective date (Annual period beginning on or after)
IFRS 2	Share-based Payments - Amendments to clarify the classification and measurement of share-based payment transactions	01-Jan-18
IFRS 9	Financial Instruments - Amendments for incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition	01-Jan-18
IFRS 15	Revenue from Contracts with Customers (Superseded IAS 11), To recognize revenue for the transfer of promised goods or services to the customer under the contract	01-Jan-18
IFRS 16	Leases (Superseding IAS 17), To report all lease assets and lease liabilities on the balance sheet, initially measured at the present value of future lease payments as it eliminated classification of leases as Operating or Finance Leases for lessee	01-Jan-19

Standards issued by IASB but not yet notified by SECP

IFRS 9	Financial Instruments: Classification and Measurement	01-Jan-18
IFRS 15	Revenue from Contracts with Customers	01-Jan-18

The effects IFRS - 15 Revenue from Contract with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have significant effect on the Modaraba's future financial statements.

The management anticipates that the adoption of the above standards and amendments in future periods will no material impact on the Modaraba's financial statements.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 'First Time Adoption of International Financial Reporting Standards'
- IFRS 14 'Regulatory Deferral Accounts'
- IFRS 17 'Insurance Contracts'

New disclosure requirement due to adoption of Companies Act, 2017

Due to adoption of the Companies Act, 2017 certain new and enhanced disclosures have become applicable, which are in addition to those required by the International Accounting Standards. The relevant notes have been updated accordingly.

7. CASH AND BANK BALANCES

	Note	2018	2017
		----------(Rupees)----------	
Cash at bank in :			
- current accounts		4,751,980	4,235,654
- saving accounts	7.1	25,957,487	18,181,250
		30,709,467	22,416,904
Cash in hand		90,106	97,498
Stamp papers		148,196	89,696
		30,947,769	22,604,098

7.1 The expected profit rates on these accounts range between 2018: 4.00% and 6.10% (2017: 4.0% and 6.10%).

8. MODARABA FINANCE

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.

	2018	2017
	----------(Rupees)----------	
Modaraba Finance	39,622,056	51,975,733
Less: provision for non-performing Modaraba arrangements	(39,510,056)	(1,016,130)
	112,000	50,959,603

9. MUSHARAKA FINANCE

Murabaha finance - considered good	9.1	11,300,000	12,900,000
- considered doubtful		15,602,297	15,602,297
		26,902,297	28,502,297
Less: provision for non-performing musharaka arrangement		(15,602,297)	(15,602,297)
		11,300,000	12,900,000

9.1 This represents receivable from a client under settlement agreement dated December 24, 2016. The exposure is secured against mortgage of property and personal guarantees.

10. MURABAHA FINANCE

Murabaha finance - considered good	125,580,176	150,045,527
- considered doubtful	85,126,172	44,327,865
	210,706,348	194,373,392
Less: provision for non-performing murabaha arrangements	(85,126,172)	(44,327,865)
	125,580,176	150,045,527
Murabaha finance - due after one year	(28,657,452)	(13,438,136)
Current portion of murabaha finance	96,922,724	136,607,391

10.1 DEFERRED MURABAHA INCOME

Deferred murabaha income	337,397	2,525,114
Deferred murabaha income - due after one year	-	(499,930)
Current portion of deferred murabaha income	337,397	2,025,184

10.2 The profit rates on these murabaha arrangements range between 2018: **0.37% and 20.00%** (2017: 0.37% to 20.00%).

11. DIMINISHING MUSHARKA FINANCE

Diminishing musharaka finance - gross	106,611,635	173,551,526
Unearned Income	(11,427,676)	(20,342,631)
	95,183,959	153,208,895
Diminishing musharaka due after one year	(32,229,254)	(45,192,049)
Current portion of diminishing musharaka	62,954,705	108,016,846

11.1 The profit rates on these diminishing musharaka arrangements range between **9.51% and 21.00% in 2018** (2017: 9.51% and 21.00%). All diminishing musharaka arrangements are secured against hypothecation of assets, personal guarantees and promissory notes.

12. Receivable against sale of agriculture produce

During financial year 2016 KASB Modaraba (KASBM) & First Prudential Modaraba (FPrM) entered into a joint project for crushing of banola seed and sale of oil cake (Khal) in the market. M/s Pakistan Phutti International Limited was engaged as seller & service provider responsible for sale of agriculture produce.Subsequently, natural cyclical shortage in productivity of cotton crop affected the availability of the banola seed and therefore the project was prudently discontinued by the management to safeguard the interest of the Modaraba. As per settlement agreement dated April 27, 2016, advance for purchase of banola seed was converted into ijarah finance (secured) leaving a balance of Rs. 18.20 million receivable against sale of agirculture produce. Receivable amount is secured against Registered Mortgage on Property of service provider.After continuous default of payment the management of Modaraba has field recovery suits in the Banking Courts which is pending adjudication. The management and the legal counsel are optimistic on favourable outcome of the case.The details of receivables are as under:

Description	KASBM	FPRM	Total
Initial Investment	51,000,000	81,000,000	132,000,000
Add: Gain on sale of Agriculture Produce	1,060,000	1,590,000	2,650,000
Less: Receipt against sale of Agriculture Produce	(14,353,590)	(14,473,432)	(28,827,022)
Less: converted to Ijarah Financing	(19,311,320)	(40,000,000)	(59,311,320)
Less Consultancy Charges	(194,950)	(305,050)	(500,000)
	18,200,140	27,811,518	46,011,658
Provision for doubtful receivable against sale of agriculture produce	(10,548,691)	(16,119,387)	(26,668,078)
	7,651,449	11,692,131	19,343,580

