

Modaraba Al-Mali

Managed by:

BankIslami Modaraba Investments Ltd.



BankIslami Modaraba
I n v e s t m e n t s

ANNUAL REPORT 2019



www.modarabaalmali.com

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Mission Statement

The mission statement of the Management Company and Modaraba Al-Mali stems from its commitment to follow the Divine Commandment:

“But Allah hath permitted trade and forbidden usury”

Accordingly, the mandate it has set for itself is to seek investment, raise funds, trade and re-invest in accordance with Islamic principles and continuously endeavor to conduct business in conformity with Sharia to the maximum extent possible in the prevailing secular economic environment, which is not yet fully geared and ready to adopt Islamic financial set-up as a way of life.

Our Vision

Our vision is to become vibrant organization of choice for our customers and investors, contribute in the development of national economy, and maximize profitability for sharing halal profits to our certificate holders and partners. The Management Company is committed to continuous, sustainable and impressive growth in the sphere of its activities.

The cornerstone of investment management philosophy is to grow through consortium effort entering into investment and technical collaboration with interested organizations, sharing common objectives, who would like to invest and grow in Pakistan through their skills and equity. This approach is not a sideline at our organization. It is at the heart of our design for growth and in pursuit of excellence.

CORPORATE INFORMATION

Board of Directors	Mr. Sohail Sikandar	Chairman (appointed as Chairman w.e.f 27-09-2019)
	Ms. Ayesha Ashraf Jangda	Director
	Mr. Farooq Anwar	Director resigned w.e.f 29-07-2019
	Mr. Khurram Jamil	Director
	Mr. Khasif Nisar	Director
	Mr. Rizwan Qamar Lari	Director
	Mr. Muhammad Hamid	Director
	Mr. Mohammad Sadiq Sheikh	Chief Executive Officer
Audit Committee	Mr. Muhammad Hamid	Chairman
	Mr. Khurram Jamil	Member
	Mr. Khasif Nisar	Member
	Mr. Sohail Sikandar	Member
	Mr. Rizwan Qamar Lari	Member
HR & Remuneration Committee	Mr. Muhammad Hamid	Chairman
	Mr. Sohail Sikandar	Member
	Mr. Farooq Anwar	Member resigned w.e.f 29-07-2019
	Mr. Mohammad Sadiq Sheikh	Member
Management Team	Mr. Mohammad Sadiq Sheikh	Chief Executive Officer
	Mr. Rashid Matin Khan	Chief Financial Officer & Company Secretary
Auditors	A.F.Ferguson & Co., Chartered Accountants	
Credit Rating Appraiser	The Pakistan Credit Rating Agency Limited	
Shari'ah Advisor	Mufti Attaullah	
Legal Advisor	Mohsin Tayebaly & Company, Advocate Bawany & Partner	
Bankers & Financiers	BankIslami Pakistan Limited Bank Alfalah Limited Dubai Islamic Bank Ltd. Meezan Bank Limited	
Registrar & Share Registration Office	M/s. JWAFPS Registrar Services (Pvt.) Ltd. 407-408, 4th, Al-Ameera Centre, Shaharah-e-Iraq, Saddar, Karachi.	
Registered Office	10th Floor, Progressive Square, Opposite Nursery, Shahra-e-Faisal, Karachi. Phone: 34547521-25, Fax: 34547526 E-mail: info@modarabaalmali.com URL: http://www.modarabaalmali.com	

CHAIRMAN'S REVIEW REPORT

I feel honored and privileged to present the Annual Report to our valued Certificate Holders on the affairs of Modaraba Al-Mali for the year ended June 30, 2019. Due to the challenging economic situation, the State Bank of Pakistan raised the Discount Rate from 6.5% in June 2018 to 12.25 % by June 2019 resulting in economic slowdown.

During the period under review, the Modaraba has earned profit after tax of Rs 7.964 M. The main reason for depressed profitability was due to the provision of Rs 6.782 M on account of overdue Ijarah rentals. Despite vigorous follow up by the Management the customer did not settle the overdue amount. However, negotiations are in progress for early settlement.

New Chief Executive Officer, Mr. Mohammed Sadiq Sheikh was appointed In January 2019 who is a seasonal professional with experience in Commercial Banking, Leasing and Modaraba. His appointment will strengthen the financial profile of the Modaraba and generate healthy returns for its stakeholders.

The Board of Directors of the Management Company meet at regular intervals to review the performance of the Modaraba aimed to provide Shariah compliant financial products to its customers. The Board also carries out formal process of evaluation of its performance and its sub-committees to assess the effectiveness of the role played by the Board.

I would like to take this opportunity to convey our deep appreciation to the Security and Exchange Commission of Pakistan and Registrar Modaraba for their continued guidance and support.

I would also like to express my acknowledgement to our valued customers, certificate holders and board members as well as the staff of the Modaraba who have built their trust in us to support the growth of Islamic financial system in the Country.

--sd--

Sohail Sikandar
Chairman

Karachi:

Dated: September 27, 2019

DIRECTORS' REPORT

On behalf of the Board of Directors of BankIslami Modaraba Investments Limited we are pleased to present 34th Annual report of Modaraba Al-Mali together with audited accounts for the year ended June 30, 2019.

The Modaraba is engaged in the business of Leasing/ Ijarah, Murabaha, Musharaka Financing, and operation of fuel station.

1. Operating Results

A summary of operating results for the year ended June 30, 2019 is presented as under:

	Rupees in '000'	
	June 30, 2019	June 30, 2018
Total income	36,117	57,661
Ijarah depreciation	(7,087)	(29,126)
Income net of Ijarah depreciation	29,031	28,535
Provision against doubtful Ijarah Rentals	(6,782)	-
Administrative and operating expenses, including expenses on fuel station	(13,469)	(15,827)
	8,780	12,708
Taxation	(815)	(1,114)
Profit for the year after taxation	7,965	11,594
Earnings per certificate – basic & diluted	0.43	0.63

The Modaraba Ordinance, 1980 entitles management Company to charge a fee up to 10% of the profit of Modaraba. However, the Board of Directors has decided to waive the management fee for the year.

2. Profit Distribution

The Directors are pleased to announce cash dividend @ 1.6% i.e. Rs. 0.16 per certificate for the year ended June 2019.

3. Statutory Reserve

As per the Prudential Regulations issued by Securities & Exchange Commission of Pakistan (SECP), Modaraba is required to transfer a minimum 20% and maximum 50% post-tax profit to statutory reserve. The Board of Directors has appropriated 20% towards the statutory reserve.

4. Economic Review

Financial Year 2018-19 proved to be a challenging period for Pakistan's economy, characterized by rising interest rates and rupee devaluation. The Government took corrective measures to rein in worsening twin deficits and the overvalued currency by tightening monetary policy and devaluing the rupee.

In the rising interest rate scenario, demand for fresh financing by small and medium enterprises has reduced considerably. Conventional and Islamic Banks continue to provide medium and long term financing to SME customers and individuals under the State Bank of Pakistan (SBP) concessional schemes for machinery and equipment at competitive rates, thus providing tough competition to modarabas.

5. Operational review

During the period under review, the Modaraba concentrated on its core business of financing and operation of its fuel station. Modaraba has earned after tax profit of Rs. 7.964 mn for the year ended June 30, 2019 as against Rs. 11.594 mn during the corresponding period last year. Reduction in the profit for the year is mainly due to the provision of Rs. 6.782 mn against overdue Ijarah rentals in terms of Prudential Regulations. However, discussions for settlement of overdue rentals with the customers are in progress. Modaraba has kept control on its Administrative and Operating expenses which have reduced by 26.2% to Rs. 7.763 mn as compared to Rs. 10.516 mn during the corresponding period last year.

6. Future prospects

Non-inclusion of Modaraba Sector under the SBP concessional scheme for SMEs is likely to hamper the growth of the Modaraba. However, the management is well abreast of such disadvantages and threats and will focus to adopt innovative measures to book good quality assets through controlled leveraging of its balance sheet.

7. Corporate governance

The Board of Directors systematically designs procedures to ensure sound, transparent and efficient corporate management. The Management Company makes decisions to conduct business activities in an appropriate manner in accordance with the size, industry/sector and relevant laws and regulations.

The Board regularly evaluates performance of the Modaraba by ensuring proper conduct of operations directly and indirectly through Board Committees and CEO.

Modarabas are required to comply with various requirements of the Listed Companies Code of Corporate Governance (CCG) Regulations, 2017 issued by the SECP. The management has taken significant steps in line with the requirements formulating a vision and mission statement, overall corporate strategy, strengthened internal audit function, constituting an Audit Committee and adoption of Charter of Audit Committee.

The statutory auditors are also required to issue their review report over the compliance statement of the best practices, which is published with the financial statements.

The Board of Directors has reviewed the CCG and confirms that:

- Financial statements, prepared by the management, present fairly the state of affairs, the results of its operations, cash flows and change in equity;
- Proper books of account have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes explained in financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable to modarabas in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored; and
- There are no significant doubts upon the modaraba's ability to continue as a going concern.
- Key operating and financial data of last six years is annexed.

8. Pattern of certificate holding

Pattern of certificate holding is annexed to this report.

9. Composition of the Board of Directors

The total number of directors are eight as per the following:

Male : Seven
Female : One

The composition of the Board is as follows:

Independent Director	1. Mr. Muhammad Hamid
Other Non -executive Directors	1. Mr. Farooq Anwar (Chairman) resigned w .e.f 29-07-2019 2. Mr. Rizwan Qamar Lari 3. Mr. Khurram Jamil 4. Mr. Sohail Sikandar (appointed as Chairman w.e. f 27-09-2019) 5. Mr. Kashif Nisar 6. Ms. Ayesha Ashraf Jangda
Executive Director	1. Mr. Mohammad Sadiq Sheikh (Chief Executive Officer)

10. Attendance of Board Meetings

The Board of Directors of the Management Company meets on quarterly basis as required by the Companies Act, 2017. Moreover, the Board meeting can also be convened to approve significant matters including approval of budgets, approval of new policies and procedures and amendments to current policies and procedures. Due communication is made of all

such meetings and their outcome as required by relevant regulatory authorities.

In total, four Board meetings of the Modaraba Company were held during the year.

11.	Audit Committee	No. of Meetings attended	Leave of Absence	Remarks
	Name of Directors			
	Ms. Ayesha Ashraf Jangda	4	--	
	Mr. Rizwan Qamar Lari	1	--	Appointed w.e.f.01-01-2019
	Mr. Muhammad Hamid	3	1	
	Mr. Khurram Jamil	4	1	Appointed w.e.f.13-12-2018
	Mr. RehanShuja Zaidi	1	--	Resigned w.e.f. 30-09-2018
	Mr. SohailSikandar	3	1	
	Mr. Syed Akhtar Ausaf	2	--	Resigned w.e.f.31-10-2018
	Mr.Kashif Nisar	2	--	
	Mr. Farooq Anwar	4	--	Resigned w.e.f. 29-07-2019

The Board has constituted Audit Committee which comprises of the following members.

Name of Member

1.	Mr. Muhammad Hamid	Chairman
2.	Mr. Khurram Jamil	Member
3.	Mr. Kashif Nisar	Member
4.	Mr. Sohail Sikandar	Member
5.	Mr. Rizwan Qamar Lari	Member

12. Human Resource & Remuneration Committee

In compliance with the CCG, the Modaraba has established Human Resource & Remuneration Committee, comprising the following members;

1.	Mr. Muhammad Hamid	Chairman
2.	Mr. Farooq Anwar	Member resigned w.e.f 29-07-2019
3.	Mr. Mohammad Sadiq Sheikh	Member

13. Directors' Remuneration Policy:

The appointment, determination of remuneration and terms & conditions of employment of the CEO have been taken by the Board. The terms of appointment of non-executive directors, other than independent director, have been approved by the Board as they are nominees of BankIslami Pakistan Limited which is the Holding Company of the Management Company. The terms of appointment of independent director is determined by the Management Company and the remuneration is also being paid by the Management Company.

14. Credit Rating

Pakistan Credit Rating Agency (PACRA) has maintained long term entity rating of A- and short term rating of A2, of the Modaraba. These ratings denote a low expectation of credit risk.

15. Adequacy of Internal Financial Controls

The Board of Directors has established an efficient system of Internal financial controls, for ensuring effective and efficient conduct of operations, safeguarding of Modaraba's assets, compliance with applicable laws and regulations and reliable financial reporting. The Board has outsourced the internal audit function to M/s Junaidy Shoaib Asad, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba, whereas the Audit Committee reviews the effectiveness of the internal control framework and financial statements on quarterly basis.

16. Statutory Auditors

The present auditors M/s A. F. Ferguson & Co., Chartered Accountants being due for retirement have offered themselves for reappointment for the year ending June 30, 2020. The directors have approved their appointment subject to approval of the Registrar of Modaraba Companies and Modaraba.

17. Corporate Social Responsibility

The Modaraba is committed to create value for the society in which it operates, the Modaraba has in place, charity and donation policy duly approved by the Board. All payments from charity fund are made after the approval of Shariah Advisor, on recommendation of the CEO or Chairman of the Board of Directors.

