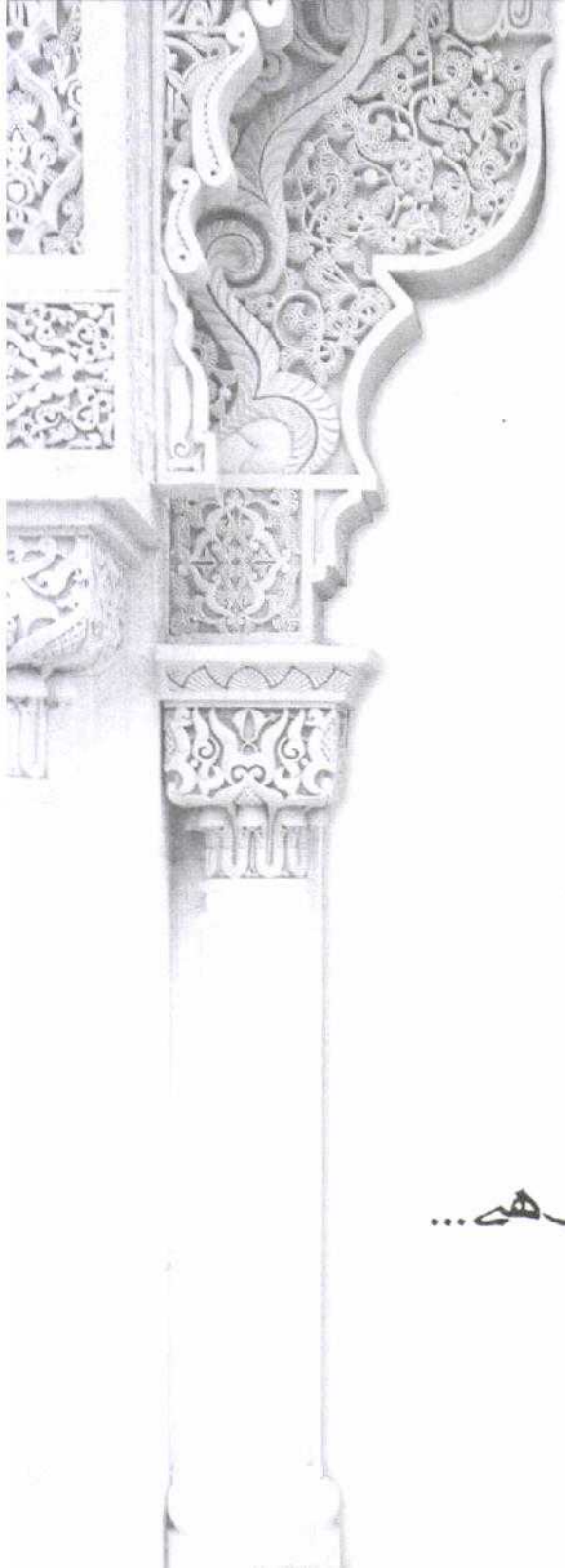


KASB Modaraba

An Islamic Financial Institution

مضاربہ

اسلامی مالیاتی ادارہ

ANNUAL REPORT 2014

صاف اور شفاف آمدنی،
سچا سکون ہے...


بسم الله الرحمن الرحيم



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

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CORPORATE INFORMATION

Board of Directors

Syed Waseem-ul-Haq Haqqie	Chairman
Rashid K. Siddiqui	Chief Executive Officer
Syed Muhammad Rehmanullah	Director
Farrukh S. Ansari	Director

Company Secretary & Chief Financial Officer
Amir Iqbal

Head of Internal Audit
Syed Shahid Owais

Management Company
KASB Invest (Private) Limited

Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Committee

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

Human Resource and Remuneration Committee

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

Bankers
KASB Bank Limited
Al-Baraka Islamic Bank
Burj Bank Limited
Meezan Bank
Bank Islami
Bank Al-Falah Limited
Silk Bank Limited Emaan
Soneri Bank Limited

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

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

Legal Advisor
Ghulam Ali & Co.
Ahmed & Qazi

Shariah Advisor
Mufti Abdul Sattar Laghari

Branch Offices

Gulshan-e-Iqbal Branch
Mezzanine Floor,
Friends Paradise, SB-36,
Block No. 13-B, University Road,
Karachi.
Telephone: 021-34822814-15

D.H.A. Branch
74-C, 13th Commercial Street
D.H.A. Phase II Extension
Karachi.
Telephone: 021-35313939-40

Web Address
www.kasbmodaraba.com

E-mail
info.modaraba@kasb.com

The Board of Directors of KASB Invest (Private) Limited, the Management Company of KASB Modaraba is pleased to present the annual report together with the audited financial statements of KASB Modaraba for the year ended June 30, 2014 to the Certificate holders.

FINANCIAL HIGHLIGHTS

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

BALANCE SHEET	June 2014 Rs "000"	June 2013 Rs "000"
Modaraba Finance	36,236	83,696
Musharaka Finance	93,777	98,161
Murabaha Finance	395,090	627,205
Diminishing Musharaka Finance	399,437	424,231
Ijarah Assets	72,363	47,368
Property acquired in satisfaction of financing facility	33,760	-
Total Assets	1,305,559	1,516,092
Net Assets	289,672	265,214

PROFIT & LOSS ACCOUNT	June, 2014 Rs "000"	June 2013 Rs "000"
Gross Income	185,224	234,375
Operating & Financial Charges	(166,379)	(216,247)
Total Provision	-	(68,903)
Operating Profit/Loss	27,149	(46,029)
Management Company Fee	(2,714)	
Net Profit/Loss for the Year	23,994	(46,029)
Earning per Modaraba Certificate (Rupees)	0.85	(1.63)

OPERATIONS AND PERFORMANCE

During the year ended June 30, 2014, KASB Modaraba continued to adopt a steady approach towards business focusing on qualitative growth and Institutional strength. The Modaraba recorded net Profit of Rs. 23.99 million with earning per Certificate of Rs. 0.85.

The net profit is Rs 23.99 million for the year ended June 30, 2014 as compared with net loss of Rs 46.03 million in 2013. The Financial Charges reduced by Rs 36.14 million (Rs 96.76 million in 2014 and Rs 133.20 million in 2013). The Administrative /operating expenses and provisions reduced by Rs 78.81 million (Rs 44.90 million in 2014 and Rs 123.73 million in 2013)

YEAR AT A GLANCE

Despite numerous challenges, like sharp increase in commodity prices, recessionary trend globally, massive energy shortages and non-availability of liquidity for fresh business, KASB Modaraba has shown steady and sustainable approach in major areas of Islamic Finance during the year 2013-14 and achieved a net profit of Rs 23.99 million as compared to a net loss of Rs 46.03 million in 2013. The management is continuously devoting its best efforts for achieving better results.

FUTURE PROSPECTS

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

CREDIT RATING

JCR-VIS has reaffirmed the long term entity rating to BBB+ and short term entity rating of A-2 with a "positive" outlook to the Modaraba in 2013.

CORPORATE AND FINANCIAL REPORTING

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

- The financial statements prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IASs) as applicable in Pakistan have been followed in preparation of Financial Statements and any departure there from has been adequately disclosed.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- The Modaraba is financially sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The Modaraba operates an unapproved unfunded gratuity scheme for its permanent employees, value of which is Rs.1, 565,644/- as at June 30, 2014.
- 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, 2014 except as disclosed in the financial statements.
- None of the directors of Modaraba Company, CEO, CFO, Company Secretary and their spouses and minor children has carried out trading of certificates of the Modaraba.
- During the year, seven meetings of the Board of Directors were held. Attendance by each director is as follows:

Name		No. of Meetings Attended
Syed Waseem Haqqie	Chairman	7
S. M. Rehmanullah	Director	7
Farrukh S. Ansari	Director	7
Rashid K.Siddiqui	Chief Executive	6

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

COMPLIANCE WITH CODE OF CORPORATE GOVERANCE

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing regulations relevant for the year ended June 30, 2014 have been adopted by the Modaraba and have been duly complied with. A statement to this effect is annexed with the report.

HUMAN RESOURCES

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

DIVIDEND

The Board is pleased to announce a cash dividend of 2.4% i.e. Rs 0.24 per certificate.

RIGHT ISSUE OF MODARABA CERTIFICATES

In order to raise funds for financing the Modaraba's expansion plans, the Board of Directors has approved right Certificates of face value of Rs10/= each at a discounted price of Rs. 5/- per Certificate. The process of issue of 19,792,080 additional certificates will be completed in the first week of November, 2014. The paid up capital will be Rs 38,,704,400 after this issue.

AUDITORS

On the recommendation of the Audit Committee, the Board has approved the re appointment of the present auditors Messrs. Ernst and Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as auditors for the year ending June 30, 2015, subject to approval by the Registrar of Modaraba Companies and Modaraba.