	2018	2017
	----------(Rupees)----------	

13. IJARAH RENTALS RECEIVABLE

Considered good	137,159	562,271
Considered doubtful	23,890,164	23,960,664
	24,027,323	24,522,935
Less: Provdion for doubtful receivables	(23,890,164)	(23,960,664)
	137,159	562,271

14. OTHER ASSETS

Opening carrying amount of inventories under morabaha arrangement	36,173,465	-
Addition	-	36,173,465
Disposal	(10,375,158)	-
Residual amount transferred to respective murabaha finance	(25,798,307)	-
	-	36,173,465

15. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to employees & executives			
-Executives - unsecured	15.1	399,670	927,785
-Employees - unsecured	15.1	509,023	1,265,750
Advances to suppliers		491,680	22,570,769
Prepayments		6,166,095	7,793,178
Short term security deposits		380,000	630,000
Accrued profit	15.2	8,832,263	10,231,685
Advance tax		1,664,842	1,874,223
Others		2,188,763	9,935,539
		20,632,337	55,228,929

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

	Note	2018	2017
		----------(Rupees)----------	
15.2 ACCRUED PROFIT			
Accrued profit on bank deposits		332,407	195,508
Accrued profit on musharaka arrangements		-	712,678
Accrued profit on murabaha arrangements		8,499,856	9,164,505
Accrued income on takaful		-	158,994
		8,832,263	10,231,685

16. PROPERTY ACQUIRED IN SATISFACTION OF FINANCING FACILITY

This represents real state property at SITE Karachi acquired by the Modaraba in satisfaction of murabaha finance facility. The assessed market value of the said property is Rs. 61.70 million. As per settlement agreement, the borrower has an option to buy back the property within 3 years period.

17 LONG TERM ADVANCES

Unsecured and interest free			
to executive - considered good		399,670	-
to employees - considered good		1,133,839	-
		1,533,509	-
Due within one year shown under current assets	15.1	(908,693)	-
		624,816	-

18. IJARAH ASSETS

Equipment		-	2,484
Plant and machinery		11,856,175	27,948,277
Motor vehicles		8,409,171	4,542,371
	18.1	20,265,346	32,493,132

18.1 The following is a statement of ijarah assets:

	2018							
	Cost			Accumulated Depreciation			Book value	
	As at 01 July 2018	Additions/ Deletions	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 30 June 2018	Rate of depreciation %
	----------(Rupees)----------							
Equipment	107,600	- (50,000)	57,600	105,116	2,484 (50,000)	57,600	-	20 - 66
Plant and machinery	58,791,219	- (25,000,000)	33,791,219	30,842,942	11,092,102 (20,000,000)	21,935,044	11,856,175	14 - 33
Motor vehicles	11,096,000	9,900,000 (8,543,500)	12,452,500	6,553,633	4,265,135 (6,775,439)	4,043,329	8,409,171	20 - 50
	69,994,819	9,900,000 (33,593,500)	46,301,319	37,501,691	15,359,721 (26,825,439)	26,035,973 -	20,265,346	

	2017							
	Cost			Accumulated Depreciation			Book value	
	As at 01 July 2016	Additions/ Deletions	As at 30 June 2017	As at 01 July 2016	Charge for the year	As at 30 June 2017	As at 30 June 2017	Rate of depreciation %
	----------(Rupees)----------							
Equipment	403,600	- (296,000)	107,600	360,682	35,271 (290,837)	105,116	2,484	20 - 66
Plant and machinery	58,791,219	- -	58,791,219	16,992,132	13,850,810 -	30,842,942	27,948,277	14 - 33
Motor vehicles	30,101,186	2,267,500 (21,272,686)	11,096,000	19,178,251 -	5,833,064 (18,457,686)	6,553,629	4,542,371	20 - 50
	89,296,005	2,267,500 (21,568,686)	69,994,819	36,531,065	19,719,145 (18,748,523)	37,501,687	32,493,132	

18.2 **Disposal of Ijarah Assets**

The following assets were disposed off during the year.

	Cost	Accumulated depreciation	Net Book Value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	----------(Rupees)----------						
Equipments	50,000	50,000	-	-	-	As per Modarba's policy	Mirza Adeel Baig
Plant & Machinery	25,000,000	20,000,000	5,000,000	5,000,000	-	--------do--------	Multimat International
Vehicles	168,000	120,400	47,600	47,600	-	--------do--------	Shah Raza Khan
Vehicles	43,500	40,497	3,003	3,003	-	--------do--------	Mirza Adeel Baig
Vehicles	575,000	368,535	206,465	207,162	697	--------do--------	Imran Brohi
Vehicles	2,102,500	1,354,938	747,562	854,328	106,766	--------do--------	Quality Aviation
Vehicles	2,377,500	2,139,750	237,750	237,750	-	--------do--------	Quality Aviation
Vehicles	1,468,000	1,247,800	220,200	220,200	-	--------do--------	Quality Aviation
Vehicles	1,683,000	1,429,050	253,950	253,950	-	--------do--------	Quality Aviation
Vehicles	126,000	74,469	51,531	54,910	3,379	--------do--------	Syed Najam Abbas
	33,593,500	**26,825,439**	**6,768,061**	**6,878,903**	**110,842**		