18. Acknowledgement

We would like to express our sincere thanks to our certificate holders and business partners for their continued patronage. We also appreciate our employees for their dedication and hard work. Moreover, we would also like to acknowledge the immense support and co-operation provided by SECP to us.

On behalf of the Board

Karachi:
September 27,2019

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Mohammad Sadiq Sheikh
Chief Executive Officer

ڈائریکٹر ز رپورٹ

بینک اسلامی مضاربہ انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب ۳۰ جون ۲۰۱۹ کو اختتام پذیر سال پر ہم مضاربہ المالی کی ۳۳ ویں سالانہ رپورٹ جمع آؤٹ شدہ کھاتے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مضاربہ لیننگ / اجارہ، مراضہ، مشارکہ کی سرمایہ کاری اور فیول اسٹیشن کے آپریشن کے کاروبار میں مصروف رہا۔

۱. آپریشن کے نتائج

۳۰ جون ۲۰۱۹ کو ختم ہونے والے سال پر آپریشن کے نتائج کا خلاصہ درج ذیل ہے:

روپے 000 میں

2018 جون 30	2019 جون 30	
57,661	36,117	کل آمدنی
(29,126)	(7,087)	اجارہ فرسودگی (Depreciation)
28,535	29,031	خالص آمدنی بعد از اجارہ فرسودگی
-	(6,782)	مشکوک کرایہ داری اجارہ کے لیے مختص
(15,827)	(13,469)	انتظامی اور آپریشن کے اخراجات بشمول فیول اسٹیشن کے اخراجات
12,708	8,780	
(1,114)	(815)	محصول
11,594	7,965	سال کا منافع بعد از محصول
0.63	0.43	آمدنی فی سرٹیفیکیٹ - آپریشن کا تسلسل

مضاربہ آرڈیننس ۱۹۸۰ء، منجمنٹ کمپنی کو اس بات کا حق دیتا ہے کہ وہ مضاربہ کے منافع کا ۱۰ فیصد فیس وصول کرے۔ تاہم۔ بورڈ آف ڈائریکٹرز نے فیصلہ کیا ہے کہ وہ اس سال کی فیس چھوڑ دیں۔

۲. منافع کی تقسیم

ڈائریکٹر ز جون ۲۰۱۹ پر اختتام پذیر سال پر ۱۶ فیصد کی شرح یعنی ۱۶ء روپے فی سرٹیفیکیٹ کا نقد منقسمہ منافع (dividend) کا اعلان کرتے ہوئے خوشی محسوس کرتے ہیں۔

۳. دستوری ذخائر

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے جاری کردہ پروڈیمنٹل ریگولیشن برائے مضاربہ کمپنی کے مطابق مضاربہ کمپنی کو اپنے منافع بعد از محصول کا کم سے کم ۲۰ فیصد اور زیادہ سے زیادہ ۵۰ فیصد کو دستوری ذخائر میں منتقل کرنا ہوتا ہے۔ بورڈ آف ڈائریکٹرز نے بعد از منافع کا ۲۰ فیصد دستوری ذخائر کے لیے مختص کر دیا ہے۔

۴. معاشی جائزہ

مالی سال ۲۰۱۸-۲۰۱۹ پاکستان کی معیشت کے لیے ایک کٹھن دور ثابت ہوا جس کی خصوصیت بڑھتے ہوئے سودی نرخ اور روپے کی قدر میں کمی رہی۔ گورنمنٹ نے بدتر ہوتے ہوئے دہرے خسارے کو لگام دینے کے لیے اصلاحی اقدامات کیے اور کرنسی کی بڑھی ہوئی قدر کو مالیاتی پالیسی کی سختی اور روپے کی قدر میں کمی کے ذریعے۔

بڑھتے ہوئے سودی نرخ کے پس منظر میں، چھوٹے اور درمیانی اداروں کی جانب سے سرمایہ کاری کی طلب کافی کم ہو چکی ہے۔ بینک دولت پاکستان کی کنسیشنل (concessional) اسکیم کے تحت روایتی اور اسلامی بینک کی جانب سے ایس ایم ای گاہکوں اور افراد کو مشینوں، آلات کے لیے طویل المدت اور درمیانی مدت کے لیے مسابقتی شرح پر قرضہ کی فراہمی جاری ہے اس طرح سے تمام مضاربہ کو سخت مقابلے کا سامنا ہے۔

۵. آپریشن کا جائزہ

زیر جائزہ مدت کے دوران، مضاربہ نے اپنی توجہ قبول اسٹیشن کی سرمایہ کاری اور آپریشن کے بنیادی کاروبار پر مرکوز رکھی ہے۔ مضاربہ نے ۳۰ جون ۲۰۱۹ کو اختتام پذیر سال میں ۹۶۳ء ملین روپے کا منافع بعد از محصول کمایا جبکہ گذشتہ سال اسی مدت میں اس کی مالیت ۵۹۳ء ملین روپے تھی۔ سال میں منافع میں کمی کی اصل وجہ پروڈیمنٹل ریگولیشن کے تحت زائد المیاد کرایہ داری اجارہ کے لیے ۸۲ء ملین روپے کا مختص کرنا ہے۔ تاہم زائد المیاد کرایہ داری اجارہ کے تصفیے کے لیے گاہکوں سے مذاکرات جاری ہیں۔ مضاربہ نے اپنے انتظامی اور آپریشن کے اخراجات کو قابو میں رکھا جو ۲۶۲ فیصد کمی کے ساتھ ۶۳ء ملین روپے رہے جبکہ اس کے مقابلے میں گذشتہ سال اسی مدت میں اس کی مالیت ۵۱۶ء ملین روپے تھی۔

۶. مستقبل کا منظر نامہ

بینک دولت پاکستان کی ایس ایم ای کے لیے کنسیشنل اسکیم میں مضاربہ شعبے کی عدم شمولیت مضاربہ کی نمو میں رخنہ ڈالے گی۔ تاہم انتظامیہ ان کے نقصانات اور خطرات سے اچھی طرح آگاہ ہے اور وہ اس کی توجہ بہتر معیار کے اثاثہ جات کے حصول کے لیے جدت والے اقدامات اور بیلنس شیٹ کے متوازن نگرانی کے ذریعے سر کرے گا۔

۷. اداراتی نظم و ضبط

بورڈ آف ڈائریکٹرز منظم طور پر ڈیزائن کے طریقہ کار سے مستحکم، شفاف اور موثر اداراتی انتظام کو یقینی بنایا جائے۔ مینجمنٹ کمپنی کاروباری سرگرمیاں کو مناسب طور سے سرانجام دینے کے لیے فیصلہ کرتی ہے جس کی بنیاد سائز، صنعتی شعبہ اور متعلقہ قوانین اور ضوابط کے تحت ہوتی ہے۔

بورڈ باقائدہ طور پر، بلواسطہ اور بلاواسطہ، بورڈ کی کمیٹیوں اور سی ای او کے ذریعے سے کمپنی کی کارکردگی کا جائزہ لیتی ہے تاکہ آپریشن میں رویوں میں بہتری کو یقینی بنایا جاسکے۔

مضاربہ کے لیے لازم ہے کہ وہ ایس ای سی پی کا جاری کردہ لسٹڈ کمپنیز کوڈ آف کارپوریٹ گورننس (CCG) ریگولیشنز ۲۰۱۷ کی متعدد شرائط کی تعمیل کرے۔ انتظامیہ نے ان شرائط کے مطابق مناسب اقدامات لیے ہیں اور اپنا نصب العین (vision) اور مہم حصول مقاصد (mission) کے بیان، مجموعی اداراتی حکمت عملی، اور مستحکم اندرونی آڈٹ فنکشن تیار کیا ہے اور آڈٹ کمیٹی کی تشکیل اور آڈٹ کمیٹی کا منشور بنایا ہے۔

دستوری آڈیٹرز کے لیے لازم ہے کہ بہترین مشقوں (practices) کے تعمیلی بیانات پر اپنی جائزہ رپورٹ جاری کریں جو مالیاتی دستاویزات میں شائع ہوئی ہیں۔

بورڈ آف ڈائریکٹرز CCG کا جائزہ لے چکے ہیں اور اس کی توثیق کر چکے ہیں کہ:

- انتظامیہ کی تیار کردہ مالیاتی دستاویزات اس کے آپریشن کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی مناسب صورت حال پیش کرتی ہیں۔
- مناسب طور پر کاؤنٹس کی کتابوں کو رکھا گیا ہے۔
- مالیاتی دستاویزات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل سے نافذ کیا گیا ہے ماسوائے ان تبدیلیوں کے جن کی وضاحت مالیاتی دستاویزات میں کی گئی ہیں اور اکاؤنٹنگ کے تخمینوں کی بنیاد مناسب اور محتاط اندازے ہیں۔
- بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈز، جو پاکستان میں مضاربہ پر لاگو ہوتے ہیں، ان پر مالیاتی دستاویز کی تیاری میں ان پر عملدرآمد کیا گیا اور اس سے انحراف کو مناسب طور سے ظاہر کیا گیا ہے اور وضاحت کی گئی ہے؛
- اندرونی نگرانی کا نظام مستحکم ہے اور اس کو مؤثر طور پر نافذ کیا جا چکا ہے اور اس کی نگرانی کی جاتی ہے
- مضاربہ کے جاری رہنے والے ادارے کے طور پر اس کی صلاحیت پر خاص شبہات نہیں ہیں؛ اور
- گزشتہ چھ سالوں کا اہم آپریٹنگ اور مالیاتی اعداد و شمار اس رپورٹ کے ساتھ منسلک کیا گیا ہے

۸. سرٹیفیکیٹ رکھنے کا رجحان

سرٹیفیکیٹ رکھے جانے کا رجحان اس رپورٹ کے ساتھ منسلک ہے

۹. بورڈ آف ڈائریکٹرز کی ساخت

بورڈ کے کل ڈائریکٹرز کی تعداد آٹھ ہے جو درج ذیل ہے:

مرد: سات

خاتون: ایک

بورڈ کی ساخت درج ذیل ہے:

آٹا ڈائریکٹر	۱	جناب محمد حامد
دیگر نان ایگزیکٹو ڈائریکٹر	۱	جناب فاروق انور (چیئرمین) (۲۹ جولائی ۲۰۱۹ سے مستعفی ہو گئے)۔
	۲	جناب رضوان قمر لاری
	۳	جناب خرم جمیل
	۴	جناب سہیل سکندر (۲۷ ستمبر ۲۰۱۹ پر چیئرمین منتخب ہوئے)
	۵	جناب کاشف ثار
	۶	محترمہ عائشہ اشرف جانگدا
ایگزیکٹو ڈائریکٹر	۱	جناب محمد صادق شیخ (چیف ایگزیکٹو آفیسر)

۱۰. بورڈ اجلاس کی حاضری

کمپنیز ایکٹ ۲۰۱۷ کے تحت مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز سہ ماہی کی بنیاد پر اجلاس کرتی ہے۔ علاوہ ازیں بورڈ کے اجلاس اہم معاملات کی منظوری بشمول بجٹ کی منظوری، نئی پالیسیوں اور طریقہ کار کی منظوری اور موجودہ پالیسیوں اور طریقہ کار میں ترامیم کی منظوری کے لیے منعقد ہو سکتی ہیں۔ ایسے تمام اجلاس اور ان کے نتائج کی مناسب طور پر متعلقہ انضباطی اتھارٹیز کو اطلاع دی جاتی ہے۔

مجموعی طور پر سال میں مضاربہ کمپنی کے چار اجلاس منعقد ہوئے۔

ڈائریکٹر کے نام	اجلاس میں شرکت کی تعداد	غیر حاضری کی رخصت	تبصرہ
محترمہ عائشہ اشرف جاگنڈا	۴	--	
جناب رضوان قمر لاری	۱	--	۱ جنوری ۲۰۱۹ کو منتخب ہوئے
جناب محمد حامد	۳	۱	
جناب خرم جمیل	۴	۱	۱۳ دسمبر ۲۰۱۸ کو منتخب ہوئے
جناب ریحان شجاع زیدی	۱	--	۳۰ ستمبر ۲۰۱۸ سے مستعفی ہو گئے
جناب سہیل سکندر	۳	۱	
سید اختر اوصاف	۲	--	۱۳ اکتوبر ۲۰۱۸ سے مستعفی ہو گئے
جناب کاشف ثار	۲	--	
جناب فاروق انور	۴	--	۲۹ جولائی ۲۰۱۹ سے مستعفی ہو گئے

سال میں مجموعی طور پر چار مضاربہ کمپنی کے اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی شرکت کی تفصیل درج ذیل ہے۔

۱۱. آڈٹ کمیٹی

بورڈ، آڈٹ کمیٹی کی تشکیل کر چکا ہے جو مندرجہ ذیل ارکان پر مشتمل ہے؛

ارکان کے نام

a.	جناب محمد حامد	چیرمین
b.	جناب خرم جمیل	رکن
c.	جناب کاشف ثار	رکن
d.	جناب سہیل سکندر	رکن
e.	جناب رضوان قمر لاری	رکن