ACKNOWLEDGEMENT

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

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

For and behalf of
Board of Directors

Syed Waseem-ul-Haq Haqqie
Chairman

Dated: 28th October, 2014
Karachi

KEY FINANCIAL AND OPERATIONAL DATA AT A GLANCE

	2014	2013	2012	2011	2010	2009
		'----------Rupees in Thousand----------				
Total Assets	1,305,559	1,516,092	1,636,965	1,113,872	953,667	450,397
Musharika Finance	93,777	98,161	82,207	42,798	83,634	39,594
Murabaha Finance	395,090	627,204	807,764	480,436	362,561	70,777
Modaraba Finance	36,236	83,696	77,455	75,630	154,440	20,774
Diminishing Musharaka	399,437	424,230	470,812	279,101	131,600	-
Ijarah Assets	72,363	47,368	66,459	56,235	65,997	55,337
Investment in Lease	1,630	1,110	1,541	7,329	45,002	97,718
Equity	289,672	265,717	330,221	307,640	274,753	258,322
Current Assets	1,004,538	1,175,724	1,164,791	769,492	762,536	309,109
Current Liabilities	845,682	1,187,542	1,189,717	633,387	665,904	166,594
Income	168,812	210,906	265,017	167,843	89,730	42,948
Taxation	-	-	-	-	-	-
Profit/(Loss) after Tax	23,994	(46,029)	40,678	40,139	17,096	16,023
Dividend (Rs.)	0.24	-	0.65	0.64	0.28	-
EPS (Rs.)	0.85	(1.63)	1.44	1.42	0.6	0.65

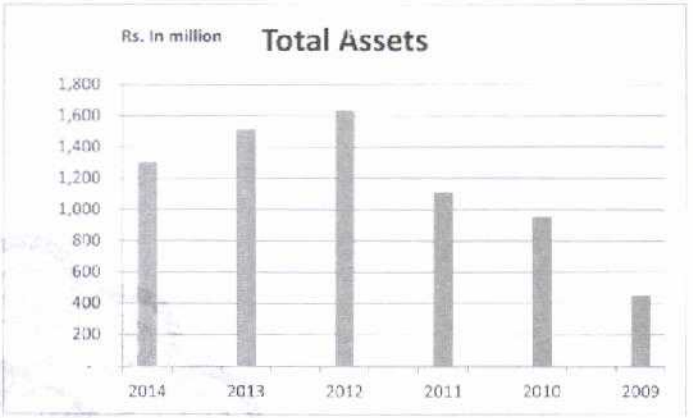


Table showing comparison of total assets for last six years

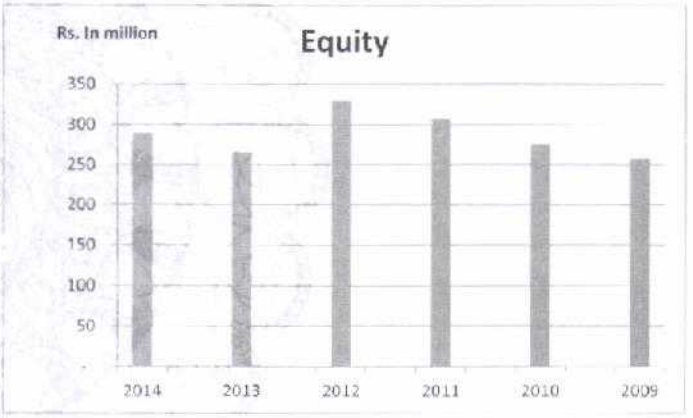


Table showing movement in equity for last six years

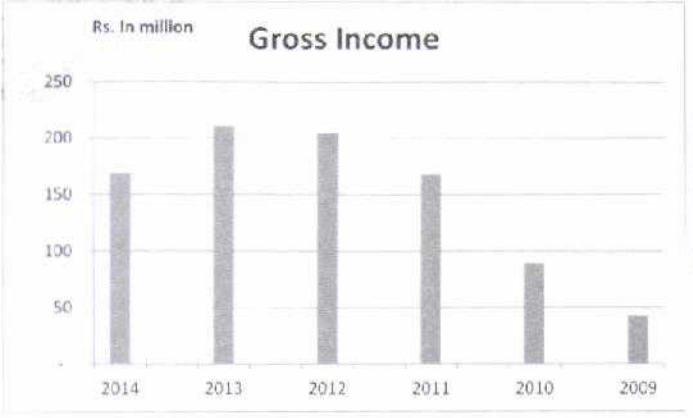


Table showing movement in total income for last six years

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

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

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

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies, where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year casual vacancy occurred on the Board and was duly filled by the Board.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two Directors are certified directors and one director is exempted from the director's training program by virtue of his experience as prescribed by SECP in clause xi of CCG.
10. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
11. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the board.
12. The directors, CEO and executives do not hold any interest in the Certificates of the Modaraba.
13. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
14. The Board has formed an Audit Committee. It comprises of three members, of whom are all non executive directors and the chairman of the committee is an independent director.
15. The meetings of the Audit Committee were held prior to approval of interim and final results of the Modaraba. The terms of reference of the committee has been formed and advised to the committee for compliance.

16. The Board has formed an HR and Remuneration Committee. It comprises of three members, two of whom are non-executive directors and the chairman of the committee is a non-executive director.
17. The Board has appointed CEO, CFO and the Head of Internal Audit during the year 2013-2014 who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
18. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the ICAP, they or any of the partners of the firm, their spouses and minor children do not hold shares of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange(s).
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. In terms of the Code, the Board is required to set up a mechanism for an annual evaluation of the Board's own performance by 30 June 2014. However, the Board is yet to design a formal mechanism.
23. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board

Syed Waseem-ul-Haq Haqqie
Chairman
Karachi
Date 28th October, 2014

بسم الله الرحمن الرحيم

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

Alhamdulillah, I have conducted the Shariah audit & review of KASB Modaraba managed by KASB Invest (Private) Limited, Modaraba Management Company for the year ended June 30, 2014, 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 my opinion;

i. KASB Modaraba has further improved a mechanism which may strengthen the Shariah compliance, in letter and spirit to a better extent. The systems, procedures and policies adopted by the KASB Modaraba during the period, are in line with guidelines issued by SECP.

ii. The agreement(s) entered into by the KASB Modaraba are approved by religious board of SECP and the financing agreements have been executed on these formats and it has been tried to meet all the related conditions.

iii. KASB Modaraba raises its funds through approved scheme of Certificate of Musharakah (COM). The existing portfolio of (COM) is Rs. 925,490,000/-. The Profit sharing weightages / ratios, profits distribution relating to (COM) are announced on quarterly basis and a practice paying HIBA is also a part of profit payments.

iv. KASB Modaraba mainly deals in Murabaha, Ijarah and Diminishing Musharaka on asset side. The transactions were executed in line with sharia guidelines and regulatory paradigm.

Mufti Abdul Sattar Laghari
Shariah Advisor
KASB Modaraba

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

1. KASB Modaraba has collected and credited to charity account Rs 343,693/- during the period.

Observations:

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

Recommendation:

In my opinion and best of my knowledge and information provided by KASB Modaraba management with relevant explanation, I am of the view that during the period overall business operations of the Modaraba are Shariah Compliant.

The senior management and staff of KASB Modaraba cooperates in observing Shariah compliance with its true spirit.

And Allah Taala knows Better & Perfect.

Dated: October 24, 2014

Signature
Mufti Abdul Sattar Laghari
Shariah Advisor

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

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
www.ey.com

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2014 prepared by the Board of Directors of KASB Invest (Private) Limited (the Management Company) to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges, where the Modaraba is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's 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 Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Modaraba's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Modaraba for the year ended 30 June 2014.

Further, we highlight a non-compliance with the requirements of the Code in respect of formal evaluation mechanism for the Board Members as referred to in paragraph 22 of the Statement.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Date: 28 October 2014

Karachi

EY
Building a better working world

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
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Pakistan

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Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of KASB Modaraba (the Modaraba) as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements'), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.1.1 to the financial statements, with which we concur;

  (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2014 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 28 October 2014