	Note	2018	2017
		(Rupees)	
19. FIXED ASSETS - OWNED			
Tangible assets	19.1	15,048,510	16,127,621
Intangible assets	19.3	346,637	624,138
		15,395,147	16,751,759

19.1 . Tangible Assets

	2018							
	Cost			Accumulated Depreciation			Book value	
	As at 01 July 2017	Additions/ (Deletions)	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 30 June 2018	Rate of depreciation %
	(Rupees)							
Owned								
Furniture and fixtures	12,601,972	2,920,160	15,438,438	5,711,978	1,294,983	7,006,961	8,431,477	10
Office equipment	551,202	(83,694) -	551,202	281,184	(70,154) 60,033	341,217	209,985	20
Electrical equipment	5,862,606	131,937	5,938,878	3,021,114	719,555	3,704,413	2,234,465	20
Plant & Machinery	3,227,600	(55,665) -	3,227,600	145,191	(36,256) 290,483	435,674	2,791,926	20
Motor vehicles	4,317,630	-	1,984,180	1,952,726	477,618	1,325,715	658,465	20
Computers and accessories	3,334,297	(2,333,450) 344,100	3,678,397	2,655,493	(1,104,629) 300,712	2,956,205	722,192	30
	29,895,307	3,396,197	30,818,695	13,767,686	3,143,384	15,770,185	15,048,510	
		(2,472,809)			(1,211,039)			

	2017							
	Cost			Accumulated Depreciation			Book value	
	As at 01 July 2016	Additions/ Deletions	As at 30 June 2017	As at 01 July 2016	Charge for the year	As at 30 June 2017	As at 30 June 2017	Rate of depreciation %
	(Rupees)							
Owned								
Furniture and fixtures	12,601,972	-	12,601,972	4,521,513	1,190,465	5,711,978	6,889,994	10
Office equipment	551,202	-	551,202	,235,725	45,459	281,184	270,018	20
Electrical equipment	4,685,214	1,177,392	5,862,606	2,317,484	703,630	3,021,114	2,841,492	20
Plant & Machinery	-	- 3,227,600	3,227,600		- 145,191	145,191	3,082,409	20
Motor vehicles	4,317,630	-	4,317,630	1,188,086	764,640	1,952,726	2,364,904	20
Computers and accessories	3,334,297	-	3,334,297	2,264,607	390,886	2,655,493	678,804	30
	25,490,315	4,404,992	29,895,307	10,527,415	3,240,271	13,767,686	16,127,621	
		-			-			

19.2 Disposal of own Assets

The following assets were disposed off during the year.

	Cost	Accumulated depreciation	Net Book Value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	(Rupees)						
Equipments	55,665	36,256	19,409	26,000	6,591	Negociation	AZAM TRADERS
Furniture & Fixture	34,500	28,901	5,599	37,000	31,401	Negociation	HAIDER FURNITURE
Motor Vehicle	2,288,450	1,064,129	1,224,321	1,300,000	75,679	Negociation	MR. FIDA RAHIM
Motor Cycle	22,500	20,250	2,250	2,250	-	Negociation	ABDUL REHMAN KHAN
Motor Cycle	22,500	20,250	2,250	3,000	750	Negociation	MUHAMMAD MUKHTAR
Vehicles	49,194	41,252	7,942	10,000	2,058	Negociation	MUHAMMAD IFTIKHAR BAIG
	2,472,809	1,211,038	1,261,771	1,378,250	116,479		

19.3 Intangible assets

	2018							
	Cost			Accumulated Amortization			Book value	
	As at 01 July 2017	Additions/ Deletions	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 30 June 2018	Rate of amortization %
	(Rupees)							
Computer software	2,795,000	-	2,795,000	2,170,862	277,500	2,448,363	346,637	30 - 33

	2017							
	Cost			Accumulated Amortization			Book value	
	As at 01 July 2016	Additions/ Deletions	As at 30 June 2017	As at 01 July 2016	Charge for the year	As at 30 June 2017	As at 30 June 2017	Rate of amortization %
	(Rupees)							
Computer software	2,795,000	-	2,795,000	1,870,237	300,625	2,170,862	624,138	30 - 33

	Note	2018	2017
		----------(Rupees)----------	

20. Capital work-in-progress

Assets under installation		-	2,811,090

20.1 This represents advance for office renovation capitalized during the year.

21. REDEEMABLE CAPITAL- PARTICIPATORY AND UNSECURED

Certificates of Musharaka	21.1	37,085,000	100,205,000
Less: Long Term portion of redeemable capital		-	(27,100,000)
		37,085,000	73,105,000

21.1 The estimated share of profit payable on Certificate of Musharaka ranges between 6.00% and 8.50% in 2018 (2017: 6.00% and 8.5%) per annum.

22. LONG TERM BORROWING

Due within one year	22.1	25,133,451	25,133,451
Due after one year		12,566,726	37,700,178
		37,700,177	62,833,629

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

23. SECURITY DEPOSITS

Ijarah deposits	6,090,574	10,272,974
Less: adjustable after one year	(5,459,899)	(560,675)
Current portion of security deposits	630,675	9,712,299

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

24. CREDITORS, ACCRUED AND OTHER LIABILITIES

Management fee payable	-	1,092,797
Sundry creditors	2,673,394	7,098,242
Accrued expenses	1,929,886	1,218,958
Accrued financial charges	4,037,565	7,168,154
Charity payable	1,046,617	530,138
Insurance premium received in advance	220,219	5,057,626
Advance rentals	5,931	1,404,939
Other liabilities	3,180,678	1,984,113
	13,094,289	25,554,967