۱۲. انسانی وسائل اور مشاہرہ کی کمیٹی

اداراتی کارکردگی کے ضابطے کی تعمیل کرتے ہوئے بورڈ، انسانی وسائل اور مشاہرہ کمیٹی کی تشکیل کر چکا ہے جو مندرجہ ذیل ارکان پر مشتمل ہے؛

a.	محمد حامد	چیرمین
b.	سید فاروق انور	رکن ۲۹ جولائی ۲۰۱۹ کو مستعفی ہو گئے
c.	جناب محمد صادق شیخ	رکن

۱۳. ڈائریکٹرز کی مشاورت پالیسی

بورڈ، CEO کے انتخاب، مشاورت اور ان کی ملازمت کی شرائط و ضوابط طے کر چکا ہے۔ بورڈ نے نان ایکزیکوٹیو ڈائریکٹر کے انتخاب کی شرائط منظور نہیں کی ہیں کیونکہ وہ بینک اسلامی، جو میمنٹ کمپنی کی ہولڈنگ کمپنی ہے، کے نامزد کردہ ہیں۔ آزاد ڈائریکٹر کے انتخاب کی شرائط کا تعین میمنٹ کمپنی کرتی ہے اور ان کا مشاورت بھی میمنٹ کمپنی کرتی ہے۔

۱۳. کریڈٹ درجہ بندی

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے مضاربہ کی طویل المدت درجہ بندی A- اور قلیل المدت درجہ بندی A2 برقرار رکھی ہے۔ یہ درجہ بندیاں قرضہ سے متعلق کم خطرے کے امکان ظاہر کرتی ہیں۔

۱۴. اندرونی مالیاتی کنٹرول کی موزونیت

بورڈ آف ڈائریکٹرز مالیات کی نگرانی کا ایک کارکردگی میں بہتر (efficient) اندرونی نظام تشکیل کر چکے ہیں تاکہ آپریشنز، مضاربہ کے اثاثہ جات کا تحفظ، قوانین اور ضوابط کے مطابق تعمیل اور معتبر مالیاتی رپورٹنگ کارکردگی میں بہتری (efficient) اور موثر (effective) (سے ہونے کو یقینی بنایا جاسکے۔ بورڈ نے اندرونی احتساب کی کاموں کو میسرز جنیدی شعیب اسد، چارٹرڈ اکاؤنٹینٹ، جن کے بارے میں رائے ہے کہ وہ اس کام کے لیے مناسب طور پر اہل اور تجربہ کار ہیں اور مضاربہ کی پالیسیوں اور طریق کار آگاہ ہیں، جبکہ آڈٹ کمیٹی اندرونی کنٹرول کے ڈھانچے اور مالیاتی دستاویزات کا سہ ماہی کی بنیاد پر ان کے موثر ہونے کا جائزہ لیتی ہے۔

۱۵. آڈیٹرز

موجودہ آڈیٹرز میسرز: اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹ، جن کے انتخاب کی مدت معاہدہ ختم ہو رہی ہے انہوں نے ۳۰ جون ۲۰۲۰ کے اختتام تک اپنے آپ کو دوبارہ انتخاب کے لئے پیش کیا ہے۔ بورڈ ان کے انتخاب کی منظوری دے چکا ہے جو مضاربہ کی کمپنیز اور مضاربہ کے رجسٹرار کی منظوری سے مشروط ہے۔

۱۶. ادا راتی سماجی ذمہ داری

آپ کا مضاربہ جس معاشرے میں کام کرتا ہے اس کی قدر میں اضافہ کرنے کے لیے پرعزم ہے، مضاربہ کی خیراتی اور چندے کی بورڈ سے باضابطہ منظور شدہ پالیسی موجود ہے۔ تمام خیراتی فنڈس ادا کی گئیں، CEO یا بورڈ آف ڈائریکٹرز کی سفارش پر شریعہ مشیر کی منظوری کے بعد کی جاتی ہیں۔

۱۷. اعتراف / ستائش

ہم اپنے سرٹیفکیٹ کنندگان اور کاروباری شرکاء کا ان کی مسلسل سرپرستی پر اپنے مخلصانہ شکریے کا اظہار کرنا چاہتے ہیں۔ ہم اپنے ملازمین کے خلوص اور سخت محنت کو بھی سراہتے ہیں۔ علاوہ ازیں، ہم SECP کی ہمارے لیے نہایت وسیع حمایت اور تعاون کا بھی اعتراف کرتے ہیں۔

بورڈ کی جانب سے

محمد صادق شیخ
چیف ایگزیکوٹیو آفیسر
۲۷ ستمبر ۲۰۱۹ء

Modaraba Al-Mali

KEY OPERATING AND FINANCIAL DATA

Balance Sheet Summary

Year Ended June 30,	2014	2015	2016	2017	2018	2019
EQUITY						
Issued, subscribed and paid up capital	184.24	184.24	184.24	184.24	184.24	184.24
Statutory Reserves	56.58	57.01	58.45	59.75	62.07	63.16
Revenue Reserves and unappropriated profit	(86.88)	(82.48)	(83.15)	(81.62)	(77.84)	(14.10)
Total Equity	153.94	158.77	159.54	162.37	168.47	233.30
LIABILITIES						
Liability against Ijarah finances	-	-	-	-	-	-
Musharak Finance	-	-	7.53	-	-	-
Customer Security Deposit	17.51	12.17	19.11	18.30	10.56	10.40
Others	-	-	-	-	-	-
	17.51	12.17	26.64	18.30	10.56	10.40
Current Liabilities						
Short term Morabaha and Musharika	-	-	4.83	-	-	-
Other Current Liabilities	34.49	34.77	28.32	15.61	16.57	17.36
Total Current Liabilities	34.49	34.77	33.15	15.61	16.57	17.36
Total Liabilities	205.94	205.71	219.33	196.28	195.60	261.06
ASSETS						
Assets Leased Out	34.85	82.18	102.17	53.11	13.89	6.70
Net investment in Ijarah	-	-	-	-	-	-
Assets in Own Use	77.40	73.56	72.33	71.43	70.26	69.33
Long Term Morabaha and Musharika	-	-	-	5.33	10.40	-
Long Term Investment	-	-	-	-	-	-
Other Long Term Assets	7.17	-	-	-	-	81.83
	119.42	155.74	174.50	129.87	94.55	157.86
Current Assets						
Short Term Morabaha and Musharika	-	-	-	2.36	4.57	-
Current maturity of Net investment in Ijarah	3.75	3.75	3.75	3.75	3.75	3.75
Short Term Investment	-	-	-	-	-	-
Other Current Assets	52.95	33.94	35.15	40.71	45.56	50.27
Cash and Bank Balance	29.82	12.28	5.93	19.59	47.17	49.18
Total Current Assts	86.52	49.97	44.83	66.41	101.05	103.20
Total Assets	205.94	205.71	219.33	196.28	195.60	261.06

Income Statement Highlights

Year Ended June 30,	2014	2015	2016	2017	2018	2019
INCOME						
Lease	29.08	26.40	47.33	46.33	34.99	8.50
Musharika and Morabaha	-	-	-	0.25	0.87	-
Capital Gain on Investments	-	-	-	-	-	3.71
Dividend	-	-	-	-	-	-
Certificate of Investment	-	-	-	-	-	-
Maintenance services	56.94	-	-	-	-	-
Other	9.73	13.54	14.85	13.95	21.79	23.90
Total Income	95.75	39.94	62.18	60.53	57.65	36.11
EXPENSES						
Operating	104.21	22.52	18.30	14.78	15.82	13.48
Financial	-	-	1.19	0.25	-	-
Amortization, depreciation	7.87	19.23	38.46	38.24	29.13	7.08
Provision for doubtful receivables	8.05	(6.98)	(1.02)	-	-	(6.78)
Management fee	-	-	-	-	-	-
Profit / (loss) before taxation	(24.38)	5.17	5.26	7.26	12.70	8.77
Taxation	0.34	0.46	0.58	0.74	1.11	0.82
Net profit / (loss)	(24.72)	4.71	4.68	6.52	11.59	7.96
APPROPRIATIONS						
Total Dividend	-	3.68	3.68	3.68	5.15	9.21
Statutory Reserves	-	0.94	0.93	1.30	2.32	1.59

VALUE OF INVESTMENT OF

Provident Fund	12.02
Gratuity Fund	4.20

Note: Above figures are based on respective audited accounts for the year ended June 30, 2017 of the Provident Fund



REPORT OF THE SHARIAH ADVISOR

I have conducted the Shariah review of Modaraba Al-Mali managed by BankIslami Modaraba Investment Limited for the year ended June 30, 2019 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. The Modaraba has introduced a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles;
- ii. To ensure Shariah compliance, Product manual of Diminishing Musharakah has been developed.
- iii. The agreement(s) entered into by the Modaraba are Shariah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
- iv. To the best of my information and according to the explanations given to me, the business transaction undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements as well as the requirement of the prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit regulations for Modarabas.
- v. The earnings that have been realized from the sources or by means prohibited by Shariah have been credited to charity accounts.

Observations:

During review it has been observed that;

- (i) No Shariah related trainings were conducted for employees.
- (ii) During the year, no disbursement was made from Charity account.

Recommendation(s):

Recommendations are as follow;

- (i) Training sessions on Islamic Finance products should be conducted for the staff.
- (ii) The Charity amount to be disbursed before end of December 2019.

Conclusion:

Based on the above mentioned facts I am of the view that the business operations of Modaraba Al-Mali are Shariah compliant up to the best of my knowledge.

Mufti Atta Ullah
Shariah Advisor

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

The Board of Directors (the Board) of BankIslami Modaraba Investments Limited – the Modaraba Management Company (here after referred to as the Company) is responsible for the management of affairs of Modaraba Al-Mali (the Modaraba).

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

1. The total number of directors are Eight as per the following:

- a. Male: Seven
- b. Female: One

2. The composition of board is as follows:

Independent Director	1. Mr. Muhammad Hamid
Other Non-executive Directors	1. Mr. Muhammad Farooq Anwar (Chairman) 2. Mr. Khurram Jamil 3. Mr. Rizwan Qamar Lari 4. Mr. Sohail Sikandar 5. Mr. Kashif Nisar 6. Ms. Ayesha Ashraf Jangda
Executive Director	1. Mr. Mohammad Sadiq Sheikh(Chief Executive Officer)

3. All directors have confirmed that none of them is serving as a director on more than five listed companies, including this Modaraba (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
5. 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.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board / certificate holders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The decision regarding appointment and determination of remuneration and the terms and conditions of employment of the CEO have been taken by the Board. The non-executive directors other than independent director are not being remunerated as they are nominees of BankIslami Pakistan Limited which is the Holding Company of the Management Company. The terms of appointment of independent director is determined by the Company and the remuneration is also being paid by the Company.
9. The Board is in compliance with the requirement of Directors' Training as four Directors' are compliant with this requirement as at June 30, 2019. During the year, two directors have obtained the requisite training.

10. New appointment of Chief Financial Officer (CFO) and Company Secretary was made during the year. As the internal audit function has been outsourced, there is no Head of Internal Audit in the employment of the Modaraba, however a coordinator of the Board Audit Committee has been appointed by the board. The office of Company Secretary and Chief Financial Officer is held by the same person.
11. CFO and Chief Executive Officer duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
 - a) Audit Committee
 - Mr. Muhammad Hamid (Chairman)
 - Mr. Rizwan Qamar Lari (Member)
 - Mr. Sohail Sikandar (Member)
 - Mr. Kashif Nisar (Member)
 - Mr. Khurram Jamil (Member)
 - b) HR and Remuneration Committee
 - Mr. Muhammad Hamid (Chairman)
 - Mr. Farooq Anwar (Member)
 - Mr. Mohammad Sadiq Sheikh (Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
 - a) Audit Committee: Four quarterly meetings during the financial year ended June 30, 2019;
 - b) HR and Remuneration Committee: One meeting during the financial year ended June 30, 2019.
15. The Board has outsourced the internal audit function to M/s Junaidy Shoaib Asad Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
16. 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 and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates 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 ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

Karachi:
September 27, 2019

--sd--
Sohail Sikandar
Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE CERTIFICATE HOLDERS OF MODARABA AL-MALI REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of BankIslami Modaraba Investments Limited, the Modaraba Management Company of Modaraba Al-Mali (the Modaraba) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

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

June 30, 2019.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

S. No.	Paragraph Reference	Description
I.	10	The office of company secretary and chief financial officer is held by the same person.