Karachi

BALANCE SHEET

AS AT 30 JUNE 2014

	Note	2014	2013
		(Rupees)	(Restated)
ASSETS			
Current assets			
Cash and bank balances	7	172,123,131	175,151,750
Short term investments	8	58,224,203	15,516,756
Short term murabaha finance	9	36,235,793	83,696,118
Short term musharaka finance	10	93,777,447	98,161,363
Current portion of long term murabaha finance - gross	11	360,807,388	552,998,416
Current portion of long term diminishing musharaka finance	12	220,026,203	221,674,597
Current portion of long term net investment in finance lease	13	383,595	205,033
Ijarah rentals receivable	14	2,423,351	3,048,215
Advances, prepayments and other receivables	15	18,683,527	15,402,596
Accrued profit	16	7,198,995	9,232,199
Property acquired in satisfaction of financing facility	17	33,759,860	-
Advance tax	18	894,386	638,468
		1,004,537,862	1,175,724,511
Non-current assets			
Long term investments	8	6,266,507	7,978,750
Long-term murabaha finance - gross	11	34,283,128	74,206,462
Long-term diminishing musharaka finance	12	179,411,703	202,556,246
Long-term net investment in finance lease	13	133,070	317,882
Long term deposits		1,630,300	1,110,300
Ijarah assets	19	72,363,491	47,388,313
Fixed assets	20	6,933,390	6,829,619
		301,021,589	340,387,572
TOTAL ASSETS		1,305,559,451	1,516,092,083
LIABILITIES			
Current liabilities			
Current portion of redeemable capital	21	771,505,343	1,109,590,000
Current portion of long term security deposits	22	5,449,328	312,347
Current portion of long term deferred murabaha income	11	20,350,419	37,048,229
Creditors, accrued and other liabilities	23	47,769,185	38,941,015
Unclaimed profit distribution		1,607,401	1,651,044
		846,681,676	1,187,542,635
Non-current liabilities			
Long term portion of redeemable capital	21	153,985,000	42,135,000
Long term security deposits	22	2,687,100	8,671,431
Long term deferred murabaha income	11	10,968,227	10,911,132
Deferred liabilities - staff gratuity	24	1,565,644	1,617,015
		169,205,971	63,334,578
TOTAL LIABILITIES		1,015,887,647	1,250,877,213
NET ASSETS		289,671,804	265,214,870
REPRESENTED BY			
CAPITAL AND RESERVES			
Certificate capital			
Authorised:			
50,000,000 (June 30, 2013: 50,000,000) certificates of Rs. 10/- each		500,000,000	500,000,000
Issued, subscribed and paid-up capital	25	282,744,000	282,744,000
Statutory reserve	26	72,891,382	60,894,008
Accumulated loss		(67,187,781)	(78,423,138)
Unrealised Gain on revaluation of available for sale investments		1,224,203	-
CONTINGENCIES AND COMMITMENTS	27		
		289,671,804	265,214,870

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive | Director | Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		(Rupees)	(Restated)
Income from			
- murabaha finance		64,696,525	86,653,477
- musharaka finance		11,854,779	8,628,488
- diminishing musharaka finance		65,312,031	83,871,755
- leasing operations	28	24,252,760	29,259,772
- modaraba finance - gross		4,887,924	17,256,556
- sukuk bonds		978,096	1,377,436
- bank deposits		13,242,307	7,968,245
(Loss) / gain on sale of "Available-for-sale" investments - net	29	-	(239,774)
		185,224,624	234,375,955
Financial charges	30	(96,757,989)	(133,203,744)
Modaraba finance - Direct cost		(5,589,322)	(7,076,650)
Depreciation on assets under ijarah arrangements	19.1	(19,127,515)	(21,164,692)
		(121,474,826)	(161,445,086)
		63,749,798	72,930,164
Other income	31	8,304,634	4,773,134
Administrative and operating expenses	32	(44,904,880)	(54,802,272)
Provision for doubtful murabaha & musharaka finance		-	(68,930,162)
		27,149,552	(46,029,136)
Modaraba management company's fee	33	(2,714,955)	-
Provision for Workers' Welfare Fund	34	(439,849)	-
Profit / (loss) before taxation		23,994,748	(46,029,136)
Taxation	18	-	-
Net profit / (loss) for the year		23,994,748	(46,029,136)
Earnings / (loss) per certificate - basic and diluted	35	0.85	(1.63)

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive | Director | Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013 (Restated)
	(Rupees)	
Net profit / (loss) for the year	23,994,748	(46,029,136)
Other comprehensive income		
Item to be reclassified to profit and loss account in subsequent periods:		
Unrealised gain / (loss) on remeasurement of investments classified as 'available for sale'	1,224,203	(239,774)
Reclassification to profit and loss account upon disposal of investments	-	239,774
	1,224,203	-
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial loss on defined benefit plans (note 24.5)	**(762,017)**	(194,379)
Total comprehensive income / (loss) for the year	**24,456,934**	(46,223,515)

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive | Director | Director

ANNUAL REPORT 2014

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	----------Rupees----------	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	23,994,748	(40,128,031)
Adjustments for non-cash charges and other items:		
Loss on sale of investments - net	-	238,774
Gain on disposal of fixed assets - net	(485,000)	(261,614)
Gain on disposal of Ijarah assets	(407,069)	(16,749)
Depreciation	20,440,026	22,839,812
Amortisation	219,000	116,784
Provision for Workers' Welfare Fund	439,849	-
Provision for gratuity	847,850	924,509
Write-off	-	1,705,895
	45,049,404	(21,077,590)
(Increase) / decrease in assets		
Murabaha finance	47,460,325	(6,240,370)
Musharaka finance	4,383,916	(15,953,852)
Murabaha finance	198,354,522	180,559,723
Diminishing musharaka finance	24,792,937	46,582,078
Net investment in finance lease	6,250	1,018,974
Ijarah rentals receivable	624,864	769,586
Advances, prepayments and other receivables	(3,280,931)	(3,556,143)
Accrued profit	2,033,200	875,660
Long-term deposits	(520,000)	(564,300)
	273,855,083	203,489,356
Increase / (decrease) in liabilities		
Security deposits	(847,350)	(5,075,024)
Deferred murabaha income	(16,648,715)	(32,017,359)
Creditors, accrued and other liabilities	8,388,270	3,789,762
	(9,099,795)	(33,302,621)
Dividend paid	(43,643)	(17,786,775)
Taxes paid	(255,918)	(180,684)
Staff gratuity paid	(1,661,239)	(300,506)
	(1,960,800)	(18,267,965)
Net cash generated from operating activities	307,843,892	130,841,180
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,730,282)	(1,946,809)
Sales proceeds from disposal of fixed assets	580,000	2,669,717
Purchase of Ijarah assets	(49,712,914)	(8,320,323)
Sales proceeds from disposal of Ijarah assets	5,997,290	6,263,577
Investments - net	(39,771,948)	2,639,523
Net cash (used in) / generated from investing activities	(84,637,854)	1,305,693
CASH FLOW FROM FINANCING ACTIVITIES		
Short-term musharaka finance	-	(229,477,558)
Certificate of musharaka - net	(226,234,657)	206,495,000
Net cash (used in) / generated from financing activities	(226,234,657)	(23,982,558)
Net (decrease) / increase in cash and cash equivalents	(3,028,619)	108,164,302
Cash and cash equivalents at the beginning of the year	175,151,750	66,987,448
Cash and cash equivalents at the end of the year	172,123,131	175,151,750

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive | Director | Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Certificate capital	Statutory reserve	Accumulated loss	Unrealised Gain on revaluation of available for sale investments	Total
	(Rupees)				
Balance as at 30 June 2012	282,744,000	60,994,008	(13,416,459)	-	330,221,549
Effect of Change in Accounting Policy (Note 4.1.1)	-	-	(404,804)	-	(404,804)
Balance as at 30 June 2012 - (restated)	282,744,000	60,864,008	(13,821,263)	-	329,816,745
Profit distribution for the year ended 30 June 2012	-	-	(16,378,360)	-	(16,378,360)
Net profit / (loss) for the year	-	-	(46,029,136)	-	(46,029,136)
Other comprehensive loss	-	-	(194,379)	-	(194,379)
Balance as at 30 June 2013 - restated	282,744,000	60,864,008	(76,423,138)	-	265,214,870
Net profit / (loss) for the year	-	-	23,994,748	-	23,994,748
Other comprehensive income / (loss)	-	-	(762,017)	1,224,203	462,186
Transfer to statutory reserve	-	11,997,374	(11,997,374)	-	-
Balance as at 30 June 2014	282,744,000	72,891,382	(67,187,781)	1,224,203	289,671,804

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

For KASB Invest (Private) Limited
(Management Company)

Chief Executive | Director | Director

1. LEGAL STATUS AND NATURE OF BUSINESS

KASB Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules framed thereunder and is managed by KASB Invest (Private) Limited (the Management Company), a company incorporated in Pakistan. The registered office of the Modaraba is located at 8-C, Block 6, PECHS Off Shahrah-e-Faisal, Karachi. The Management Company is a subsidiary of KASB Bank Limited (KBL). KBL holds 3,985,300 shares out of total issued capital of 4,150,000 shares of the Management Company.

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 New and amended standards and interpretations

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

IAS 19 - Employee Benefits - (Revised)
IFRS 7 - Financial Instrument: Disclosures (Amendments)
- Amendments enhancing disclosures about Offsetting of Financial Assets and Financial Liabilities
IFRIC 20 - Stripping Cost in a Production Phase of a Surface Mine
IFAS 3: Profit and Loss Sharing on Deposits

The adoption of the above amendments did not have any effect on the financial statements of the Modaraba except for as described below in note 4.1.1

4.1.1 Change in Accounting policy

IAS 19 - Employee Benefits - (Revised)

During the year, the Modaraba has adopted Revised IAS 19, 'Employee Benefits'. As per revised standard, actuarial gains and losses for defined benefit plans are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements and net interest income / (expense). All other changes in deferred liability - staff gratuity are recognised in other comprehensive income with no subsequent recycling to profit and loss.