25 STAFF RETIREMENT BENEFIT SCHEME

25.1 Staff Gratuity Scheme

As disclosed in note 4.15, the Modaraba operates an unapproved, unfunded gratuity scheme for its permanent employees. The latest actuarial valuation was carried out by actuaries as at 30 June 2018, using the Projected Unit Credit Method. The benefits under the gratuity scheme are payable on cessation of service as under:

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

ASM

25.2 Principal actuarial assumptions used:

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

25.3 Significant Actuarial Assumptions	2018	2017
Financial Assumptions		
- Valuation discount rate	9.00%	7.75%
- Expected rate of increase in salaries	3.48%	9.75%
Demographic Assumptions		
Mortality rates (for death in service)	SLIC(2001-05)	SLIC(2001-05)
Rates of employee turnover	High	High

	2018	2017
	(Rupees)	
25.4 Statement of Financial Position		
Present value of defined benefit obligation	3,509,176	4,753,720
25.5 Movement in the defined benefit liability		
Balance accrued as at the beginning of the year	4,753,720	5,567,634
Periodic benefit cost for the year ended	2,300,073	2,013,639
Benefits paid during the year	(2,479,455)	(1,129,630)
Amount of remeasurements gain recognised in Other Comprehensive Income during the year	(1,065,162)	(1,697,923)
Balance accrued as at the end of the year	3,509,176	4,753,720
25.6 Defined Benefit Cost for the Year		
Cost recognised in Profit and Loss Account for the year		
Current service cost	1,996,255	1,680,945
Interest Cost on defined benefit obligation	303,818	332,693
	2,300,073	2,013,638
Re-measurements recognised in Other Comprehensive Income during the year		
Actuarial (gain)/loss on obligation	(1,065,162)	(1,697,923)
Total defined benefit cost recognised in Profit & Loss Account and Other Comprehensive Income	1,234,911	315,715
25.7 Remeasurements recognised in Other Comprehensive (Income) / expense during the year		
Actuarial gain on obligation		
Gain due to change in financial assumptions	219,551	-
Gain due to change in experience adjustments	845,611	(1,697,923)
Total actuarial gain on obligation	1,065,162	(1,697,923)

	2018	2017
	----------(Rupees)----------	
25.8 Maturity profile of the defined benefit obligation		
Distribution of timing of benefit payments	811,150	807,124
within the next 12 months (next annual reporting period)	1,336,615	1,579,079
between 2 and 5 years.	1,907,279	1,919,810
between 5 and10 years	3,415,530	5,047,565
Beyond 10 years	7,470,574	9,353,578
25.9 Sensitivity Analysis on significant actuarial assumptions: Actuarial Liability		
Discount Rate +1%	3,313,027	4,442,378
Discount Rate -1%	3,731,889	5,106,109
Long Term Salary Increases +1%	3,744,518	5,117,085
Long Term Salary Increases -1%	3,297,934	4,426,826
Withdrawals Rates +10%	3,508,519	4,753,720
Withdrawals Rates -10%	3,509,837	4,753,720
1 Year Mortality age set back	3,494,847	4,753,720
1 Year Mortality age set forward	3,524,956	4,753,720
	28,125,527	38,107,278

25.10 Based on actuarial advice, the Modaraba estimates a gratuity expense of Rs. 2,300,073/- during the year ending 30 June

26. Authorised certificate capital

2018	2017		2018	2017
Number of certificates			----------(Rupees)----------	
50,000,000	50,000,000	Modaraba Certificates of Rs. 10/- each	500,000,000	500,000,000
Issued, subscribed and paid-up capital				
24,958,400	24,958,400	Modaraba Certificates of Rs. 10/- each fully paid in cash	249,584,000	249,584,000
3,316,000	3,316,000	Modaraba Certificates of Rs. 10/- each issued as fully paid bonus certificates	33,160,000	33,160,000
19,792,080	19,792,080	Modaraba Certificates of Rs. 10/- each issued at 50% discount as right certificates	197,920,800	197,920,800
48,066,480	48,066,480		480,664,800	480,664,800

26.1 As at 30 June 2018, the Management Company held 23,930,973 (2017: 23,930,973) certificates .

27. CONTINGENCIES AND COMMITMENTS

27.1 There were no contingencies and commitments as at 30 June 2018.

28. INCOME FROM IJARAH FINANCE

Ijarah Rentals		
Plant and machinery	12,857,424	28,891,297
Motor vehicle	3,243,037	6,683,420
Other	-	52,036
Gain on disposal of ijarah assets	110,842	62,317
	16,211,303	35,689,070
Less: Suspended income	-	15,123,472
	16,211,303	20,565,598

29. FINANCIAL CHARGES

Profit on Certificates of Musharaka	4,775,637	18,013,939
Bank charges	27,941	106,405
Profit on Term Finance Facility	5,206,843	3,273,799
	10,010,421	21,394,144

30. OTHER INCOME

Documentation income	168,915	36,957
Insurance income	4,445,152	333,594
Bank deposits	1,251,851	2,218,644
Rental income on property acquired in satisfaction of financing facility	1,883,318	3,766,636
Others	4,358,479	9,534,413
	12,107,715	15,890,244