-- sd --
A.F Ferguson & Co.
Chartered Accountants

Place: Karachi
Date: October 4, 2019

Engagement Partner
Syed Fahim ul Hasan

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Modaraba Al-Mali (Modaraba) as at June 30, 2019 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Modaraba Management Company in respect of Modaraba Al-Mali as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 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 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied except for change in accounting policy as disclosed in note 4 to the financial statements;
 - 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2019 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba Management Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

-- sd --

A.F Ferguson & Co.
Chartered Accountants

Karachi
October 04, 2019

Engagement Parter
Syed Fahim ul Hasan

Modaraba Al-Mali

BALANCE SHEET As at June 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
Current assets			
Cash and bank balances	5	49,182,224	47,176,421
Ijarah finance	6	3,755,007	3,755,007
Murabaha finance	7	-	-
Current portion of Diminishing Musharaka	8	7,662,921	4,576,378
Receivable against Ijarah rentals and maintenance service	9	6,077,340	8,065,119
Advances, deposits, prepayments, other assets and receivables	10	4,280,914	6,879,346
Tax refunds due from government	11	29,386,162	28,049,759
Inventory	12	2,864,170	2,545,969
		103,208,738	101,047,999
Non-current assets			
Long-term portion of Diminishing Musharaka	8	11,232,893	10,401,689
Investment property - at fair value	13	70,604,000	-
Property and equipment under Ijarah arrangements	14	6,706,006	13,898,802
Property and equipment	15	69,334,215	70,261,483
		157,877,114	94,561,974
Total assets		261,085,852	195,609,973
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	16	9,069,136	8,814,904
Current portion of security deposits	17	10,380,738	10,331,841
Unclaimed profit distribution		8,236,300	7,749,769
		27,686,174	26,896,514
Non-current liabilities			
Long term portion of security deposits	17	100,000	234,797
Total liabilities		27,786,174	27,131,311
NET ASSETS		233,299,678	168,478,662
REPRESENTED BY:			
CAPITAL AND RESERVES			
Authorised certificate capital 30,000,000 (June 30, 2018: 30,000,000)			
Modaraba certificates of Rs.10 each	18	300,000,000	300,000,000
Issued, subscribed and paid-up certificate capital	18	184,239,450	184,239,450
Premium on issue of certificates		511,409	511,409
Statutory reserve	19	63,164,012	61,571,075
Accumulated loss		(81,147,423)	(77,843,272)
Surplus on revaluation of investment property	13.1	66,532,230	-
		233,299,678	168,478,662
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes from 1 to 39 form an integral part of these financial statements.

For BankIslami Modaraba Investments Limited (Modaraba Management Company)

Chief Financial Officer
BankIslami Modaraba Investments Limited
Modaraba Management Company

Chief Executive Officer
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Modaraba Al-Mali

PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
Ijarah rentals - net		8,500,406	34,999,970
Income from operation of fuel station	21	11,753,088	11,986,925
Income on deposits with bank		1,900,735	1,236,699
Income on Diminishing Musharaka transactions		2,669,438	872,628
Rental Income	22	6,351,780	5,895,852
Fair value adjustment on investment property	13	3,716,000	-
		<u>34,891,447</u>	<u>54,992,074</u>
Depreciation on assets under Ijarah arrangements	14	(7,086,896)	(29,126,958)
Expenses on fuel station operations	21	(5,528,398)	(5,055,517)
		<u>22,276,153</u>	<u>20,809,599</u>
Other income	23	1,226,000	2,669,671
Provision against doubtful Ijarah rentals	24	(6,782,496)	-
Administrative and operating expenses	25	(7,762,702)	(10,515,594)
		<u>8,956,955</u>	<u>12,963,676</u>
Modaraba Management Company's remuneration	16.3	-	-
Provision for services sales tax on management company's remuneration	16.3	(1,164)	(1,685)
Provision for Workers' Welfare Fund	26	(175,604)	(254,157)
Profit for the year before taxation		<u>8,780,187</u>	<u>12,707,834</u>
Taxation	21 & 27	815,504	1,113,949
Profit for the year after taxation		<u>7,964,683</u>	<u>11,593,885</u>
Other comprehensive income			
Items that will not be reclassified to profit and loss account			
Surplus on revaluation of investment property	13.1	66,532,230	-
Remeasurement of post-employment benefit obligations	10.1.6	(463,924)	(334,066)
Total comprehensive income for the year		<u>74,032,989</u>	<u>11,259,819</u>
Earnings per certificate - basic & diluted	28	<u>0.43</u>	<u>0.63</u>

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Modaraba Al-Mali

CASH FLOW STATEMENT

For the year ended June 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation		8,780,187	12,707,834
Adjustments for non-cash charges and other items:			
Depreciation on assets under Ijarah arrangements		7,086,896	29,126,958
Depreciation on fixed assets in own use		663,468	1,200,169
Provision against doubtful Ijarah rentals		6,782,496	-
Provision for Workers' Welfare Fund		175,604	254,157
Gain on disposal of Ijarah assets		-	(335,638)
Gain on disposal of fixed assets in own use		(1,226,000)	-
Gain on revaluation on Investment property		(3,716,000)	-
		9,766,464	30,245,646
		18,546,651	42,953,480
(Increase) / decrease in assets			
Receivable against Ijarah rentals and maintenance service		(4,794,717)	(2,004,932)
Advances, deposits, prepayments and other receivables		2,134,508	(240,299)
Inventory		(318,201)	(1,508,523)
		(2,978,410)	(3,753,754)
Increase / (decrease) in current liabilities			
Creditors, accrued and other liabilities		78,628	281,423
Security deposits		(85,900)	(7,747,524)
		(7,272)	(7,466,101)
Cash generated from operations		15,560,969	31,733,625
Income taxes paid		(2,151,907)	(2,539,656)
Net cash generated from operating activities		13,409,062	29,193,969
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets in own use		(91,970)	(26,800)
Proceeds from disposal of fixed assets in own use		1,226,000	-
Disposal of assets under Ijarah arrangements		105,900	10,424,779
Diminishing Musharaka		(3,917,747)	(7,284,951)
Net cash (used in) / generated from investing activities		(2,677,817)	3,113,028
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to certificate holders		(8,725,442)	(4,721,609)
Net cash used in financing activities		(8,725,442)	(4,721,609)
Net increase in cash and cash equivalents		2,005,803	27,585,388
Cash and cash equivalents at beginning of the year		47,176,421	19,591,033
Cash and cash equivalents at end of the year	5	49,182,224	47,176,421

The annexed notes from 1 to 39 form an integral part of these financial statements.

For BankIslami Modaraba Investments Limited (Modaraba Management Company)

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Modaraba Management Company

Modaraba Al-Mali

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2019

	Paid-up certificate capital	Premium on issue of certificates	Statutory reserve	Accumulated loss	Total reserves	Surplus on revaluation of investment property	Total
	Rupees						
Balance as at July 1, 2017	184,239,450	511,409	59,252,298	(81,625,609)	(21,861,902)	-	162,377,548
Final cash dividend of Re. 0.28 per certificate for the year ended June 30, 2017	-	-	-	(5,158,705)	(5,158,705)	-	(5,158,705)
Profit for the year ended June 30, 2018	-	-	-	11,593,885	11,593,885	-	11,593,885
Other comprehensive loss for the year ended June 30, 2018	-	-	-	(334,066)	(334,066)	-	(334,066)
Transfer to statutory reserve	-	-	2,318,777	(2,318,777)	-	-	-
Balance as at June 30, 2018	184,239,450	511,409	61,571,075	(77,843,272)	(15,760,788)	-	168,478,662
Final cash dividend of Re. 0.5 per certificate for the year ended June 30, 2018	-	-	-	(9,211,973)	(9,211,973)	-	(9,211,973)
Profit for the year ended June 30, 2019	-	-	-	7,964,683	7,964,683	-	7,964,683
Other comprehensive income for the year ended June 30, 2019	-	-	-	(463,924)	(463,924)	66,532,230	66,068,306
Transfer to statutory reserve	-	-	1,592,937	(1,592,937)	-	-	-
Balance as at June 30, 2019	184,239,450	511,409	63,164,012	(81,147,423)	(17,472,002)	66,532,230	233,299,678

* profit for the year includes an amount of Rs. 3,716,000 in respect of unrealised gain on investment property which is not distributable in terms of section 240 of the Companies Act, 2017.

The annexed notes from 1 to 39 form an integral part of these financial statements.

For BankIslami Modaraba Investments Limited (Modaraba Management Company)

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Modaraba Management Company

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

Modaraba Al-Mali (the "Modaraba") is a multipurpose and perpetual Modaraba floated in Pakistan on July 8, 1987 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 ("Modaraba Ordinance, 1980"), and Modaraba Companies and Modaraba Rules, 1981 (Modaraba Rules, 1981) and is managed by BankIslami Modaraba Investments Limited (the "Management Company"), a company registered under the repealed Companies Ordinance, 1984 now Companies Act, 2017. The management company is a wholly owned subsidiary of BankIslami Pakistan Limited. The Modaraba is listed on the Pakistan Stock Exchange Limited. The registered office of the management company is situated at 10th Floor, Progressive Square, Shahra-e-Faisal, Karachi, in the province of Sindh.

The Modaraba is engaged in the business of Leasing / Ijarah, Murabaha, Musharaka Financing, operation of petrol and diesel filling / service station.

Pakistan Credit Rating Agency (PACRA) has maintained long term entity rating of BBB+ and short term rating of A2, of the Modaraba.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981;
- Provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, IFASs, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the SECP differ from the Companies Act and IFRS Standards, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, IFASs, Modaraba Companies and Modaraba Rules, 1981, or the provisions of and directives issued by the SECP under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 have been followed.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for investment property which has been carried at fair value and staff retirement benefits which have been carried at present value of defined benefit obligations.

2.3 Functional and presentation currency

These financial statements have been presented in Pak Rupee, which is the functional and presentation currency of the Modaraba.

2.4 "Applicability of International Accounting Standard (IAS) 17 'Leases' and Islamic Financial Accounting Standard (IFAS) 2 'Ijarah'"

2.4.1 SECP vide its circular No. 10 of 2004 dated February 13, 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on modarabas with effect from July 1, 2003 and advised the management companies of modarabas that they may continue to prepare the financial statements of modarabas without applying the requirements of IAS 17. However, the requirements of IAS 17 were considered for the purpose of leasing transactions (net investment in finance lease, assets given on finance lease, liabilities against assets subject to finance lease, and assets obtained on finance lease entered into by the Modaraba upto 30 June 2008. Currently, lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained in note 3.4.2.

2.4.2 Islamic Financial Accounting Standard (IFAS) 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the SECP vide SRO 431(1)/ 2007 dated May 22, 2007. Under IFAS 2, the Ijarah transactions are accounted for in the following manner:

- Muji'ir (lessor) presents assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognised as expense.
- Ijarah income is recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

SECP, vide its letter No. SC/ M/ RW/ SCM /2009 dated March 9, 2009, allowed that in case of Modarabas, IFAS 2 shall be applied for Ijarah transactions executed on or after July 1, 2008. Accordingly, the Modaraba has accounted for leasing transactions executed before July 01, 2008 as finance leases and has treated the leasing transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS 2.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the

Modaraba's accounting policies. The management makes estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on going basis.

The areas where various assumptions and estimates are significant to Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) estimates of residual values, useful lives and depreciation methods of fixed assets in own use and Ijarah assets;
- ii) estimates used to determine fair market values of the investment property including nature, location and condition of the investment property;
- iii) provision against non-performing leasing / Ijarah portfolio, trade debts and other receivables; and
- iv) provision for staff retirement benefits.

2.6 "Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year:"

- IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

There were certain new amendments to the accounting and reporting standards which became effective during the year ended June 30, 2019 but are considered not to be relevant or do not have any significant effect on the Modaraba's financial statements and are, therefore, not disclosed in these financial statements.

2.7 "Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective"

The following are the new standards, amendments to existing accounting and reporting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2019 that are expected to have an impact on the financial statements of the Modaraba.

- IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases. This standard will be effective for the Modaraba for its period beginning on 1 July 2019. However, the same is not expected to have any impact since the requirements of IFAS 2 will override this standard.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks in current accounts and in profit and loss sharing accounts, as well as balance held with the State Bank of Pakistan (SBP) and stamp papers.

3.2 Ijarah Finance - prior to July 1, 2008

Lease transactions entered into by the Modaraba prior to July 1, 2008 are accounted for as finance leases whereby assets under Ijarah arrangements are presented as receivables at an amount equal to the present value of the minimum Ijarah payments, including estimated residual value, if any. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the Ijarah and is amortised over the term of the Ijarah so as to produce a constant rate of return on net investment in Ijarah. Allowances for non-performing leases are made in accordance with the Prudential Regulations for Modarabas.

3.3 Lease rentals - assets under Ijarah arrangements - after July 1, 2008

Assets given under Ijarah arrangements after July 1, 2008 are treated as assets given under operating lease arrangements. Lease rentals are credited to profit and loss account on an accrual basis.

3.4 Property and equipment

3.4.1 Owned

Operating assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to 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 after taking into account residual value, if any. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of use.

Depreciation method, useful lives and residual values are reassessed at least at each balance sheet date and changes, if any, are recognised prospectively.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account currently.

3.4.2 Under Ijarah arrangements

Modaraba adopted Islamic Financial Accounting Standard 2-Ijarah during the year ended June 30, 2009 for all Ijarah contracts commencing on or after July 1, 2008. The assets subject to Ijarah commencing on or after July 1, 2008 are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged on these assets using straight line method whereby the cost of an asset less salvage value is written off over the period of the Ijarah, which is considered to be the estimated useful life of the asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the corresponding assets and are included in the profit and loss account, in the period in which these arise.