The adoption of above revised standard has resulted in change in accounting policy of the Modaraba related to recognition of actuarial gains and losses to recognise actuarial gains and losses in total in other comprehensive income in the year in which they occur. Previously, actuarial gains or losses in excess of 10% of the actuarial liability or plan assets were recognised in profit and loss account over the expected average working life of the employees. The impact of the said changes on these financial statements is as under:

	2014	2013
	----------Rupees----------	
Impact on profit and loss account		
Decrease in administrative expenses	(30,965)	(96,865)
Increase in profit before taxation	30,965	96,865
Increase in earning per share (Rs.)	0.001	0.003
Impact on statement of comprehensive income		
Increase in actuarial loss on defined benefit plan	762,017	154,379
Decrease in total comprehensive income for the year	762,017	154,379

	2014	2013	2012
Impact on statement of financial position	----------Rupees----------		
Increase in deferred liabilities - staff gratuity	1,233,371	502,319	404,804
Decrease in unappropriated profit	(1,233,371)	(502,319)	(404,804)

IAS 19 (revised 2011) also requires more extensive disclosures. These have been provided in Note 24.

4.2 **Cash and cash equivalents**

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

4.3 **Financial assets**

4.3.1 **Classification**

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

At fair value through profit or loss

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

Loans and receivables

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

Held to maturity

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

Available-for-sale financial assets

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

4.3.2 **Initial recognition and measurement**

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

4.3.3 **Subsequent measurement**

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

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

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

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

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

'Loans and receivables' and 'held to maturity'

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

4.3.4 Regular way contracts

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

4.3.5 Impairment

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

i) Financial assets carried at amortised cost

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

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

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

4.3.6 Derecognition

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

4.4 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.

4.5 Receivable from terminated / matured contracts

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

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

Ijarah rentals receivables, murabaha finance, musharaka finance, diminishing musharaka finance and mudaraba 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 Ijarah assets

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

4.9.3 Gain or loss on disposal

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

4.9.4 Impairment

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

4.9.5 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Modaraba and the cost of item can be measured reliably. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 20.2 to these financial statements after taking into account residual value, if any. The residual values, useful lives and amortisation method are reviewed and adjusted, as appropriate, at each balance sheet date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

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

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

4.10 Loans, advances and other receivables

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

4.11 Earnings per certificate

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

4.12 Taxation

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

4.13 Creditors, accrued and other liabilities

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

4.14 Provisions

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

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.

4.16.5 Modaraba Finance

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

4.16.6 Non-performing financing arrangements

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

4.16.7 Dividend Income

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

4.17 **Proposed profit distribution to modaraba certificate holders**

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

5. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

i) Classification and valuation of investments (notes 4.3 and 8)
ii) Provision for non-performing finance lease (notes 4.4 and 13.3)
iii) Provision for non-performing finance arrangements (notes 4.6 and 10, 11)
iv) Determining the residual values and useful lives of fixed assets (notes 4.9, 19 and 20)
v) Accounting for staff retirement benefits (notes 4.15 and 24)

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

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	01 January 2015
IFRS 11 – Joint Arrangements	01 January 2015
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 – Fair Value Measurement	01 January 2015
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 16 & 40 – Agriculture: Bearer Plants	01 January 2016
IAS 19 – Employee Contributions	01 July 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	01 January 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	01 January 2014
IFRIC 21 – Levies	01 January 2014

The Modaraba is currently evaluating the impact of the above standards and interpretation on the Company's financial statements in the period of initial application.

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Modaraba expects that such improvements to the standards will not have any impact on the Modaraba's financial statements in the period of initial application. Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standards	IASB effective date (accounting periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	1 January 2015
IFRS 14 - Regulatory Deferral Accounts	1 January 2016
IFRS 15 - Revenue from Contracts with Customers	1 January 2017

		Note	2014	2013
7.	**CASH AND BANK BALANCES**		(Rupees)	
	Cash at bank in :			
	- current accounts	7.1	30,258,660	2,631,407
	- saving accounts	7.1 & 7.2	141,643,441	172,456,118
			171,902,101	175,087,525
	Cash in hand		112,650	55,395
	Stamp papers		108,380	8,830
			172,123,131	175,151,750

7.1 Balances with banks include an amount of Rs. 29.325 million (2013: Rs. 1.671 million) held with KASB Bank Limited, a related party.

7.2 The expected profit rates on these accounts range between 6% and 9.40% (2013: 8.5% and 9.25%).

8. **INVESTMENTS**

8.1 **Short-term investments**

		2014	2013
Available-for-sale			
- Ordinary shares - unlisted	8.1.1	-	13,000,000
- Unit trust scheme - KASB Islamic Income Opportunity Fund	8.1.2	57,224,203	
Held to maturity			
Current portion of Sukuk Bonds - unlisted	8.2	1,000,000	2,515,756
		58,224,203	15,515,756

8.1.1 **Ordinary shares - unlisted**

Name of the investee company	No. of shares	Cost per share	Carrying amount 2014	Carrying amount 2013
			(Rupees)	
(Fully paid ordinary shares of Rs.10 each)				
New Horizon Exploration & Production Limited (6.93%) (Related Party)	2,600,000	5	-	13,000,000

8.1.2 **Unit trust scheme - KASB Islamic Income Opportunity Fund**

Investee company	Number of Units: As at 01 July 2013	Addition	As at 30 June 2014	2014: Cost	Carrying Value	Unrealized gain
				Amount in Rupees		
KASB Islamic Income Opportunity Fund	-	567,010	567,010	56,000,000	57,224,203	1,224,203

8.2 Sukuk bonds - unlisted

Name of investee company	Profit rate	Maturity	Carrying amount 2014	Carrying amount 2013
			(Rupees)	
(Sukuk bonds of Rs 5,000 each)				
Kohat Cement Company Limited	(3M KIBOR + 1.50%)	September 2018	-	1,515,756
Maple Leaf Cement Factory Limited - 1st issue	(3M KIBOR + 1.00%)	December 2018	7,266,507	8,978,750
Total Sukuk bonds			7,266,507	10,494,506
Less: Current portion of Sukuk Bonds			(1,000,000)	(2,515,756)
			6,266,507	7,978,750

9. MODARABA FINANCE - considered good

The Modaraba has provided funds under modaraba arrangements on profit and loss sharing basis to various entities. The profit/loss is to be shared in pre-agreed ratios. Modaraba arrangements are secured against pledge of stocks and personal guarantees.

	2014	2013
	(Rupees)	
10. MUSHARAKA FINANCE		
Musharaka finance - considered good	93,777,447	98,161,363
considered doubtful	24,602,297	24,602,297
	118,379,744	122,763,660
Less: provision for non-performing musharaka arrangements	(24,602,297)	(24,602,297)
	93,777,447	98,161,363

10.1 The Modaraba has provided funds under musharaka arrangements on profit and loss sharing basis. Expected rate of profit ranges between 17.50% and 20.00% (2013: 17.50% and 20.00%) per annum. Musharaka arrangements are secured against property mortgage and personal guarantees.

11. MURABAHA FINANCE - considered good		
Murabaha finance - considered good	395,090,496	627,204,878
- considered doubtful	44,327,865	44,327,865
	439,418,361	671,532,743
Less: provision for non-performing murabaha arrangements	(44,327,865)	(44,327,865)
	395,090,496	627,204,878
Murabaha finance - due after one year	(34,283,128)	(74,206,460)
Current portion of murabaha finance	360,807,368	552,998,418
11.1 Deferred murabaha income		
Deferred murabaha income	31,318,646	47,959,361
Deferred murabaha income - due after one year	(10,968,227)	(10,911,132)
Current portion of deferred murabaha income	20,350,419	37,048,229

11.2 The profit rates on these murabaha arrangements range between 15% and 22% (2013: 11.5% and 20.00%).

12. DIMINISHING MUSHARKA FINANCE - considered good		
Diminishing musharaka finance - gross	475,661,365	508,221,891
Unearned income	(76,223,459)	(81,991,048)
	399,437,906	424,230,843
Diminishing musharaka due after one year	(179,411,703)	(202,556,246)
Current portion of diminishing musharaka	220,026,203	221,674,597

12.1 The profit rates on these diminishing musharaka arrangements range between 9.51% and 21.00% (2013: 9.51% and 21.00%). Diminishing musharaka arrangements are secured by way of Modaraba's title over underlying assets and personal

13. NET INVESTMENT IN FINANCE LEASE

	Note	2014			2013		
		Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
		(Rupees)					
Minimum lease payments receivable		308,784	133,070	441,774	130,142	317,882	448,024
Residual value		253,700	-	253,700	253,700	-	253,700
		562,484	133,070	695,474	383,842	317,882	701,724
Unearned finance income		(184)	-	(184)	(184)	-	(184)
Suspended income	13	(4,013)	-	(4,013)	(4,013)	-	(4,013)
Allowance for non-performing leases	13	(174,612)	-	(174,612)	(174,612)	-	(174,612)
Present value of minimum lease payment		383,595	133,070	516,665	205,033	317,882	522,915

13.1 There are no lease contracts receivable over six years. The Modaraba's implicit rate of return or lease finance ranges between 14.28% and 18.39% per annum (2013: 14.28% and 18.39%). Finance lease arrangements are secured against leased assets and personal guarantees.