	Note	2018	2017
		----------(Rupees)----------	
31. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and benefits	31.1	24,310,260	32,449,124
Utilities		2,043,008	2,354,940
Insurance		3,514,823	3,269,880
Vehicle running and maintenance		-	95,270
Postage		27,122	344,273
Repairs and maintenance		657,116	553,648
Entertainment		431,786	678,964
Printing and stationery		270,644	710,121
Travelling and conveyance		479,380	466,485
Fee and subscriptions		1,449,498	1,451,355
Auditors' remuneration	31.2	534,000	534,000
Legal and professional charges		5,036,066	3,127,019
Depreciation	19.1	3,143,384	3,240,271
Amortization	19.1	277,500	300,625
Advertisements		109,616	87,330
Rent, rate and taxes		6,730,660	4,693,311
Generator expenses		84,314	69,885
Newspapers and periodicals		224,303	158,313
CIB charges		-	84,614
Verysis charges		6,000	6,000
Security services		1,438,511	1,499,117
Training and seminar		34,000	24,500
Others		500,905	523,892
		51,302,896	56,722,937

31.1 REMUNERATION TO OFFICERS AND OTHER EMPLOYEES

	2018		2017	
	Officers	Other Employees	Officers	Other Employees
	---------- (Rupees) ----------		---------- (Rupees) ----------	
Managerial remuneration	5,738,495	9,495,799	13,472,190	5,804,953
Medical allowance	497,775	743,101	1,347,221	580,493
House rent allowance	1,493,320	2,229,343	4,041,659	1,741,491
Utility allowance	497,775	743,152	1,347,225	580,522
Employee benefits	1,548,000	861,990	2,702,000	532,370
EOBI contribution	26,260	185,250	91,000	208,000
Bonus	30,000	220,000	-	-
	9,831,625	14,478,635	23,001,295	9,447,829
Number of persons	3	22	18	36

31.1.1 The total number of employees as at June 30 2018 are 25. (2017: 54) and the average number of employees during the year equates to 30 (2017: 41).

	2018	2017
	----------(Rupees)----------	
31.2 Auditors' Remuneration		
Annual audit fee	325,000	325,000
Review of interim financial statements	95,000	95,000
Out of pocket expenses	114,000	114,000
	534,000	534,000

32. MODARABA MANAGEMENT COMPANY FEE

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

33. REVERSAL OF PROVISION FOR WORKERS' WELFARE FUND

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

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

34. TAXATION

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

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

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

	2018	2017
(Loss) / Profit for the year (Rupees)	(114,208,890)	4,570,261
Weighted average number of certificates (Number)	48,066,480	48,066,480
(loss) / Earnings per certificate -basic and diluted	(2.38)	0.10

36. FINANCIAL INSTRUMENTS BY CATEGORY

	2018	2017
	----------(Rupees)----------	
Financial assets as per balance sheet		
Loans and receivables		
Cash and bank balances	30,947,769	22,604,098
Murabaha finance	125,580,176	150,045,527
Modaraba finance	112,000	50,959,603
Musharaka finance	11,300,000	12,900,000
Diminishing musharaka finance	95,183,959	153,208,895
Receivable against sale of agricultural produce	7,651,449	18,200,140
Ijarah rental receivable	137,159	562,271
Advances and other receivables	13,974,561	43,123,021
Accrued profit	8,832,263	10,231,685
Long-term deposits	685,300	685,300
	294,404,636	462,520,540
Financial liabilities as per balance sheet		
Amortized Cost		
Redeemable capital	37,085,000	100,205,000
Finance facility	37,700,177	62,833,629
Security deposits	6,090,574	10,272,974
Creditors, accrued and other liabilities	13,094,289	25,554,967
Unclaimed profit distribution	2,834,156	2,105,731
Deferred liabilities - staff gratuity	3,509,176	4,753,720
	100,313,372	205,726,021

37. FINANCIAL RISK MANAGEMENT

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

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

37.1 Market risk

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

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

37.1.1 Currency risk

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

37.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market profit rates. The Modaraba has adopted appropriate policies to minimise its exposure to this risk.

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

	2018						
	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
			(Rupees)				
Assets							
Cash and bank balances	4.00% - 6.10%	30,947,769	25,957,487	-	-	-	4,990,282
Murabaha finance	0.37%-20%	125,580,176	108,163,625	1,129,529	5,097,674	6,656,147	4,533,201
Modaraba Finance	-	112,000	-	-	-	-	112,000
Musharaka finance	-	11,300,000	-	-	-	-	11,300,000
Diminishing musharaka finance	9.51%-21%	95,183,959	12,610,467	10,477,197	33,518,479	32,184,941	6,392,875
Receivable against sale of agricultural produce	-	7,651,449					7,651,449
Ijarah rentals receivable	-	137,159	-	-	-	-	137,159
Advances, prepayments and other receivables	-	14,199,158	-	-	-	-	14,199,158
Accrued profit	-	8,832,263	-	-	-	-	8,832,263
Long-term Deposit	-	685,300	-	-	-	-	685,300
Total		294,629,233	146,731,579	11,606,726	38,616,153	38,841,088	58,833,687
Liabilities							
Certificate of musharaka	6.00% - 8.50%	37,085,000	24,935,000	2,900,000	9,250,000	-	-
Security deposits	-	6,090,574	-	-	-	-	6,090,574
Creditors, accrued and other liabilities	-	13,094,289	-	-	-	-	13,094,289
Long term finance		37,700,177	2,094,454	4,188,909	18,850,089	12,566,726	-
Unclaimed profit distribution	-	2,834,156	-	-	-	-	2,834,156
Deferred Liabilities - staff gratuity	-	3,509,176	-	-	-	-	3,509,176
Total		100,313,372	27,029,454	7,088,909	28,100,089	12,566,726	25,528,195
Total yield / profit risk sensitivity gap			119,702,125	4,517,817	10,516,064	26,274,362	33,305,492
Cumulative yield / profit risk sensitivity gap			119,702,125	124,219,942	134,736,007	161,010,369	194,315,860