3.4.3 Impairment

The Modaraba assesses at each balance sheet date whether there is any indication that non-financial assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

3.5 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs.

Subsequent to initial recognition, investment property whose fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value, at each reporting date. The changes in fair value are recognised in the profit and loss account. Any other investment property (whose fair value cannot be measured reliably without undue cost or effort) is measured at cost less accumulated depreciation and any impairment loss.

The fair value of investment property after initial recognition / transfer is determined at the end of each year using current market prices for comparable real estate, adjusted for any differences in nature, location and condition.

3.6 Murabaha transactions

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as 'advance for Murabaha'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the reporting date are recorded as inventories.

3.7 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. Bad debts are written off when identified.

3.8 Inventory

3.8.1 Stores and consumables

These are valued at the moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

3.8.2 Fuel and lubricants

Fuel and lubricants are valued at the lower of moving average cost and net realisable value. Cost comprises of invoice value and other charges e.g. freight, franchise fee, excise duty and GST etc.

3.9 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 can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.10 Trade and other payables

Liabilities for trade and other amounts payable are recognised and carried at cost which is the fair value of the consideration to be paid in future.

3.11 Revenue recognition

3.11.1 Ijarah income / operating lease income

The Modaraba follows the finance method for recognising income on Ijarah contracts commencing prior to 30 June 2008 and accounted for as finance leases. Under this method, the unearned income i.e. the excess of aggregate Ijarah rentals (including residual value) over the cost of the asset under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah.

For Ijarah arrangements commencing on or after July 1, 2008, Ijarah rentals are recognised as income on an accrual basis, as and when rentals become due on a systematic basis over the lease and Ijarah period.

Documentation charges, front-end fee and other Ijarah income are recognised as income on receipt basis. Unrealised lease income pertaining to non-performing leases is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations.

Leases in which a significant portion of the risk and reward is retained by the Modaraba are classified as operating lease. Rental income from operating leases is recognised on straight line on a time proportion basis (i.e. on an accrual basis).

3.11.2 Income on sukuk securities and bank deposits

Income on these assets is recognised on a time proportion basis under the effective yield method.

3.11.3 Murabaha and Musharaka Finances

Profit from Musharaka transactions is recognised on the basis of pro rata accrual of the profit estimated for the transaction over the period.

Profit from Murabaha Finance is accounted for on culmination of Murabaha transaction. However, the profit on that portion of Murabaha Finance not due for payment is deferred by accounting for "Deferred Murabaha Income" with a corresponding credit to "Unearned Murabaha Income" which is recorded as a liability. The same is then recognised on a time proportion basis.

3.11.4 Rental income

Rental income from investment property that is leased to a third party under an operating lease is recognised in the profit and loss account on a straight-line basis over the lease term.

3.11.5 Dividend income

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

3.11.6 Gains and losses on sale of investments

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

3.11.7 Income from maintenance services

Income from maintenance services is recognised on an accrual basis.

3.11.8 Income from operation of fuel station

Income from sale of oil and lubricants is recognised when the product is delivered.

3.11.9 Unrealised income on non-performing assets

Unrealised income is suspended, where necessary, on non-performing assets (including non-performing net investment in Ijarah and Murabaha and Musharaka Finances), in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP. Unrealised suspense income is recognised in profit and loss account on receipt basis.

3.11.10 Income from Diminishing Musharaka

Profit on Diminishing Musharaka financing is recognised on an accrual basis.

3.12 Financial Instruments - Initial recognition and subsequent measurement Initial Recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortised cost or cost as the case may be.

Classification of financial assets

The IFRS 9 has replaced current categories of financial assets (Held For Trading (HFT), Available For Sale (AFS), loans and receivables and Held-To-Maturity).By the following classifications of financial assets:

- 1) Debt instruments at amortised cost
- 2) Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit and loss account on derecognition
- 3) Equity instruments at FVOCI, with no recycling of gains or losses to profit and loss account on derecognition
- 4) Financial assets at fair value through profit or loss

The accounting for financial liabilities remains largely the same as it was under IAS 39.

Under IFRS 9, the classification is based on true criteria, a) the entity's business model for managing the assets; and b) whether the instruments' contractual cashflows represent 'solely payments of principal and profit' on the principal amount outstanding. The assessment of the Modaraba's business model was made as at the date of initial application i.e. July 01, 2018, and then applied retrospectively to those financial assets that were not derecognised before July 01, 2018.

As a result of adoption of IFRS 9, there is no impact on the classification of the Modaraba's assets since the assets of the Modaraba were principally carried at amortised cost under IAS 39 and have also been carried at amortised cost under IFRS 9.

Classification of financial liabilities

The Modaraba classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"), or
- at amortised cost.

'Financial liabilities are measured at amortised cost, unless they are required to be 'measured at FVTPL (such as instruments held for trading or derivatives) or the Moadraba has opted to measure them at FVTPL.

Subsequent measurement

i) Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognised at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income / (loss).

ii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income and expenditure statement. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the profit and loss account in the period in which they arise.

Impairment of financial asset

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it no longer necessary for a credit event to have occurred before credit losses are recognised.

However, NBFI & Modaraba Association of Pakistan, based on the clarification of the SECP, have informed all its members that the provisioning criteria will remain the same as defined under the Modaraba Floatation and Control Ordinance, 1980 and Rules & Regulations framed therein. Accordingly, the Modaraba has maintained provision against financing assets in accordance with relevant laws applicable to Modaraba.

Furthermore, the management has made an assessment of impairment under expected credit loss model of IFRS 9 for financial assets other than financing assets i.e. balances with banks and other financial assets, and concluded that impact is not material to the financial statements.

Derecognition

i) Financial assets

The Modaraba derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised as gain / (loss). In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit and loss account. In contrast, on derecognition of an investment in equity instrument which the Modaraba has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit and loss account, but is transferred to statement of changes in equity.

ii) Financial liabilities

The Modaraba derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the profit and loss account.

Financial assets - policy upto June 30, 2018

Receivable from customers and other receivables were recognised initially at fair value plus directly attributable costs, if any and subsequently, at amortised cost less impairment, if any. A provision for impairment of receivable from customers and other receivables was established when there was an objective evidence that the Modaraba will not be able to collect all amounts due according to terms of receivables. Receivable from customers and other receivables considered irrecoverable were written off.

Off-setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Modaraba intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

3.13 Staff retirement benefits

3.13.1 Defined benefit plan - staff gratuity

The Modaraba participates in an approved group funded gratuity scheme for all its permanent employees, who have completed minimum qualifying period of service. The

group comprises of BankIslami Modaraba Investments Limited and Modaraba Al-Mali. Consolidated fund is being maintained for the employees of the group. Contributions to the fund are made on the basis of actuarial recommendation normally carried out on a yearly basis. The latest valuation was carried out as at June 30, 2019 under the 'Projected Unit Credit Actuarial Cost Method'.

Re-measurements, comprising of actuarial gains and losses, excluding net mark-up and the return on plan assets (excluding net mark-up), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Net mark-up is calculated by applying the discount rate to the net defined benefit liability or asset. The Modaraba recognises service costs comprising current service costs, past-service costs, and net mark-up expense or income in the profit and loss account.

3.13.2 Defined contribution plan - staff provident fund

The Modaraba contributes to an approved group provident fund scheme covering all its employees who are eligible under the scheme. Equal monthly contributions are made by Modaraba and the employees to the fund at 8.33% of the basic salary.

3.13.3 Staff compensated absences

The Modaraba also makes provision in the financial statements for its liability towards compensated absences based on the leaves accumulated up to the balance sheet date in accordance with the service rules.

3.14 Taxation

3.14.1 Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. The income of non-trading Modarabas is exempt from tax provided that not less than 90% of their profits for the year as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders. The Modaraba intends to continue availing the tax exemption by distributing at least 90% of its profits to the certificate holders each year. Currently, the income of Modaraba from trading activities (from fuel station) is covered under presumptive tax regime. For items covered under presumptive tax regime, any charge is recognised according to the presumptive tax rates provided in the Income Tax Ordinance, 2001.

3.14.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases and carrying amounts of assets and liabilities appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable profits will be available against which the temporary differences can be

utilised. Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

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

3.15 Segment information

As per IFRS 8: "Operating Segments", segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a multiple operating segments. The Modaraba's asset allocation decisions are based on an integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

3.16 "Proposed profit distribution to certificate holders and transfers between reserves"

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.17 Earnings per certificate

The Modaraba presents basic and diluted earnings per certificate data for its certificate holders. Basic earnings per certificate is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to certificate holders and the weighted average number of certificates outstanding for the effects of all dilutive potential certificates.

4. CHANGE IN ACCOUNTING POLICIES

i) IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after July 01, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Modaraba has applied IFRS 9, with the initial application date of July 01, 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

Upon adoption of IFRS 9, the Modaraba has followed modified retrospective approach and has not restated the comparative information.

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Classifications and remeasurement

On 1 July 2018 (the date of initial application of IFRS 9), the Modaraba's management has assessed which business models apply to the financial assets held by the Modaraba and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from these reclassifications and adjustments are as follows:

Financial assets	Loans and receivable	Amortised cost
July 1, 2018	← Rupees →	
Closing balance		
June 30, 2018 - IAS 39		
Cash and bank balances	49,182,224	(49,182,224)
Ijarah Finance	3,755,007	(3,755,007)
Receivable against Ijarah rentals and maintenance service	6,077,340	(6,077,340)
Advances, deposits and other Receivables	4,280,914	(4,280,914)
Diminishing Musharaka	18,895,814	(18,895,814)
	<u>23,176,728</u>	<u>(23,176,728)</u>
Opening balance		
July 1, 2018 - IFRS 9	<u>23,176,728</u>	<u>(23,176,728)</u>

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Modaraba's financial assets and liabilities as at July 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original amount under IAS 39 Rupees	New carrying amount under IFRS9 Rupees
Loans and receivables				
Cash and bank balances	Loans and receivables	Amortised cost	49,231,723	49,231,723
Ijarah Finance	Loans and receivables	Amortised cost	3,755,007	3,755,007
Receivable against Ijarah rentals and maintenance service	Loans and receivables	Amortised cost	3,111	3,111
Advances, deposits and other Receivables	Loans and receivables	Amortised cost	4,280,914	4,280,914
Diminishing Musharaka	Loans and receivables	Amortised cost	18,895,814	18,895,814
Financial liabilities				
Creditors accrued and other liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost	9,063,706	5,979,678
Security deposits - Ijarah	Financial liabilities at amortised cost	Financial liabilities at amortised cost	10,480,738	2,511,994
Unclaimed profit distribution	Financial liabilities at amortised cost	Financial liabilities at amortised cost	8,236,300	620,910

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There is no impact on the Modaraba's statement of changes in fund balance as a result of the above changes.

	Note	2019 Rupees	2018 Rupees
5. CASH AND BANK BALANCES			
Balances with banks in:			
- profit and loss sharing accounts	5.1 & 5.2	47,049,411	45,187,636
- current accounts	5.1	1,607,040	1,115,682
		48,656,451	46,303,318
Balances with State Bank of Pakistan		16,374	9,092
		48,672,825	46,312,410
Cash in hand		509,149	858,511
Stamp paper		250	5,500
		49,182,224	47,176,421
5.1	Balances with banks include an amount of Rs. 45.17 million (2018: Rs. 29.50 million) held with BankIslami Pakistan Limited, (parent company of the Modaraba Management Company).		
5.2	These carry profit rates ranging from 6.72% to 10.5% (2018: 1.73% to 4.08%) per annum.		
6. IJARAH FINANCE	Note	2019 Rupees	2018 Rupees
Ijarah contracts commencing up to June 30, 2008 - accounted for as finance leases			
Minimum lease payments due		40,480,939	40,480,939
Residual value of leased assets		3,755,007	3,755,007
Total receivable		44,235,946	44,235,946
Suspended lease income		(7,491,364)	(7,491,364)
Provision for impairment against potential Ijarah losses	6.1 & 24	(32,989,575)	(32,989,575)
		(40,480,939)	(40,480,939)
		3,755,007	3,755,007
6.1	These Ijarah finances are fully provided and the remaining amount represents amount of security deposit to be adjusted at the time of settlement with the defaulted parties. Since the finance is non-performing, no income is accrued on it in accordance with the Prudential Regulations for Modarabas.		