	Note	2014	2013
		(Rupees)	
13.2 Suspended income			
Balance at beginning of the year		4,013	2,283
Income suspended during the year		-	1,730
Reversals during the year		-	-
		4,013	4,013

13.3 Allowance for non-performing losses

Opening balance	174,612	182,270
Reversal during the year	-	(7,658)
Closing balance	174,612	174,612

13.3.1 As at 30 June 2014, leases with outstanding principal of Rs. 0.174 million (2013: Rs. 0.174 million) have been classified as non-performing as per the requirements of Prudential Regulations for Modarabas issued by the SECP.

14 IJARAH RENTAL RECEIVABLES

Ijarah rentals receivable - considered good	5,332,526	3,049,215
- considered doubtful	(2,909,175)	(62,475)
	2,423,351	3,110,690
Provision for non-performing ijarah receivables	-	(62,475)
	2,423,351	3,048,215

15. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to:			
- executives	15.1	307,882	809,052
- employees	15.1	591,974	1,560,308
Advances to suppliers		6,028,787	2,529,514
Prepayments		4,358,365	5,938,454
Advance against subscription for shares		1,248,000	-
Others		6,148,519	4,515,268
		18,683,527	15,402,596

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

	Note	2014	2013
		(Rupees)	
16. ACCRUED PROFIT			
Accrued profit on modaraba		1,466,048	4,623,563
Accrued profit on Sukuk Bonds		3,095,703	3,934,510
Accrued profit on bank deposits		484,260	21,728
Accrued profit on musharaka arrangements		2,152,987	652,398
		7,198,998	9,232,199

17. PROPERTY ACQUIRED IN SATISFACTION OF FINANCING FACILITY

This represents residential property acquired by the Modaraba in satisfaction of murabaha finance facility. The assessed market value and forced sale value of the said property amounts to Rs.47.5 million and 38 million respectively.

18. TAXATION

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

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

19. IJARAH ASSETS

	Note		
Equipment		93,420	409,064
Plant and machinery		13,893,746	24,221,542
Motor vehicles		58,376,325	22,737,707
	19.1	72,363,491	47,368,313

19.1 The following is a statement of ijarah assets:

2014

	Cost			Accumulated Depreciation			Book value	
	As at 01 July 2013	Additions/ Deletions	As at 30 June 2014	As at 01 July 2013	Charge for the year	As at 30 June 2014	As at 30 June 2014	Rate of depreciation %
	(Rupees)							
Equipment	709,500	273,000 (258,000)	725,500	291,436	897,542 (126,898)	812,080	93,420	20 - 66
Plant and machinery	46,924,804	-	46,924,804	22,703,262	10,327,796	33,031,168	13,893,746	14 - 33
Motor vehicles	33,853,875	49,439,914 (8,231,972)	74,862,217	10,916,168	6,302,177 (2,722,453)	16,495,892	58,376,325	20 - 50
	81,279,569	49,712,914 (8,489,972)	122,482,651	33,910,866	8,799,718 (2,909,351)	39,129,166	72,363,491	

2013

	Cost			Accumulated Depreciation			Book value	
	As at 01 July 2012	Additions/ Deletions	As at 30 June 2013	As at 01 July 2012	Charge for the year	As at 30 June 2013	As at 30 June 2013	Rate of depreciation %
	(Rupees)							
Equipment	1,232,900	224,700 (747,100)	709,500	599,270	289,764 (597,597)	291,436	409,064	20 - 66
Plant and machinery	82,743,432	48,225 (35,867,753)	46,924,804	43,722,626	10,848,523 (31,867,787)	22,703,362	24,221,542	14 - 33
Motor vehicles	46,721,775	8,046,400 (21,114,300)	33,853,875	9,906,494	10,036,383 (19,026,895)	10,916,168	22,737,707	20 - 50
	130,698,106	8,319,325 (57,729,153)	81,479,809	54,228,390	21,174,670 (51,492,279)	23,910,966	47,368,313	

19.2 Disposal of Ijarah Assets

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

	Cost	Accumulated depreciation	Net Book Value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	(Rupees)						
Vehicles	5,489,500	3,784,608	1,704,892	1,959,933	255,041	As per Modaraba's policy	Mughal Associates Private Limited - Karachi
Vehicles	612,000	182,626	429,374	429,374	-	-do-	Arif Iqbal - Karachi
Vehicles	2,709,000	146,668	2,562,332	2,718,386	165,054	-do-	Muhammad Faisal Ameer - Karachi
Equipment	150,560	54,171	95,829	91,829	-	-do-	Muhammad Shiraz Uddin - Karachi
2014	8,931,500	4,168,373	4,763,427	5,179,522	416,095		

		Note	2014	2013
			(Rupees)	
29.	FIXED ASSETS			
	Tangible assets	29.1	6,532,581	6,209,810
	Intangible assets	29.2	400,809	619,809
			6,933,390	6,829,619

29.1 Tangible Assets

2014

	Cost			Accumulated Depreciation			Book value	
	As at 01 July 2013	Additions/ Deletions	As at 30 June 2014	As at 01 July 2013	Charge for the year	As at 30 June 2014	As at 30 June 2014	Rate of depreciation
	(Rupees)							%
Owned								
Furniture and fixtures	6,223,154	54,580	6,277,734	1,901,797	581,078	2,482,875	3,794,859	10
Office equipment	322,060	-	322,060	62,439	57,562	120,001	202,059	20
Electrical equipment	2,885,449	1,367,150 (350,000)	3,102,599	1,685,459	397,257 (855,000)	1,227,716	1,874,883	20
Motor vehicles	188,074	-	188,074	63,372	32,335	95,707	92,367	20
Computers and accessories	1,783,560	308,552	2,092,112	1,279,420	244,279	1,523,699	568,413	30
	11,202,297	1,730,282 (950,000)	11,982,579	4,992,487	1,312,511 (855,000)	5,443,998	6,532,581	

2013

	Cost			Accumulated Depreciation			Book value	
	As at 01 July 2012	Additions/ Deletions	As at 30 June 2013	As at 01 July 2012	Charge for the year	As at 30 June 2013	As at 30 June 2013	Rate of depreciation
	(Rupees)							%
Owned								
Furniture and fixtures	5,362,575	860,579	6,223,154	1,350,145	551,652	1,901,797	4,321,357	10
Office equipment	35,360	286,700 (15,000)	322,060	22,647	39,792	62,439	259,621	20
Electrical equipment	2,665,949	219,500	2,885,449	1,208,513	476,946	1,685,459	999,990	20
Motor vehicles	4,318,606	92,268 (4,222,800)	188,074	1,724,844	185,113 (1,846,585)	63,372	124,702	20
Computers and accessories	1,661,960	215,600 (94,000)	1,783,560	1,134,481	221,679 (76,680)	1,279,420	504,140	30
	14,236,649	1,288,829 (4,331,800)	11,202,297	5,440,630	1,473,120 (1,923,265)	4,992,487	6,209,810	

29.1.1 Disposal of tangible assets

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

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	(Rupees)						
Electrical equipment	950,000	855,000	95,000	580,000	485,000	Negotiation	AB diesel power
2014	950,000	855,000	95,000	580,000	485,000		

29.2 Intangible assets

2014

	Cost			Accumulated Amortization			Book value	
	As at 01 July 2013	Additions/ Deletions	As at 30 June 2014	As at 01 July 2013	Charge for the year	As at 30 June 2014	As at 30 June 2014	Rate of amortization
	(Rupees)							%
Computer software	1,870,000	-	1,870,000	1,250,191	219,000	1,469,191	400,809	30 - 33

2013

	Cost			Accumulated Amortization			Book value	
	As at 01 July 2012	Additions/ Deletions	As at 30 June 2013	As at 01 July 2012	Charge for the year	As at 30 June 2013	As at 30 June 2013	Rate of amortization
	(Rupees)							%
Computer software	1,220,000	650,000	1,870,000	1,133,407	116,784	1,250,191	619,809	30 - 33

		Note	2014	2013
			(Rupees)	
21.	REDEEMABLE CAPITAL- PARTICIPATORY AND UNSECURED			
	Certificates of Musharaka	21.1	925,490,343	1,151,725,000
	Less: Long Term portion of redeemable capital		(153,985,000)	(42,135,000)
			771,505,343	1,109,590,000

21.1 The estimated share of profit payable on Certificate of Musharaka ranges between 8.75% and 14.75% (2013: 8.25% and 14.75%) per annum. It includes an amount of Rs. 159.425 million (2013: Rs. 62.04 million) due to related parties carries profit at a rate ranging between 9.75% and 11% (2013: 9.75% and 12%).