	2017						
	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
			(Rupees)				
Assets							
Cash and bank balances	4.00% - 6.40%	22,604,098	18,181,250	-	-	-	4,422,848
Murabaha finance	0.37%-20%	150,045,527	2,003,959	45,759,265	69,416,364	13,438,136	19,427,803
Modaraba Finance	-	50,959,603	-	-	-	-	50,959,603
Musharaka finance	-	12,900,000	-	-	-	-	12,900,000
Diminishing musharaka finance	9.51%-21.00%	153,208,896	19,454,633	21,338,005	67,224,209	45,192,049	-
Receivable against sale of agricultural produce	-	18,200,140					18,200,140
Ijarah rentals receivable	-	562,271	-	-	-	-	562,271
Advances, prepayments and other receivables	-	43,123,021	-	-	-	-	43,123,021
Accrued profit	-	10,231,685	-	-	-	-	10,231,685
Long-term Deposit	-	685,300	-	-	-	-	685,300
Total		462,520,541	39,639,842	67,097,270	136,640,573	58,630,185	160,512,671
Liabilities							
Certificate of musharaka	6.00% - 8.5%	100,205,000	24,240,000	2,650,000	46,215,000	27,100,000	-
Security deposits	-	10,272,974	-	-	-	-	10,272,974
Deferred murahaba income	-	2,525,114					2,525,114
Creditors, accrued and other liabilities	-	25,554,967	-	-	-	-	25,554,967
Long term finance	-	62,833,629				-	-
Unclaimed profit distribution	-	2,105,731	-	-	-	-	2,105,731
Deferred Liabilities - staff gratuity	-	4,753,720	-	-	-	-	4,753,720
Total		208,251,135	24,240,000	2,650,000	46,215,000	27,100,000	45,212,506
Total yield / profit risk sensitivity gap			15,399,842	64,447,270	90,425,573	31,530,185	
Cumulative yield / profit risk sensitivity gap			15,399,842	79,847,112	170,272,685	201,802,870	

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

	2018		2017	
	Total outstanding amount	Payment overdue (in days)	Total outstanding amount	Payment overdue (in days)
Ijarah rentals receivable	-	1 - 90 Days	188,556	1 - 90 Days
Murabaha Finance	-	1 -90 Days	27,452,010	1 -90 Days
Diminishing Musharaka Finance	32,084,091	1 - 90 Days	1,868,780	1 - 90 Days
Modaraba Finance	-	1 - 90 Days	5,884,055	1 - 90 Days

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

	2018				
	OAEM	Substandard	Doubtful	Loss	Total
			----------Rupees----------		
Ijarah rentals receivable	-	-	-	23,890,164	23,890,164
Murabaha Finance	10,776,632	15,000,000	-	85,126,172	110,902,804
Modaraba	-	-	-	39,510,056	39,510,056
Diminishing Musharaka Finance	4,196,483	-	-	-	4,196,483
Receivable against sale of agricultural produce			18,200,140		18,200,140

	2017				
	OAEM	Substandard	Doubtful	Loss	Total
			----------Rupees----------		
Net investment in finance lease	-	-	-	28,756	28,756
Ijarah rentals receivable	562,271		12,543,322	-	13,105,593
Murabaha Finance	-	812,901	26,550,000	44,327,865	71,690,766
Musharaka Finance	-	-	-	-	-
Diminishing Musharaka Finance	2,641,273	271,870	5,011,038	1,329,186	9,253,367

37.2.5 **Ijarah Assets**

	2018		2017	
	(Rupees)	%	(Rupees)	%
Fuel and energy	100,000	0.49	-	33.96
Travel and transport	8,409,175	41.50	1,482,754	4.56
Textile	-	-	26,969,090	49.01
Individuals	-	-	-	-
Others	11,756,171	58.01	4,041,288	12.47
	20,265,346	100.00	32,493,132	100.00

37.2.6 **For Musharaka, Murabaha, Modaraba and Diminishing Musharaka Finance**

	2018		2017	
	(Rupees)	%	(Rupees)	%
Textile and allied	67,017,018	17.91	61,201,272	16.67
Trading	71,754,980	19.17	8,094,612	2.20
Leather	36,000,000	9.62	24,157,260	6.58
Pharmaceutical and chemicals	12,624,701	3.37	22,376,825	6.10
Food and beverage	884,070	0.24	4,289,229	1.17
Construction	5,448,879	1.46	3,844,120	1.05
Fuel and energy	17,016,239	4.55	6,231,521	1.70
Financial institutions	28,652,363	7.66	23,347,971	6.36
Sugar and allied	5,685,424	1.52	5,705,483	1.55
Travel and transport	29,653,226	7.92	71,055,524	19.36
Dairy and poultry	22,053,893	5.89	25,573,514	6.97
Technology and telecommunication	11,284,605	3.02	25,816,301	7.03
Electrical and engineering	5,567,203	1.49	8,457,064	2.30
Steel and allied	7,521,546	2.01	20,515,462	5.59
Others	53,103,193	14.19	56,447,868	15.38
	374,267,340	100.00	367,114,025	100.00

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	
	2018	2017
	----------(Rupees)----------	
Changes in basis point		
+100	**1,610,104**	769,090
-100	**(1,610,104)**	(769,090)