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	Note	2019 Rupees	2018 Rupees
7. MURABAHA FINANCE			
Considered doubtful	7.1	2,517,068	2,517,068
Provision for impairment loss against doubtful recoveries	24	<u>(2,517,068)</u>	<u>(2,517,068)</u>
		<u>-</u>	<u>-</u>
7.1	These represent amounts receivable against Murabaha transactions i.e. sale of goods on deferred payment basis at a specified profit margin ranging from 10% to 24% per annum. Since the finance is non-performing, no income is accrued on it in accordance with the Prudential Regulations for Modarabas.		
8. DIMINISHING MUSHARAKA		2019 Rupees	2018 Rupees
Musharaka Finance		18,895,814	14,978,067
Less: Current portion of Diminishing Musharaka		<u>(7,662,921)</u>	<u>(4,576,378)</u>
Long term portion of Diminishing Musharaka		<u><u>11,232,893</u></u>	<u><u>10,401,689</u></u>
9. RECEIVABLE AGAINST IJARAH RENTALS AND MAINTENANCE SERVICE		2019 Rupees	2018 Rupees
Considered good			
- Ijarah rentals receivable		6,077,340	8,065,119
Considered doubtful			
- Ijarah rentals receivable		6,782,496	-
- Maintenance fee	9.1	4,275,537	4,275,537
- Ijarah lease rentals of tower and allied equipments		<u>10,194,320</u>	<u>10,194,320</u>
		<u>27,329,693</u>	<u>22,534,976</u>
Less: Provision against potential Ijarah losses	24	<u><u>(21,252,353)</u></u>	<u><u>(14,469,857)</u></u>
		<u><u>6,077,340</u></u>	<u><u>8,065,119</u></u>

9.1 This relates to discontinued operations.

9.2 Minimum future Ijarah rentals from assets under IFAS-2

	2019	
	Rupees	
	Due within one year	Due after one year but within five years
Minimum Ijarah payments receivable	144,866	-
	Total	144,866

	2018	
	Rupees	
	Due within one year	Due after one year but within five years
Minimum Ijarah payments receivable	8,177,190	142,404
	Total	8,319,594

10. ADVANCES, DEPOSITS, PREPAYMENTS, OTHER ASSETS AND RECEIVABLES

Considered Good

Advances

- to suppliers	35,945	145,196
- to employees against salary	-	72,625
Advance against Diminshing Musharaka	-	2,949,999
Prepayments	421,180	424,018
Defined benefit plan - staff gratuity	1,392,775	1,531,304
Other deposits	43,899	43,899
	1,893,799	5,167,041

Other receivables

- Receivable from BankIslami Pakistan Limited - Related Party	742,824	420,843
- Others	1,644,291	1,291,462
	2,387,115	1,712,305

Considered doubtful

Other receivables

- Terminated leases	6,242,260	6,242,260
- Miscellaneous amount recoverable from the lessees	1,188,872	1,188,872
- Dividend receivable	16,275	16,275
- Receivable from brokers	22,422	22,422
- Receivable against sale of fuel	355,102	355,102
- Others	228,732	228,732
	8,053,663	8,053,663

Provision for impairment loss against doubtful recoveries

24	(8,053,663)	(8,053,663)
	4,280,914	6,879,346

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		2019 Rupees	2018 Rupees
10.1	Defined benefit asset - staff gratuity		
10.1.1	Present value of defined benefit obligation and assets of the fund		
	Present value of defined benefit obligation	1,558,945	2,897,732
	Fair value of plan assets	(2,951,720)	(4,429,036)
	Net defined benefit asset recognised in the balance sheet	<u>(1,392,775)</u>	<u>(1,531,304)</u>
		2019 Rupees	2018 Rupees
10.1.2	Movement in net defined benefit asset during the year		
	Opening net defined benefit asset	(1,531,304)	(1,865,370)
	Expense recognised in profit and loss account	(288,925)	26,746
	Contributions made during the year	(36,470)	(26,746)
	Remeasurement loss recognised in other comprehensive income	463,924	334,066
	Closing net defined benefit asset	<u>(1,392,775)</u>	<u>(1,531,304)</u>
10.1.3	Following amounts have been charged to the profit and loss account during the current year in respect of this scheme:		
	Note	2019 Rupees	2018 Rupees
	Current service cost	10.1.4 182,474	191,827
	Mark-up cost	10.1.4 296,997	225,693
	Gain due to settlement	(325,395)	-
	Expected return on plan assets	10.1.5 (443,001)	(390,774)
		<u>(288,925)</u>	<u>26,746</u>
	Actual return on plan assets	10.1.6 79,712	177,262

The above charges include Rs.6,564 (2018: Rs. 2,102) in respect of employees of fuel station operation.

	2019 Rupees	2018 Rupees
10.1.4 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at beginning of the year	2,897,732	2,359,658
Current service cost	182,474	191,827
Mark-up cost	296,997	225,693
Benefits paid	(1,593,498)	-
(Gain) / loss due to settlement	(325,395)	-
Remeasurement loss / (gain) for the year	100,635	120,554
Present value of defined benefit obligation at the end of the year	<u>1,558,945</u>	<u>2,897,732</u>
10.1.5 Movement in the fair value of plan assets		
Fair value of plan assets at beginning of the year	4,429,036	4,225,028
Expected return on plan assets	443,001	390,774
Contributions	36,470	26,746
Benefit paid	(1,593,498)	-
Remeasurement loss for the year	(363,289)	(213,512)
Fair value of plan assets at end of the year	<u>2,951,720</u>	<u>4,429,036</u>
10.1.6 Re-measurements recognised in other comprehensive income		
Re-measurement: Actuarial loss / (gain) on obligation		
Due to change in financial assumptions	30,942	9,897
Due to change in experience adjustments	69,693	110,657
	100,635	120,554
Remeasurement: Actuarial loss / (gain) on plan assets		
Actual return on plan assets	(79,712)	(177,262)
Expected return on plan assets	443,001	390,774
	363,289	213,512
Re-measurement loss recognised in other comprehensive income	<u>463,924</u>	<u>334,066</u>
10.1.7 Composition of plan assets		
Debt instruments	727,148	3,018,213
Bank deposits	2,224,572	1,410,823
	<u>2,951,720</u>	<u>4,429,036</u>

10.1.8 Actuarial assumptions

The principal assumptions used in the actuarial valuation carried out as of June 30, 2019, using the 'Projected Unit Credit' method, are as follows:

	2019	2018
Expected rate of increase in salary	14.50%	10.00%
Discount rate used to determine the actuarial present value of obligation	14.50%	10.00%
Expected rate of return on plan assets	14.50%	10.00%
Expected mortality rate	SLIC (2001-05) with 1 year set back	SLIC (2001-05) with 1 year set back
Expected withdrawal rate	Age dependent	Age dependent

Fair value of plan assets has been determined by the actuary based on the assumption that gratuity payable in respect of June 2019 amounting to Rs. 36,470 has been paid before June 30, 2019.

Expected accrual of expenses in respect of gratuity scheme in the next financial year on the advice of actuary is Rs. 90,781.

10.1.9 Actuarial Risk

The scheme exposes the Modaraba to the following actuarial risks:

Salary risk

This includes the risk that final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Mortality / withdrawal risk

This includes the risk that the actual mortality / withdrawal experience is different than assumed. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Investment risk

This includes the risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of the trustees of the fund.

In case of the funded plans, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the defined benefit plan. The Modaraba actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the defined benefit plan obligations. The Modaraba has not changed the process used to manage its risks from previous years. Investments are well diversified. A large portion of the plan assets in the year 2019 consists of bank deposits.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yield on fixed mark-up investments is based on gross redemption yield as at the balance sheet date.

10.1.10 Sensitivity analysis

The calculation of defined benefit asset is sensitive to assumptions set out above. The following table summarises how the defined benefit asset at the reporting period would have increased / (decreased) as a result of change in respective assumptions by one percent.

	Defined benefit obligation	
	Effect of 1%	
	Increase Rupees	Decrease Rupees
Discount rate	1,396,087	1,746,317
Expected rate of increase in salaries	1,752,179	1,388,646

The sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the liability for gratuity recognised within the balance sheet.

The weighted average number of years of defined benefit asset as at June 30, 2019 is 11.19 years (2018: 11.31 years).

The undiscounted projected benefit payments from gratuity fund are as follows:

	Rupees
For the year 2020	30,212
For the year 2021	34,733
For the year 2022	40,386
For the year 2023- 27	271,814

10.1.11 Historical information (in respect of the gratuity scheme)

	2019	2018	2017	2016	2015
	Rupees				
Defined benefit obligation	1,558,945	2,897,732	2,359,658	2,884,495	2,246,174
Fair value of plan assets	(2,951,720)	(4,429,036)	(4,225,028)	(4,750,063)	(4,333,350)
Unrecognised actuarial loss (Surplus) / Deficit	<u>(1,392,775)</u>	<u>(1,531,304)</u>	<u>(1,865,370)</u>	<u>(1,865,568)</u>	<u>(2,087,176)</u>
Remeasurements of plan liabilities	<u>100,635</u>	<u>120,554</u>	<u>(196,981)</u>	<u>(117,598)</u>	<u>366,366</u>
Remeasurements of plan assets	<u>(363,289)</u>	<u>(213,512)</u>	<u>(197,179)</u>	<u>(104,007)</u>	<u>(244,213)</u>
Remeasurement loss of prior period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

11. TAX REFUNDS DUE FROM GOVERNMENT

This represents amounts either withheld by various withholding agents on account of payments received by the Modaraba or advance tax paid by the Modaraba as required under the Income Tax Ordinance, 2001 at the time of making certain payments. The income of the Modaraba is exempt from income tax provided it distributes 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves, in accordance with the Second Schedule to the Income Tax Ordinance, 2001. The Modaraba has either incurred loss in prior years on account of which no distribution was required to be made or has made the required distribution of 90% in prior years. Accordingly, no tax was required to be paid by the Modaraba and the entire amount has been recorded as recoverable.

12. This consists of fuel (premium motor gasoline and diesel) and lubricants.

	Note	2019 Rupees	2018 Rupees
13. INVESTMENT PROPERTY AT - FAIR VALUE			
Carrying amount as at July 01, 2018		-	-
Transfers from owner-occupied property	13.2	66,888,000	-
Net gain from fair value adjustment		<u>3,716,000</u>	-
Carrying amount as at June 30, 2019		<u><u>70,604,000</u></u>	<u><u>-</u></u>
13.1 Fair value of investment property -			
transferred from owner occupied property as at December 31, 2018		66,888,000	-
Less: Carrying value of owner occupied property transferred		(355,770)	-
Surplus on transfer of owner occupied property to investment property		<u><u>66,532,230</u></u>	<u><u>-</u></u>

13.2 The Management Company of the Modaraba has decided to rent out the office premises categorised under "Operating Property and Equipment under own use" so as to enhance its revenue stream. Accordingly, office premises have been transferred from "Operating Property and Equipment under own use" to "Investment Property", with effect from December 31, 2018, as these offices now meet the criteria of Investment Property under IAS 40 "Investment Property" with effect from that date. The Modaraba has opted to follow revaluation model as permitted under IAS 40 for measurement of Investment Property and hence, the surplus arising on revaluation of Investment Property as on the date of transfer (i.e. December 31, 2018) has been routed through "Other Comprehensive Income" and reflected separately on the statement of changes in equity and balance sheet.

The leasehold office premises (investment property) of the Modaraba was valued by Harvester (Private) Limited an independent valuer on the basis of professional assessment of the market values using current market prices for comparable real estate, adjusted for any differences in nature, location and condition. The revaluation resulted in a surplus of Rs. 66.532 million over the book value of Rs. 0.35 million which has been recognised by the Modaraba.

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Subsequent to the initial recognition any surplus or deficit arising on subsequent revaluations will be taken to the profit and loss account. Accordingly an amount of Rs. 3.71 million has been taken to the profit and loss account being the fair value gain subsequent to initial recognition.