22. SECURITY DEPOSITS

	2014			2013		
	Finance lease	Ijarah	Total	Finance lease	Ijarah	Total
	(Rupees)			(Rupees)		
Security deposits	253,699	7,882,729	8,136,428	253,699	8,730,079	8,983,778
Less: adjustable after one year	-	2,687,100	2,687,100	-	8,671,431	8,671,431
Current portion of security deposits	253,699	5,195,629	5,449,328	253,699	58,648	312,347

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

		Note	2014	2013
			(Rupees)	
23.	CREDITORS, ACCRUED AND OTHER LIABILITIES			
	Management fee payable	23.1	2,714,955	-
	Sundry creditors		14,778,289	6,531,184
	Accrued expenses		2,431,649	5,077,986
	Accrued financial charges	23.1	17,859,703	22,396,968
	Advance received against Certificates of Musharaka		-	834,148
	Charity payable		363,707	420,347
	Insurance premium received in Advance		4,159,159	-
	Advance ijarah rentals		3,624,712	3,721,670
	Other liabilities		2,837,611	269,712
			47,769,185	39,941,015

23.1 Amounts due to associated undertakings as at 30 June 2014 aggregated to Rs. 5.004 million (2013: Rs. 2.751 million).

24. STAFF RETIREMENT BENEFIT SCHEME

24.1 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 2014 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 basic salary for each year served
Equal to 4 years	0.8 times of basic salary for each year served
5 years or more	Full basic salary for each year served

24.2 Principal actuarial assumptions used:

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

24.3 Significant Actuarial Assumptions

Financial Assumptions		
- Valuation discount rate	13.25%	11.5%
- Expected rate of increase in salaries	10.75%	9.0%
Demographic Assumptions		
Mortality rates (for death in service)	SLIC(2001-05)	EFU(1961-66)
Rates of employee turnover	High	Moderate

		2014	2013
		(Rupees)	
24.4	**Statement of Financial Position**		
	Present value of defined benefit obligation	1,565,644	1,617,016
24.5	**Movement in the defined benefit liability**		
	Balance accrued as at the beginning of the year	1,617,016	1,195,499
	Periodic benefit cost for the year ended	847,850	527,644
	Benefits paid during the year	(1,661,239)	(300,507)
	Amount of remeasurements losses recognised in Other Comprehensive Income during the year	762,017	194,379
	Balance accrued as at the end of the year	1,565,644	1,617,016
24.6	**Defined Benefit Cost for the Year**		
	Cost recognised in Profit and Loss Account for the year		
	Service cost		
	Current service cost	757,414	396,988
	Interest Cost		
	Interest Cost on defined benefit obligation	90,436	227,521
	Cost recognised in Profit & loss for the year	847,850	624,509
	Re-measurements recognised in Other Comprehensive Income during the year		
	Actuarial loss on obligation	762,017	194,379
	Total defined benefit cost recognised in Profit & Loss Account and Other Comprehensive Income	1,609,867	818,888
			2014
24.7	**Remeasurements recognised in Other Comprehensive (Income) / expense during the year**		
	Actuarial gain / (loss) on obligation		
	Loss due to change in financial assumptions		-
	Loss due to change in demographic assumptions		(1,620)
	Loss due to change in experience adjustments		
	- Due to Actual salary increase		240,977
	- Due to other reasons		522,660
			763,637
	Total actuarial loss on obligation		762,017
24.8	**Maturity profile of the defined benefit obligation**		
	Distribution of timing of benefit payments		
	within the next 12 months (next annual reporting period)		295,535
	between 2 and 5 years		828,302
	between 5 and 10 years		706,399
	Beyond 10 years		3,725,651
			5,555,887
24.9	**Sensitivity Analysis on significant actuarial assumptions: Actuarial Liability**		
	Discount Rate +1%		1,471,327
	Discount Rate -1%		1,671,877
	Long Term Salary Increases +1%		1,673,393
	Long Term Salary Increases -1%		1,468,496
	Withdrawals Rates -10%		1,566,818
	Withdrawals Rates +10%		1,562,805
	1 Year Mortality age set back		1,566,160
	1 Year Mortality age set forward		1,565,124

24.10 Based on actuarial advice, the Modaraba estimates a gratuity expense of Rs. 998,918/- during the year ending 30 June 2015.

25. CERTIFICATE CAPITAL

Authorised certificate capital

2014	2013		2014	2013
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
28,274,400	28,274,400		282,744,000	282,744,000

25.1 As at 30 June 2014, the Management Company held 4,141,695 (2013: 4,141,695) certificates whereas KASB Bank Limited held 10,446,767 (2013: 10,446,767) Certificates of the Modaraba.

26. STATUTORY RESERVE

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

27. CONTINGENCIES AND COMMITMENTS

27.1 There were no contingencies and commitments as at 30 June 2014.

	2014	2013
	(Rupees)	
28. INCOME FROM LEASING OPERATIONS		
Finance lease		
Mark-up earned - Motor vehicles	-	18,026
Less:		
Suspension / recovery of income	-	(1,730)
	-	16,296
Ijarah		
Rentals		
Plant and machinery	11,411,863	15,620,407
Motor vehicle	14,529,870	13,318,995
Other	880,218	378,455
Gain on disposal of ijarah assets	407,069	15,749
	27,229,020	29,332,606
Less:		
Direct cost associated with ijarah assets	123,310	70,630
Suspended income	2,852,950	22,500
	(2,976,260)	(93,130)
	24,252,760	29,239,476
	24,252,760	29,255,772
29. Gain / (LOSS) ON SALE OF INVESTMENTS - net		
Listed Shares - Investments 'available-for-sale'	-	(239,774)

	Note	2014	2013
		(Rupees)	
30. FINANCIAL CHARGES			
Profit on short-term finance		-	7,350,307
Profit on Certificates of Musharaka		96,622,244	125,741,681
Bank charges		135,745	81,856
		96,757,989	133,203,744
31. OTHER INCOME			
Gain / (loss) on disposal of fixed assets - net		485,000	261,614
Late payment surcharge		-	1,845,837
Documentation income		478,276	1,221,515
Front end fee		-	176,683
Deferred income on transfer of assets		47,856	47,856
Commission on bank guarantee		-	25,000
Insurance income		3,047,331	1,123,861
Others		4,246,171	70,765
		8,304,634	4,773,134

	Note	2014	2013
		(Rupees)	(Restated)
32. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and benefits	32.1	22,852,654	25,686,841
Utilities		2,522,604	2,373,098
Insurance		2,053,313	2,609,769
Vehicle running and maintenance		2,810,295	1,913,650
Postage		248,712	267,036
Repairs and maintenance		294,965	288,947
Entertainment		665,140	824,410
Printing and stationery		856,810	1,020,385
Traveling and conveyance		230,716	1,039,266
Fee and subscriptions		1,669,120	1,353,887
Auditors' remuneration	32.2	535,500	540,001
Legal and professional charges		2,018,604	6,821,229
Depreciation		1,312,511	1,475,120
Amortization		218,000	116,784
Advertisements		436,815	762,171
Rent, rate and taxes		2,258,609	2,906,947
Generator expenses		162,994	180,623
Newspapers and periodicals		87,687	129,088
CIB charges		23,342	38,959
Donations		-	12,000
Receivables and fixed asset written-off		-	1,705,895
Service charges		32,497	55,302
Security services		396,718	527,436
Training and seminar		121,200	73,250
Outsource expense		2,673,980	-
Others		421,944	2,196,468
		44,904,880	54,802,272

32.1 REMUNERATION TO OFFICERS AND OTHER EMPLOYEES

	2014		2013	
	Officers	Other Employees	Officers	Other Employees
	(Rupees)		(Rupees)	
Managerial remuneration	4,377,234	8,866,863	4,129,913	10,130,993
Medical allowance	437,742	886,731	413,013	986,471
House rent allowance	1,313,174	2,660,073	1,238,948	2,947,192
Utility allowance	437,721	886,688	412,968	980,580
Employee benefits	473,216	1,282,023	551,099	973,935
EOBI contribution	5,760	93,840	4,720	249,480
Bonus	321,589	810,000	271,334	2,404,439
	7,366,436	15,486,218	7,321,895	18,661,811
Number of persons	6	51	6	43

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

		2014	2013
		(Rupees)	
32.2	**Auditors' Remuneration**		
	Annual audit fee	325,000	325,000
	Review of interim financial statements	95,000	95,000
	Out of pocket expenses	115,500	120,001
		535,500	540,001

33. **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.