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

37.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

37.2 Credit risk

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

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

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

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

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

			2018	2017
			----------(Rupees)----------	
Bank balances	**Short Term**	**Long Term**		
Meezan Bank Limited	A-1+	AA	**2,131**	260,904
Hbl Islamic Bank	A-1+	AAA	**221,698**	
Albaraka Bank (Pakistan) Ltd	A1	A	**1,110,595**	178,155
Summit Bank	A-1	A-	**20,977,478**	14,487,811
Soneri Bank Limited	A1+	AA-	**692,850**	-
Dubai Islamic Bank	A-1	AA-	**7,704,713**	7,490,034
			30,709,466	22,416,904

37.2.7 **Finance arrangements**

	2018	2017
	(Rupees)	
Murabaha finance	125,580,176	150,045,527
Musharaka finance	11,300,000	12,900,000
Diminishing Musharaka finance	95,183,959	153,208,895
Modaraba finance	112,000	50,959,603
	232,176,135	367,114,025

37.3 **Liquidity risk**

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

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

	2018			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupees			
Liabilities				
Redeemable capital	37,085,000	27,835,000	9,250,000	-
Security deposits	6,090,574	630,675	-	5,459,899
Creditors, accrued and other liabilities	13,094,289	13,094,289	-	-
Unclaimed profit distribution	2,834,156	-	-	2,834,156
Long-term finance	37,700,177	6,283,363	18,850,088	12,566,726
Deferred liabilities - staff gratuity	3,509,176	-	-	3,509,176
Total liabilities	100,313,372	47,843,327	28,100,088	24,369,957

	2017			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupees			
Liabilities				
Redeemable capital	100,205,000	26,890,000	46,215,000	27,100,000
Security deposits	10,272,974	9,712,299	-	560,675
Creditors, accrued and other liabilities	25,554,967	25,554,967	-	-
Unclaimed profit distribution	2,105,731	-	-	2,105,731
Long-term finance	62,833,629	6,283,363	18,850,088	37,700,178
Deferred liabilities - staff gratuity	4,753,720	-	-	4,753,720
Total liabilities	205,726,021	68,440,629	65,065,088	72,220,304

37.4 **Fair value of financial assets and liabilities**

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

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

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

38. CAPITAL RISK MANAGEMENT

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

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

	2018	2017
	----------(Rupees)----------	
Total borrowings and deposits	74,785,177	163,038,629
Cash and bank balances	(30,947,769)	(22,604,098)
Net debt	43,837,408	140,434,531
Total equity	274,947,624	391,456,006
Total capital	318,785,033	531,890,537
Gearing ratio	13.8%	26.4%

39. TRANSACTIONS WITH RELATED PARTIES

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

Relationship with Modaraha	Nature of Transactions	June 30, 2018	June 30, 2017
		----------(Rupees)----------	
Balances with related parties			
Modaraba management Company	Modaraba management fee payable	-	1,092,797
Modaraba management Company	Issue of certificates at discount	98,946,390	98,946,390
Modaraba under common management	Receivable against reimbursement of expenses	116,772	1,125,666
Other related parties			
Key management personnel	Certificate of Musharaka	-	150,000
Key management personnel	Accrued mark-up payable	-	340

		June 30, 2018	June 30, 2017
		----------(Rupees)----------	
Expense/(Income) for the period			
Modaraba management company	Modaraba management fee	-	525,580
Modaraba under common management	Reimbursement of expenses	(5,760,031)	8,305,795
Payments/(Receipts) made during the period			
Modaraba management company	Modaraba management fee	(1,092,797)	982,633
Modaraba under common management	Reimbursement of expenses	(6,768,925)	(10,337,349)
Modaraba management company	Dividend paid	1,423,892	1,914,478
Other associated companies			
KASB Corporation	Rent expense	-	2,227,350
Other related parties			
Key mangement personnel	Salaries and other benefits	-	1,925,000
Key mangement personnel	Financial charges	-	82,758

40. CORRESPONDING FIGURES

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

41. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors have approved dividend for the year ended June 30, 2018 of Re. nil per certificate (2017: Re. 0.08 per certificate), amounting to Rs. nil (2017: Rs. 3,845,318) at their meeting held on Oct 01, 2018. The financial statements for the year ended June 30, 2017 do not include the effect of the above which will be accounted for in the period in which it

42. GENERAL

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

43. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on OCT 01, 2018

For KASB Invest (Private) Limited
(Management Company)

Chief Executive | Director | Director | Chief Financial Officer

KASB MODARABA
SHAREHOLDERS STATISTICS
AS AT JUNE 30, 2018

NO. OF SHOLD	SHARE HOLDING FROM		TO	TOTAL SHARES HOLD
426	1	-	100	16,718
275	101	-	500	74,789
153	501	-	1000	125,542
183	1001	-	5000	418,736
47	5001	-	10000	350,971
16	10001	-	15000	202,969
14	15001	-	20000	240,775
6	20001	-	25000	138,996
5	25001	-	30000	145,345
2	30001	-	35000	62,200
7	35001	-	40000	259,800
1	45001	-	50000	50,000
1	60001	-	65000	62,877
1	70001	-	75000	72,000
3	85001	-	90000	263,500
1	100001	-	105000	101,000
1	110001	-	115000	113,100
1	120001	-	125000	122,823
6	140001	-	145000	864,378
1	165001	-	170000	166,320
1	220001	-	225000	225,000
2	245001	-	250000	494,500
9	285001	-	290000	2,596,122
1	300001	-	305000	304,389
1	305001	-	310000	308,000
1	315001	-	320000	319,702
1	390001	-	395000	392,245
1	445001	-	450000	450,000
1	795001	-	800000	795,980
1	855001	-	860000	858,500
1	1375001	-	1380000	1,375,733
1	3945001	-	3950000	3,949,963
1	10445001	-	10450000	10,446,767
1	21695001	-	21700000	21,696,740
1173	**Total**			**48,066,480**