13.2 Forced sale value of the investment property is assessed at Rs. 65.003 million (2018: Rs Nil).

13.3 The details of investment property in the name of the Modaraba is as follows:

Location	Area
10th Floor Progressive Square, Shahra e Faisal, Karachi	8,046 sq. feet

14. PROPERTY AND EQUIPMENT UNDER IJARAH ARRANGEMENTS

14.1 Ijarah contracts commenced from July 01, 2008 -accounted for under IFAS2

	2019		
	Machinery	Vehicles	Total
	Rupees		
At July 01, 2018			
Cost	5,107,580	50,388,420	55,496,000
Accumulated depreciation	(1,006,283)	(40,590,915)	(41,597,198)
Net book value	4,101,297	9,797,505	13,898,802
Additions	-	-	-
Transfers			
Cost	(5,107,580)	5,107,580	-
Depreciation	1,006,283	(1,006,283)	-
	(4,101,297)	4,101,297	-
Disposals			
Cost	-	(1,059,000)	(1,059,000)
Depreciation	-	953,100	953,100
	-	(105,900)	(105,900)
Depreciation charge for the year	-	(7,086,896)	(7,086,896)
Closing net book value	-	6,706,006	6,706,006
At June 30, 2019			
Cost	-	54,437,000	54,437,000
Accumulated depreciation	-	(47,730,994)	(47,730,994)
Net book value	-	6,706,006	6,706,006
Life (years)	3 to 4	3 to 5	

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	2018		
	Machinery	Vehicles	Total
	Rupees		
At July 01, 2017			
Cost	45,693,830	74,205,410	119,899,240
Accumulated depreciation	(27,619,006)	(39,165,333)	(66,784,339)
Net book value	18,074,824	35,040,077	53,114,901
Additions	-	-	-
Disposals			
Cost	(40,586,250)	(23,816,990)	(64,403,240)
Depreciation	36,526,455	17,787,644	54,314,099
	(4,059,795)	(6,029,346)	(10,089,141)
Depreciation charge for the year	(9,913,732)	(19,213,226)	(29,126,958)
Closing net book value	4,101,297	9,797,505	13,898,802
At June 30, 2018			
Cost	5,107,580	50,388,420	55,496,000
Accumulated depreciation	(1,006,283)	(40,590,915)	(41,597,198)
Net book value	4,101,297	9,797,505	13,898,802
Life (years)	3 to 4	3 to 5	
	Note	2019 Rupees	2018 Rupees

15. PROPERTY AND EQUIPMENT

Property and equipment - own use	15.1	68,984,215	69,911,483
Towers and allied equipment	15.2	350,000	350,000
		69,334,215	70,261,483

15.1 Operating property and equipment - own use

	2019						
	Lease hold land - fuel station	Building - fuel station	Office premises - lease hold	Vehicles	Furniture and fixtures	Office Equipment	Computers
	Rupees						
At July 01, 2018							
Cost	63,848,000	8,399,474	12,876,257	327,700	2,004,827	3,390,074	2,388,488
Accumulated depreciation	-	(3,176,990)	(12,500,285)	(294,404)	(1,771,723)	(3,191,447)	(2,388,488)
Net book value	63,848,000	5,222,484	375,972	33,296	233,104	198,627	-
Additions	-	-	85,970	-	-	6,000	-
Disposals / transfers							
Cost	-	-	(11,999,049)	(285,200)	-	-	-
Depreciation	-	-	11,643,279	285,200	-	-	-
	-	-	(355,770)	-	-	-	-
Depreciation charge for the year	-	(419,976)	(106,172)	(8,496)	(46,116)	(82,708)	-
Closing net book value	63,848,000	4,802,508	-	24,800	186,988	121,919	-
At June 30, 2019							
Cost	63,848,000	8,399,474	963,178	42,500	2,004,827	3,396,074	2,388,488
Accumulated depreciation	-	(3,596,966)	(963,178)	(17,700)	(1,817,839)	(3,274,155)	(2,388,488)
Net book value	63,848,000	4,802,508	-	24,800	186,988	121,919	-
Life (Years)	-	20	20	5	10	2 to 10	3

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	2018							
	Lease hold land - fuel station	Building - fuel station	Office premises - lease hold	Vehicles	Furniture and fixtures	Office Equipment	Computers	Total
	----- Rupees -----							
At July 01, 2017								
Cost	63,848,000	8,399,474	12,876,257	327,700	2,004,827	3,363,274	2,388,488	93,208,020
Accumulated depreciation	-	(2,757,014)	(11,856,473)	(278,676)	(1,712,897)	(3,129,822)	(2,388,286)	(22,123,168)
Net book value	63,848,000	5,642,460	1,019,784	49,024	291,930	233,452	202	71,084,852
Additions	-	-	-	-	-	26,800	-	26,800
Disposals								
Cost	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(419,976)	(643,812)	(15,728)	(58,826)	(61,625)	(202)	(1,200,169)
Closing net book value	63,848,000	5,222,484	375,972	33,296	233,104	198,627	-	69,911,483
At June 30, 2018								
Cost	63,848,000	8,399,474	12,876,257	327,700	2,004,827	3,390,074	2,388,488	93,234,820
Accumulated depreciation	-	(3,176,990)	(12,500,285)	(294,404)	(1,771,723)	(3,191,447)	(2,388,488)	(23,323,337)
Net book value	63,848,000	5,222,484	375,972	33,296	233,104	198,627	-	69,911,483
Life (Years)	-	20	20	5	10	2 to 10	3	

Note

**2019
Rupees**

**2018
Rupees**

15.1.1 Depreciation charge for the year

	25		
Operating expenses	25	209,244	747,460
Fuel station business	21	454,224	452,709
		<u>663,468</u>	<u>1,200,169</u>

15.1.2 The details of immovable property (i.e. land and building) in the name of the Modaraba is as follows:

15.2.1 Towers and allied equipment is held as an idle asset and carried at impaired value.

Location	Usage of immovable property	Area
Gulshan-e-Maymar, Super Highway, Karachi	Fuel station	1,350 sq. yards

15.2 Towers and allied equipment

	2019		
	Towers with allied equipment	Other allied equipment	Total
	Rupees		
At July 01, 2018			
Cost	2,216,553	2,127,811	4,344,364
Accumulated depreciation	(762,539)	(2,127,811)	(2,890,350)
Provision for impairment losses	(1,104,014)	-	(1,104,014)
Net book value	350,000	-	350,000
Additions	-	-	-
Disposals			
Cost	-	-	-
Depreciation	-	-	-
Depreciation charge for the year	-	-	-
Closing net book value	350,000	-	350,000
At June 30, 2019			
Cost	2,216,553	2,127,811	4,344,364
Accumulated depreciation	(762,539)	(2,127,811)	(2,890,350)
Provision for impairment losses	(1,104,014)	-	(1,104,014)
Net book value	350,000	-	350,000
Life (Years)	20	5	
	2018		
	Towers with allied equipment	Other allied equipment	Total
	Rupees		
At July 01, 2017			
Cost	2,216,553	2,127,811	4,344,364
Accumulated depreciation	(762,539)	(2,127,811)	(2,890,350)
Provision for impairment losses	(1,104,014)	-	(1,104,014)
Net book value	350,000	-	350,000
Additions	-	-	-
Disposals			
Cost	-	-	-
Depreciation	-	-	-
Depreciation charge for the year	-	-	-
Closing net book value	350,000	-	350,000
At June 30, 2018			
Cost	2,216,553	2,127,811	4,344,364
Accumulated depreciation	(762,539)	(2,127,811)	(2,890,350)
Provision for impairment losses	(1,104,014)	-	(1,104,014)
Net book value	350,000	-	350,000
Life (Years)	20	5	

15.2.1 Towers and allied equipment is held as an idle asset and carried at impaired value.

16. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	2019 Rupees	2018 Rupees
Accrued liabilities	16.1	7,191,061	6,286,527
Charity and donation	16.2	61,071	59,513
Payable to provincial government	16.3	5,430	4,266
Advance from customers		50,000	657,194
Others		1,603,370	1,646,628
Ijarah rental received in advance		158,204	160,776
		<u>9,069,136</u>	<u>8,814,904</u>

16.1 This includes amount payable in respect of staff compensated absences amounting to Rs. 401,348 (2018: Rs. 399,221).

16.2 This represents late payment charges on rentals recovered from the customers.

16.3 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba.

The Management Company has waived the management fee for the current year. Accordingly, no provision for the same has been made in these financial statements. However, the Modaraba has accrued Sindh Services Sales Tax on a notional amount of management fee calculated at 0.1% of the net annual profit.

	Note	2019 Rupees	2018 Rupees
17. SECURITY DEPOSITS			
Customers' security deposits	17.1	10,480,738	10,566,638
Less: Current portion of security deposits		(10,380,738)	(10,331,841)
Long term portion of security deposits		<u>100,000</u>	<u>234,797</u>

17.1 These represent amounts received under Ijarah Finance, repayable / adjustable on the expiry of the Ijarah period.

18. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

2019 Number of certificates	2018 Number of certificates		2019 Rupees	2018 Rupees
<u>30,000,000</u>	<u>30,000,000</u>	Modaraba Certificates of Rs. 10 each	<u>300,000,000</u>	<u>300,000,000</u>

Issued, subscribed and paid-up certificate capital

2019 Number of certificates	2018 Number of certificates		2019 Rupees	2018 Rupees
13,569,000	13,569,000	Modaraba Certificates of Rs. 10 each fully paid in cash	135,690,000	135,690,000
4,688,400	4,688,400	Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates	46,884,000	46,884,000
166,545	166,545	Modaraba Certificates of Rs. 10 each issued on merger	1,665,450	1,665,450
<u>18,423,945</u>	<u>18,423,945</u>		<u>184,239,450</u>	<u>184,239,450</u>

- 18.1** BankIslami Modaraba Investments Limited (Modaraba Management Company) held 2,342,490 certificates (2018: 2,342,490 certificates) of Rs. 10 each, as at June 30, 2019.

19. 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.

During the current year, the Modaraba has transferred an amount of Rs. 1,592,937 (2018: Rs. 2,318,777) which represents 20% (2018: 20%) of the profit after tax.

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

There were no contingencies as at June 30, 2019 other than as explained below.

The Additional Commissioner of Income Tax (ACIT) amended the assessment for the tax year 2007, dismissing the exemption claimed by the Modaraba on the contention of non distribution of profit as per the provisions of the respective tax laws and created tax demand of Rs. 1.93 million. The Modaraba filed an appeal against the said order with the Commissioner of Income Tax (CIT) who in his order maintained the treatment of the ACIT. The second appeal filed against the said order with the Appellate Tribunal Inland Revenue (the Tribunal) was also decided against the Modaraba. The Modaraba then filed an application to the Tribunal for a review of their decision, which has also been decided against the Modaraba during the year ended June 30, 2016. The Modaraba has again filed an application for review of their decision to the Tribunal and a reference in the High Court. As at June 30, 2019 the application is pending for hearing before the High Court. The management is hopeful for a favourable outcome and therefore, no provision has been made in these financial statements.

20.2 Commitments

There were no commitments outstanding as at June 30, 2019 and June 30, 2018.

	Note	2019 Rupees	2018 Rupees
21. PROFIT FROM OPERATIONS OF FUEL STATION			
Income	21.1		
Sale of fuel		263,727,954	255,737,031
Cost of sales		(253,579,566)	(245,062,946)
		10,148,388	10,674,085
Rental income	21.2	1,604,700	1,301,000
Other income		-	11,840
		<u>11,753,088</u>	<u>11,986,925</u>
Expenses			
Salaries and allowances		2,765,543	2,245,190
Generator fuel		410,479	554,516
Depreciation		454,224	452,709
Electricity		286,530	281,284
Repairs and maintenance		526,557	479,882
Printing and stationery		24,369	11,065
Security guards		492,800	468,300
Insurance		105,600	91,968
Telephone		24,790	25,071
Entertainment		22,670	20,455
Rent, rates & taxes		275,552	267,952
Miscellaneous		139,284	157,125
		<u>5,528,398</u>	<u>5,055,517</u>
Profit before taxation		6,224,690	6,931,408
Taxation		(815,504)	(1,113,949)
Profit after taxation		<u>5,409,186</u>	<u>5,817,459</u>

21.1 Income relates to the operations of petrol and diesel filling / service station which started from October 3, 2010 under a retailer agreement with an oil marketing company. In accordance with the agreement, the Company has granted the right to the Modaraba to operate the fuel station and deal exclusively in petroleum products of the Company on a predetermined margin.

21.2 The amount represents rent earned in respect of the plot of land used for fuel station under a lease deed dated August 13, 2009 with the oil marketing company. Initial term of the rent agreement is for fifteen years. The amount also includes rental income earned from operation of tuck shop and car wash facility.

22. This includes rental income earned from letting out office premises to BankIslami Pakistan Limited (parent company of the Modaraba Management Company and a related party).

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	2019 Rupees	2018 Rupees
23. OTHER INCOME		
Gain on disposal of property and equipment	1,226,000	-
Gain on disposal of property and equipment under Ijarah arrangements	-	335,638
Liabilities considered no longer payable written back	-	1,344,033
Others	-	990,000
	<u>1,226,000</u>	<u>2,669,671</u>

24. PROVISION FOR IMPAIRMENT LOSS

	2019						
	Property and equipment	Ijarah finance	Ijarah rentals	Murabaha finance	Operating lease rentals	Maintenance fee	Other receivables
	-----Rupees-----						
Opening balance	1,104,014	32,989,575	-	2,517,068	10,194,320	4,275,537	8,053,663
Provision during the year	-	-	6,782,496	-	-	-	-
Closing balance	<u>1,104,014</u>	<u>32,989,575</u>	<u>6,782,496</u>	<u>2,517,068</u>	<u>10,194,320</u>	<u>4,275,537</u>	<u>8,053,663</u>

	2018						
	Property and equipment	Ijarah finance	Murabaha finance	Operating lease rentals	Maintenance fee	Other receivables	Total
	-----Rupees-----						
Opening balance	1,104,014	32,989,575	2,517,068	10,194,320	4,275,537	8,053,663	59,134,177
Provision during the year	-	-	-	-	-	-	-
Closing balance	<u>1,104,014</u>	<u>32,989,575</u>	<u>2,517,068</u>	<u>10,194,320</u>	<u>4,275,537</u>	<u>8,053,663</u>	<u>59,134,177</u>

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	Note	2019 Rupees	2018 Rupees
25. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, allowances and other benefits	25.1	2,126,938	3,507,414
Rent, rates and taxes		145,555	144,235
Depreciation		209,244	747,460
Fuel and conveyance		198,705	245,565
Repairs and maintenance		297,716	445,012
Legal and professional		1,596,462	1,926,338
Electricity		408,883	416,900
Telephone		186,750	217,639
Entertainment		49,445	61,446
Insurance		119,007	129,780
Printing and stationery		489,498	448,913
Auditor's remuneration	25.2	666,360	767,198
Subscription		423,563	464,621
Registrar services		264,282	475,168
Postage		128,769	153,447
Advertisement		230,500	228,000
Others		221,025	136,458
		7,762,702	10,515,594

25.1 The aggregate amount charged in the financial statements for remuneration, including all benefits to the executive staff and other employees of the Modaraba were as follows:

	Officers (key management personnel)	Other employees	Total	Officers (key management personnel)	Other employees	Total
	Rupees					
Salaries	-	1,213,354	1,213,354	-	2,090,432	2,090,432
Retirement benefits						
Defined contribution plan - provident fund	-	65,242	65,242	-	93,594	93,594
Defined benefit plan - gratuity fund	-	29,906	29,906	-	24,644	24,644
House rent allowance	-	546,010	546,010	-	854,551	854,551
Conveyance and other allowances	-	544,907	544,907	-	444,193	444,193
	-	2,399,419	2,399,419	-	3,507,414	3,507,414
Number of employees at the end of year	-	2	2	-	6	6

25.1.1 One employee of the Modaraba is provided with free use of vehicle owned and maintained by the Modaraba.

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	2019 Rupees	2018 Rupees
25.2 Auditor's remuneration		
Statutory audit	340,200	340,200
Review report on statement of compliance with the Code of Corporate Governance	21,600	21,600
Review of the half yearly financial information	91,800	91,800
Other certifications	167,400	239,600
Out of pocket expenses	45,360	73,998
	<u>666,360</u>	<u>767,198</u>

26. This represents charge in respect of Workers' Welfare Fund recognised in line with the requirements of Sindh Workers' Welfare Fund Act, 2014.