34. **PROVISION FOR WORKERS' WELFARE FUND**

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

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

	2014	2013
Profit / (loss) for the year (Rupees)	23,994,748	(46,126,001)
Weighted average number of certificates	28,274,400	28,274,400
Earnings / (loss) per certificate -basic and diluted	0.85	(1.63)

36. **FINANCIAL INSTRUMENTS BY CATEGORY**

	2014			
	Loans and receivables	Available for sale	Held to maturity	Total
	(Rupees)			
FINANCIAL ASSETS				
Cash and bank balances	172,123,131	-	-	172,123,131
Investments	-	57,224,203	7,266,507	64,490,710
Murabaha finance	395,090,496	-	-	395,090,496
Modaraba finance	36,235,793	-	-	36,235,793
Musharaka finance	93,777,447	-	-	93,777,447
Diminishing musharaka finance	399,437,906			399,437,906
Net investment in finance lease	516,665	-	-	516,665
Ijarah rental receivable	2,423,351	-	-	2,423,351
Advances and other receivables	8,296,375	-	-	8,296,375
Accrued profit	7,198,998	-	-	7,198,998
Long-term deposits	1,630,300	-	-	1,630,300
	1,116,730,462	57,224,203	7,266,507	1,181,221,172

	2014
	(Rupees)
FINANCIAL LIABILITIES	
Redeemable capital	925,490,343
Security deposits	8,136,428
Creditors, accrued and other liabilities	47,769,185
Unclaimed profit distribution	1,507,401
Deferred liabilities - staff gratuity	1,565,644
	984,569,001

	2013			
	Loans and receivables	Available for sale	Held to maturity	Total
	(Rupees)			
FINANCIAL ASSETS				
Cash and bank balances	175,151,750	-	-	175,151,750
Investments	-	13,000,000	10,494,506	23,494,506
Murabaha finance	627,204,878	-	-	627,204,878
Modareba finance	83,696,118	-	-	83,696,118
Musharaka finance	98,161,363	-	-	98,161,363
Diminishing musharaka finance	424,230,843			424,230,843
Net investment in finance lease	522,915	-	-	522,915
Ijarah rental receivable	3,048,215	-	-	3,048,215
Advances and other receivables	6,884,628	-	-	6,884,628
Accrued profit	9,232,199	-	-	9,232,199
Long term deposits	1,110,300	-	-	1,110,300
	1,429,243,209	13,000,000	10,494,506	1,452,737,715

	2013 (Rupees)
FINANCIAL LIABILITIES	
Redeemable capital	1,151,725,000
Security deposits	8,583,776
Creditors, accrued and other liabilities	38,941,015
Unclaimed profit distribution	1,651,044
Deferred liabilities - staff gratuity	1,314,697
	1,202,415,534

37. FINANCIAL RISK MANAGEMENT

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

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

37.1 Market risk

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

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

37.1.1 Currency risk

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

37.1.2 Profit rate risk

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

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

	2014						
	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	6% - 9.40%	172,123,131	141,643,441	-	-	-	30,479,690
Investments	10.58% - 10.98%	64,490,716	57,224,203	-	1,000,000	6,266,507	-
Murabaha finance	15%-22%	395,090,496	58,238,393	66,823,534	75,437,497	26,979,171	167,611,901
Mudaraba Finance	-	36,235,793	4,500,000	-	4,000,000	-	27,735,793
Musharaka finance	17.50% - 20%	93,777,447	21,351,365	21,137,252	36,151,474	-	13,137,356
Diminishing musharaka finance	9.51% 21%	399,437,906	18,011,992	34,182,805	130,787,632	178,573,295	37,883,082
Net investment in finance lease	14.28%-18.39%	516,665	15,401	30,802	138,609	133,070	198,783
Ijarah rentals receivable	-	2,423,351	-	-	-	-	2,423,351
Advances, prepayments and other receivables	-	8,296,375	-	-	-	-	8,296,375
Accrued profit	-	7,198,998	-	-	-	-	7,198,998
Long term Deposit	-	1,630,300	-	-	-	-	1,630,300
Total		1,181,221,372	300,983,895	121,974,393	249,516,212	211,952,043	296,795,629
Liabilities							
Certificate of musharaka	8.75% - 14.75%	925,420,343	85,450,329	90,580,000	227,635,000	153,985,000	367,840,014
Security deposits	-	8,136,428	-	-	-	-	8,136,428
Creditors, accrued and other liabilities	-	47,769,185	-	-	-	-	47,769,185
Unclaimed profit distribution	-	1,607,401	-	-	-	-	1,607,401
Deferred Liabilities - staff gratuity	-	1,565,644	-	-	-	-	1,565,644
Total		984,569,807	85,450,329	90,580,000	227,635,000	153,985,000	426,918,672
Total yield / profit risk sensitivity gap			215,533,566	31,394,393	21,881,212	57,967,043	
Cumulative yield / profit risk sensitivity gap			215,533,566	246,927,959	268,808,171	326,775,214	

	2013						
	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	6.5% - 9.25%	175,191,750	172,494,118	-	-	-	2,697,632
Investments	10.58% - 10.98%	20,494,506	-	-	3,515,756	7,978,750	13,000,000
Murabaha finance	11.5%-20%	627,204,873	52,668,978	75,841,028	242,240,872	63,296,330	193,157,640
Mudaraba Finance	-	83,890,113	-	57,235,200	19,436,574	-	6,524,341
Musharaka finance	6% - 17.50%	98,161,363	13,652,357	34,082,909	38,096,477	-	12,379,624
Diminishing musharaka finance	9.5 % 21%	424,230,863	21,674,031	39,982,641	135,187,286	201,569,624	25,817,282
Net investment in Ijarah finance	14.28%-18.39%	516,665	15,401	30,802	138,609	317,852	213,921
Ijarah rentals receivable	-	3,048,215	-	-	-	-	3,048,215
Advances, prepayments and other receivables	-	6,884,628	-	-	-	-	6,884,628
Accrued profit	-	9,232,199	-	-	-	-	9,232,199
Long-term Deposit	-	1,110,300	-	-	-	-	1,110,300
Total		1,452,737,215	260,466,585	207,673,579	437,579,603	273,161,585	273,856,362
Liabilities							
Certificate of musharaka	8.25% - 14.75%	1,151,725,000	200,918,916	259,251,084	452,420,000	42,135,000	-
Security deposits	-	8,983,778	-	-	-	-	8,983,778
Creditors, accrued and other liabilities	-	38,941,015	-	-	-	-	38,941,015
Unclaimed profit distribution	-	1,861,044	-	-	-	-	1,861,044
Deferred Liabilities - staff gratuity	-	1,114,697	-	-	-	-	1,114,697
Total		1,202,625,534	200,918,916	259,251,084	452,420,000	42,135,000	50,900,534
Total yield / profit risk sensitivity gap			59,547,669	(48,577,505)	(214,840,397)	231,026,585	
Cumulative yield / profit risk sensitivity gap			59,547,669	10,970,464	(203,869,933)	27,156,653	

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	
	2014	2013
	(Rupees)	
Changes in basis point		
+100	1,605,078	2,858,905
-100	(1,605,078)	(2,858,905)

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. The Modaraba is exposed to price risk in respect of mutual fund units held at year end amounts to Rs. 57.224 million (2013: nil).

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.

Out of the total financial assets of Rs. 1,179,237 million (2013: Rs. 1,452,738 million) the financial assets which are subject to credit risk amounted to Rs. 926,670 million (2013: Rs. 1,452,738 million).

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

	2014	2013
	(Rupees)	
Bank balances		
AAA	29,324,862	18,188
AA	5,883	2,038
A	58,643,318	173,397,565
A-	8,583,247	866
A1+	75,319,919	-
BBB	-	1,670,838
Sukuk Bonds ratings		
Un-rated	7,266,507	10,464,506
Short term investments		
BBB+ (f)	57,224,203	-

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:

	2014		2013	
	Total outstanding amount	Payment overdue (in days)	Total outstanding amount	Payment overdue (in days)
Ijarah rentals receivable	132,639	1 - 75 Days	312,615	1 - 12 Days
Murabaha Finance	22,985,533	1 -87 Days	30,845,739	1 -81 Days
Modaraba Finance	-	-	5,848,937	1 -61 Days
Diminishing Musharaka Finance	2,800,244	1 - 84 Days	21,555,243	1 - 83 Days
Musharaka Finance	1,952,932	1 - 03 Days	1,400,000	1 - 35 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:

	2014				
	OAEM	Substandard	Doubtful	Loss	Total
Net investment in finance lease	-	-	-	174,612	174,612
Ijarah rentals receivable	7,260	1,733,812	-	96,689	1,837,761
Murabaha Finance	42,484,907	-	23,032,535	17,500,000	83,017,442
Musharaka Finance	-	250,000	38,702,297	-	38,952,297
Diminishing Musharaka Finance	21,725,507	6,883,465	263,865	-	28,872,837

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

37.2.5 **Concentration of credit risk**

37.2.5.1 **Net Investment in Finance Lease**

	2014		2013	
	(Rupees)	%	(Rupees)	%
Electrical and engineering	383,595	74.24	174,612	33.39
Paper and board	-	-	-	-
Individuals	133,070	25.76	348,303	66.61
	516,665	100.00	522,915	100.00