S/R NO.	CATAGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HOLD	PERCENTAGE %
1	INDIVIDUALS	1128	7,841,758	16.31
2	INVESTMENT COMPANIES	2	1,200	0
3	INSURANCE COMPANIES	3	796,380	1.66
4	JOINT STOCK COMPANIES	16	5,015,786	10.44
5	FINANCIAL INSTITUTIONS	11	10,472,584	21.79
6	LEASING COMPANIES	1	1,246	0
7	MODARABA COMPANIES	3	36	0
8	OTHERS	2	101,300	0.21
9	MODARABA MANAGEMENT COMPANIES	2	23,072,473	48
10	MUTUAL FUND	1	392,245	0.82
11	INVESTMENT ADVISORY	1	2,000	0
12	HOLDING COMPANY	1	304,389	0.63
13	EMPLOYEES PENSION FUND	1	62,877	0.13
14	EMPLOYEES BENEVOLENT FUND	1	2,206	0
		1173	**48,066,480**	**100**

CATAGORIES OF CERTIFICATE HOLDERS	NUMBERS	CERTIFICATE HELD	PERCENTAGE
ASSOCIATED COMPANIES			
KASB CORPORATION LIMITED	1	304,389	0.63
KASB INVEST (PRIVATE) LIMITED	1	23,930,973	49.79
	2	**24,235,362**	**50.42**
NIT AND ICP			
INVESTMENT CORPORATION OF PAKISTAN	1	8,002	0.14
TRUSTEE NATIONAL BANK OF PAKISTAN	2	65,083	0.02
		73,085	
Banks Devlopment Finance Institutions, Non Banking Finance Instututions, Insurance Companies Modaraba and Mutual Funds	39	11,243,417	23.37
Certificate - holders holding five percentage or more certificates in the modaraba			
Al-Hoqani Securitries Investments Corporation	1	**3,956,000**	8.23
AL-HOQANI SECURITIES & INV	1	**3,949,963**	8.22

KASB Modaraba

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 27th Annual Review meeting of the Modaraba's Certificate Holders of KASB Modaraba will be held on Tuesday October 23, 2018 at 5:15 pm at KASBIT Auditorium, 84-B, S.M.C.H.S, Off Shahrah-e-Faisal, Karachi to review the performance of Modaraba for the year ended June 30, 2018.

By Order of the Board

Syed Shahid Owais
Company Secretary

Karachi
October 02, 2018

Notes:-

1. The Modaraba Certificates transfer book shall remain closed from October 16, 2018 to October 23, 2018 (both days inclusive) to determine the names of Certificate Holders eligible to attend the Annual Review Meeting. Transfer received in order at the Registrar Office of the KASB Modaraba (whose address is given below) up to the close of business hours on October 15, 2018 will be treated in time.

2. The Certificate holders are advised to notify to the Registrar of KASB Modaraba of any change in their addresses to ensure prompt delivery of mails. Further, any Certificates for transfer, etc, should be lodged with the Registrar, C & K Management Associates (Private) Limited, 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi. (Phone: 35687839-35685930).

3. Account Holders holding book entry securities of the KASB Modaraba in Central Depository Company of Pakistan Limited, who wish to attend the Annual Review Meeting, are requested to bring original Computerized National Identity Card for identification purpose and will in addition, have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 25, 2000 of the Securities and Exchange Commission of Pakistan (SECP) for attending the meeting.

4. Pursuant to the provisions of the Finance Act 2016 effective July 01, 2016, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

a)	Rate of tax deduction for filers of income tax returns	15.0%
b)	Rate of tax deduction for non-filers of income tax returns	20.0%

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

5. **Payment of Dividend through electronic mode.**
Under the provisions of Section 242 of the Companies Act 2017, it is mandatory for a listed Company to pay cash dividend to its Certificate holders only through electronic mode directly into bank account designated by the entitled Certificate holders. Therefore, all the Certificate holders of KASB Modaraba are hereby advised to provide dividend mandate of their respective banks in the "Dividend Mandate Form" available on Modaraba's Website. Certificate holders maintaining Certificate holding under Central Depository System (CDS) are advised to submit their bank account mandate information directly to the relevant participant/CDC Investor Account Service.

   In the absence of bank account details or in case of incomplete details, the Company will be constrained to withhold the payment of cash dividend of those share holders who have not provided the same. For more information, you may contact our Share Registrar, C & K Management Associates (Private) Limited, 404, Trade Tower, Abdullah Haroon Road, near Metropole Hotel, Karachi. (Phone: 35687839-35685930).

6. **Unclaimed Dividends and physical Modaraba Certificates**
Certificate holders, who by any reason, could not claim their dividends or did not collect their physical Modaraba certificates, are advised to contact our Share Registrar, C & K Management Associates (Private) Limited, to collect I enquire about their unclaimed dividend or pending Modaraba certificates, If any. Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedures, all dividends unclaimed for a period of three years, from the date due and payable, shall be deposited to the credit of the Federal Government and in case of shares/certificates, shall be delivered to the Securities & Exchange Commission of Pakistan.

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