37.2.5.2 **Ijarah Assets**

	2014		2013	
	(Rupees)	%	(Rupees)	%
Fuel and energy	13,775,712	19.04	6,603,143	13.94
Food and beverage	810,595	1.12	-	-
Dairy and poultry	4,506,722	6.23	-	-
Financial institutions	2,143,839	2.96	66,316	0.14
Travel and transport	10,185,434	14.08	-	-
Textile	9,351,539	12.92	12,917,339	27.27
Electrical and engineering	7,808,337	10.79	13,443,127	28.38
Paper and board	2,331,244	3.22	-	-
Construction	5,023,567	6.94	7,455,772	15.74
Individuals	1,523,546	2.11	-	-
Others	14,902,956	20.59	6,862,616	14.53
	72,363,491	100.00	47,369,313	100.00

37.2.5.3 For Musharaka, Murabaha, Modaraba and Diminishing Musharaka Finance

	Note	2014 (Rupees)	%	2013 (Rupees)	%
Textile and allied		199,681,338	21.60	264,985,594	21.49
Trading		72,523,019	7.84	97,204,797	7.88
Leather		52,097,331	5.63	54,880,427	4.45
Pharmaceutical and chemicals		39,117,672	4.23	6,490,732	0.53
Food and beverage		7,688,112	0.83	78,026,009	6.33
Construction		86,026,972	9.30	63,568,884	5.16
Fuel and energy		19,993,513	2.16	20,066,119	1.63
Financial institutions		45,062,579	4.87	9,799,732	0.79
Paper and board		19,429,883	2.10	1,527,231	0.12
Sugar and allied		8,170,635	0.88	88,206,945	7.15
Distribution		4,500,000	0.49	11,454,233	0.93
Travel and transport		104,706,853	11.33	157,476,352	12.77
Dairy and poultry		26,809,737	2.90	8,216,384	0.67
Technology and telecommunication		50,574,532	5.47	5,345,309	0.43
Electrical and engineering		46,827,016	5.06	66,943,627	5.43
Steel and allied		59,948,648	6.48	138,410,721	11.22
Others		81,383,800	8.80	160,690,016	13.03
	37.2.5.4	924,541,642	100.00	1,233,293,202	100.00

37.2.5.4 Finance arrangements

	2014	2013
	(Rupees)	
Murabaha finance	395,098,406	827,204,878
Musharaka finance	93,777,447	98,161,363
Diminishing Musharaka finance	399,437,906	424,230,843
Modaraba finance	36,235,793	83,696,118
	924,541,642	1,233,293,202

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.

	2014			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupees			
Liabilities				
Redeemable capital	925,490,343	543,870,343	227,635,000	153,985,000
Security deposits	8,136,428	5,449,328	-	2,687,100
Creditors, accrued and other liabilities	47,769,185	47,769,185	-	-
Unclaimed profit distribution	1,607,401	-	-	1,607,401
Deferred liabilities - staff gratuity	1,565,644	-	-	1,565,644
Total liabilities	984,569,001	597,088,856	227,635,000	159,845,145

	2013			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupees			
Liabilities				
Redeemable capital	1,151,725,000	497,170,000	652,420,000	42,135,000
Security Deposits	8,983,778	312,347	-	8,671,431
Creditors, accrued and other liabilities	38,941,015	38,941,015	-	-
Unclaimed profit distribution	1,651,044	-	-	1,651,044
Deferred liabilities - staff gratuity	1,114,697	-	-	1,114,697
Total liabilities	1,202,415,534	496,423,382	652,420,000	53,572,172

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.

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.

	2014	2013
	(Rupees)	
Total borrowings and deposits	925,490,343	1,151,725,000
Cash and bank balances	(172,123,131)	(175,151,750)
Net debt	753,367,212	976,573,250
Total equity	289,671,804	265,717,188
Total capital	1,043,039,016	1,242,290,438
Gearing ratio	72.2%	78.6%

39. **RELATED PARTIES TRANSACTIONS**

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

39.1 **Transactions during the year**

	2014	2013
	(Rupees)	
Management company		
Modaraba management fee	2,714,955	-
Associated companies		
Income on bank deposits	843	248,928
Financial charges	11,599,569	17,430,187
Rent expense	210,000	391,110
Custodian charges	1,138	3,483
Connectivity Charges	215,995	-
Professional charges	2,673,980	175,000

		2014	2013
		(Rupees)	
	Other related parties		
	Financial charges	726,819	1,518,970
	Income from diminishing musharaka finance	80,957	1,221,924
39.2	**Balances due to / from related parties at the year end**		
	Management company		
	Mudaraba management fee payable	2,714,955	-
	Associated companies		
	Cash and bank balances	29,324,862	1,670,838
	Certificate of Musharaka	153,000,000	53,000,000
	Accrued mark up payable	2,289,369	2,303,671
	Creditors, accrued and other liabilities	447,618	175,000
	Other related parties		
	Certificate of Musharaka	6,425,000	9,040,000
	Accrued mark up payable	217,183	447,600
	Diminishing musharaka finance	-	974,124
	Investments in unlisted shares	-	13,000,000
	Short-term investments	57,224,203	-

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

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

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. GENERAL

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

42. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on 28th October, 2014.

For KASB Invest (Private) Limited
(Management Company)

Chief Executive | Director | Director

PATTERN OF CERTIFICATE HOLDING FORM "34"

SHAREHOLDERS STATISTICS AS AT JUNE 30, 2014

NO. OF CERTIFICATE HOLDERS	CERTIFICATE HOLDING			TOTAL CERTIFICATE HOLDERS
	FROM		TO	
400	1	-	100	17,259
272	101	-	500	71,068
163	501	-	1000	133,212
173	1001	-	5000	392,012
44	5001	-	10000	339,431
14	10001	-	15000	181,635
13	15001	-	20000	221,912
8	20001	-	25000	186,965
5	25001	-	30000	146,345
3	30001	-	35000	95,200
6	35001	-	40000	220,000
1	40001	-	45000	44,500
1	55001	-	60000	56,000
1	60001	-	65000	62,877
1	75001	-	80000	78,500
2	100001	-	105000	201,000
1	105001	-	110000	109,000
1	110001	-	115000	113,100
1	120001	-	125000	122,823
1	125001	-	130000	128,500
1	165001	-	170000	166,320
1	300001	-	305000	304,389
1	325001	-	320000	329,000
2	395001	-	400000	792,245
1	470001	-	475000	470,702
1	500001	-	505000	505,000
1	795001	-	800000	795,980
1	805001	-	810000	809,255
1	2825001	-	2830000	2,827,440
1	3850001	-	3900000	3,851,000
1	4050001	-	4055000	4,054,963
1	10445001	-	10450000	10,446,767
1,124	**Total**			**28,274,400**

PATTERN OF CERTIFICATE HOLDING FORM "34"

SHAREHOLDERS STATISTICS AS AT JUNE 30, 2014

CATAGORIES OF CERTIFICATE HOLDERS	NUMBER	CERTIFICATE HELD	PERCENTAGE
INDIVIDUALS	1,075	3,758,774	13.29%
INVESTMENT COMPANIES	4	1,781	0.01%
INSURANCE COMPANIES	3	796,380	2.82%
JOINT STOCK COMPANIES***	19	8,510,837	30.10%
FINANCIAL INSTITUTIONS*	11	10,864,268	38.42%
LEASING COMPANIES	1	1,246	0.00%
MODARABA COMPANIES	3	36	0.00%
CHARITABLE TRUSTS	3	98,083	0.35%
OTHERS	2	101,300	0.36%
MODARABA MANAGEMENT COMPANIES**	3	4,141,695	14.65%
	1,124	28,274,400	100.00%

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

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

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

CATAGORIES OF CERTIFICATE HOLDERS	NUMBER	CERTIFICATE HELD	PERCENTAGE
Associated Companies			
KASB Bank Limited		10,446,767	36.95%
KASB Corporation Limited		304,389	1.08%
KASB Invest (Private) Limited		4,141,695	14.65%
	3	14,892,851	52.67%
NIT and ICP			
National Bank of Pakistan, Trustee Dept		392,245	1.39%
Investment Corporation of Pakistan		8,002	0.03%
	2	400,247	1.42%
Directors, CEO & their Spouse and Minor Children		-	-
Executives		-	-
Public Sector Companies and Corporations		-	-
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	22	1,315,027	4.65%
Certificate -holders holding five percent or more certificates in the Modaraba			
Al-Hoqani Securities and Investment Corporation	1	4,054,963	14.34%
Sulaiman Ahmed Saeed Al-Hoqani	1	3,851,000	13.62%

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 23rd Annual Review Meeting of the Modaraba's Certificate Holders of KASB Modaraba will be held on Thursday, November 27, 2014 at 4.00 p.m. at Institute Of Chartered Accountants of Pakistan, Near Teen Talwar, Clifton, Karachi to review the performance of Modaraba for the year ended June 30, 2014 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular No. 5/2000 by Registrar Modaraba.

By Order of the Board

Karachi
October 28, 2014

Amir Iqbal
Company Secretary

Notes

1. The Modaraba Certificates transfer book shall remain closed from November 21, 2014 to November 27, 2014 (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 November 20, 2014 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 2014 effective July 1, 2014, 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	10%
b)	Rate of tax deduction for non-filers of income tax returns	15%

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

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ANNUAL REPORT 2014

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