27. TAXATION

27.1 As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation for statutory reserves. Accordingly, no provision in respect of current and deferred tax has been made in these financial statements. The tax charged represents tax on purchase of fuel for fuel station which is covered under presumptive tax regime. This tax has been treated as a full and final tax charge.

27.2 The income tax returns of the Modaraba have been filed upto the financial year ended June 30, 2018 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

	Note	2019 Rupees	2018 Rupees
28. EARNINGS PER CERTIFICATE - BASIC AND DILUTED			
Basic earnings per certificate is worked out as under:			
Profit for the year after taxation		<u>7,964,683</u>	<u>11,593,885</u>
Weighted average number of ordinary certificates outstanding during the year		<u>18,423,945</u>	<u>18,423,945</u>
Earnings per certificate - basic & diluted	28.1	<u>0.43</u>	<u>0.63</u>

28.1 No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instrument which would have an impact on basic earnings per certificate when exercised.

29. RELATED PARTY TRANSACTIONS

The related parties comprise of BankIslami Modaraba Investments Limited being the Modaraba Management Company, BankIslami Pakistan Limited (being the parent company of the management company), major certificate holders and their family members, directors of the Modaraba Management Company and their close family members, key management personnel of the Modaraba and the Management Company and their close family members, the provident and gratuity funds and entities with common directors or under common management.

Contribution to the provident and gratuity funds are made in accordance with the services rules and actuary's advice respectively. Other transactions with related parties are in accordance with the agreed terms.

29.1 Details of transactions with related parties during the year are as follows:

	2019 Rupees	2018 Rupees
BankIslami Pakistan Limited (holding company of the Modaraba Management Company)		
Profit on Islamic profit and loss sharing accounts	<u>1,162,217</u>	<u>747,227</u>
Rental income	<u>6,351,780</u>	<u>5,895,852</u>
Bank charges	<u>6,528</u>	<u>3,937</u>
BankIslami Modaraba Investments Limited (Modaraba Management Company)		
Services sales tax on management fees	<u>1,164</u>	<u>1,685</u>
Other transactions		
Contributions to staff provident fund	<u>97,516</u>	<u>122,694</u>
Contribution to staff gratuity fund	<u>36,470</u>	<u>26,746</u>

29.2 Details of balances with related parties as at year end are as follows:

	2019 Rupees	2018 Rupees
BankIslami Pakistan Limited (holding company of the Modaraba Management Company)		
Bank deposits	<u>45,170,854</u>	<u>29,503,524</u>
Amount receivable in respect of gaset and premises rent income and others	<u>742,824</u>	<u>420,843</u>

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29.3 Following are the related parties with whom the Modaraba had entered into transactions or have arrangement / agreements in place.

S. No.	Company Name	Basis of relationship	Aggregate %age of shareholding
1.	BankIslami Pakistan Limited	Holding Company of Modaraba Management Company	Nil
2.	BankIslami Modaraba Investments Limited	Modaraba Management Company	12.71

	2019	2018
30. NUMBER OF EMPLOYEES		
30.1 Number of employees at June 30		
- Permanent	2	5
- Contractual	9	8
	<u>11</u>	<u>13</u>

30.1.1 This includes 8 (2018: 7) number of fuel station employees.

30.2 Average number of employees during the year		
- Permanent	3	5
- Contractual	9	8
	<u>12</u>	<u>13</u>
	2019	2018
	Rupees	Rupees

31. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per balance sheet

Loans and receivables

Cash and bank balances	49,182,224	47,176,421
Ijarah Finance	3,755,007	3,755,007
Receivable against Ijarah rentals and maintenance services	6,077,340	8,065,119
Advances, deposits and other receivables	3,823,789	6,310,132
Diminishing Musharaka	18,895,814	14,978,067
	<u>81,734,174</u>	<u>80,284,746</u>

Financial liabilities as per balance sheet

Other financial liabilities

Creditors accrued and other liabilities	9,063,706	8,810,638
Security deposits - Ijarah	10,480,738	10,566,638
Unclaimed profit distribution	8,236,300	7,749,769
	<u>27,780,744</u>	<u>27,127,045</u>

32. FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, profit rate risk and price risk), credit risk and liquidity risk. The Board of Directors of the Modaraba Management Company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The Modaraba's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Modaraba's financial performance.

The Modaraba's principal financial liabilities comprise of Ijarah deposits, creditors, accrued liabilities, unclaimed dividends and other liabilities. The Modaraba's principal financial assets comprise of Ijarah finance, receivables against Ijarah rentals, Diminishing Musharaka finance, advances, deposits and other receivables and cash and bank balances that arise directly from its operations.

32.1 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.

	2019				Total Contractual	Carrying Amount
	Less than 6 months	6 months - 1 year	1 - 5 years	More than 5 years		
	Rupees					
Creditors, accrued and other liabilities	3,421,204	1,294,650	3,460,175	739,809	8,915,838	8,915,838
Security deposits	10,380,738	-	100,000	-	10,480,738	10,480,738
Unclaimed profit distribution	8,236,300	-	-	-	8,236,300	8,236,300
	<u>22,038,242</u>	<u>1,294,650</u>	<u>3,560,175</u>	<u>739,809</u>	<u>27,632,876</u>	<u>27,632,876</u>
	2018				Total Contractual	Carrying Amount
	Less than 6 months	6 months - 1 year	1 - 5 years	More than 5 years		
	Rupees					
Creditors, accrued and other liabilities	8,810,638	-	-	-	8,810,638	8,810,638
Security deposits	10,331,841	-	234,797	-	10,566,638	10,566,638
Unclaimed profit distribution	7,749,769	-	-	-	7,749,769	7,749,769
	<u>26,892,248</u>	<u>-</u>	<u>234,797</u>	<u>-</u>	<u>27,127,045</u>	<u>27,127,045</u>

32.2 Credit risk and concentration of credit

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 controls credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the creditworthiness of counter parties.

The Modaraba is exposed to credit risk mainly from its deposits with banks and financial institutions and receivable against Ijarah rentals and maintenance services, Murabaha finance, Diminshing Musharaka finance and other receivables.

The Modaraba's maximum exposure to credit risk related to receivable at June 30, 2019 and June 30, 2018 is the carrying amounts of following financial assets.

	2019 Rupees	2018 Rupees
Ijarah Finance	3,755,007	3,755,007
Receivable against Ijarah rentals and maintenance services	6,077,340	8,065,119
Bank balances	48,672,825	46,312,410
Advances, deposits, and other receivables	3,823,789	6,310,132
Diminishing Musharaka	18,895,814	14,978,067
	<u>81,224,775</u>	<u>79,420,735</u>

The Ijarah finance is secured against customers' security deposit.

The Modaraba had adopted a policy of dealing with creditworthy counterparties only. These parties are analysed based on the publically available information i.e. credit ratings, financial statements and financial performance.

Credit risk from balances with banks and financial institutions is managed by finance department in accordance with the Modaraba's policy. Investments of surplus funds are made with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The analysis below summarises the credit quality of the Modaraba's bank balances.

Banks	Short Term	Long Term	2019 Rupees	2018 Rupees
BankIslami Pakistan Limited	A1	A+	46,777,894	29,503,524
Bank Alfalah Limited	AA+	A-1+	1,823,562	16,746,526
Meezan Bank Limited	AA+	A-1+	50,072	48,433
Dubai Islamic Bank Pakistan Limited	AA	A-1+	4,923	4,835

There are no significant financial assets that are past due but not impaired.

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

Modaraba Al-Mali

As at June 30, 2019

	OAEM	Substandard	Doubtful	Loss	Total
	Rupees				
Ijarah finance	-	-	-	44,235,946	44,235,946
Murabaha finance	-	-	-	2,517,068	2,517,068
Receivable against Ijarah rentals and maintenance services	-	-	6,782,496	-	6,782,496
Other receivables	-	-	-	8,053,663	8,053,663
	-	-	6,782,496	54,806,677	61,589,173

As at June 30, 2018

	OAEM	Substandard	Doubtful	Loss	Total
	Rupees				
Ijarah finance	-	-	-	44,235,946	44,235,946
Murabaha finance	-	-	-	2,517,068	2,517,068
Receivable against Ijarah rentals and maintenance services	-	-	-	14,469,857	14,469,857
Other receivables	-	-	-	8,053,663	8,053,663
	-	-	-	69,276,534	69,276,534

Total impairment against these assets as at June 30, 2019 is Rs. 72,347,459 (2018: Rs. 69,276,534).

The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments.

32.2.1 Concentration of credit risk

Details of industrial sector analysis of Ijarah, Diminishing Musharaka and Murabaha investment portfolio is as under:

	2019		2018	
	Rupees	%	Rupees	%
Financial Institutions	270,692	0.39%	270,692	0.37%
Distributors, Wholesellers and Retailers	26,448,264	38.33%	26,448,264	36.59%
Food, Tobacco and Beverages	540,945	0.78%	540,945	0.75%
Chemical, Fertilizer and Pharma	374,950	0.54%	374,950	0.52%
Textile and Garments	3,621,383	5.25%	3,621,383	5.01%
Steel, Engineering and Autos	6,029,504	8.74%	1,768,316	2.45%
Transport and Communication	8,006,569	11.60%	15,199,365	21.03%
Glass, Ceramics and Plastics	1,311,650	1.90%	1,311,650	1.81%
Misc. / Individuals	22,404,688	32.47%	22,746,348	31.47%
	69,008,645	100%	72,281,913	100%

32.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market profit rates or the market price 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. The Modaraba is not exposed to market rate risk as it does not have any marketable securities.

32.3.1 Profit rate risk

The profit rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Majority of the profit rate exposure arises from short and long term borrowings from banks and short term deposits with banks. At the balance sheet date, the profit rate risk profile of the Modaraba's profit bearing financial instruments is:

	2019 Rupees	2018 Rupees
Profit bearing financial instruments		
Bank balances	47,049,411	45,187,636

Fair value sensitivity analysis for profit bearing financial instruments

The Modaraba does not hold any of the above financial assets at fair value through profit or loss.

Profit bearing financial instruments

Had the interest rate varied by 100 basis points (2018: 100 basis points) with all the other variables held constant, profit before tax for the year would have been approximately higher / lower by Rs. 38,217 (2018: Rs. 13,315).

32.3.2 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.

32.3.3 Other price risk

Other 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. Currently, Modaraba does not face any risk as none of the financial assets or liabilities are listed on stock exchange or face the risk of change in market price.

33. FAIR VALUE OF MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

As per the requirements of the IFRS 13, the Modaraba shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The Modaraba recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The Modaraba's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

- changes in market and trading activity (e.g. significant increases / decreases in activity); and
- changes in inputs used in valuation techniques (e.g. inputs becoming / ceasing to be observable in the market).

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

Currently, the Modaraba does not hold any assets which are either being carried or disclosed at fair value. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value.

The following is the categorisation of assets measured at fair value as at June 30, 2019:

	Level 1	Level 2	Level 3	Total
	Rupees			
Assets:				
Recurring fair value				
measurement of investment property				
Office premises - lease hold	-	-	70,604,000	70,604,000

- 33.1. The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on June 30, 2019. The level fair value of office premises - leasehold has been derived using the market value of the assets. These

effect of the changes in the unobservable inputs used in the valuations cannot be determined with reasonable certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these financial statements.

34. INFORMATION ABOUT BUSINESS SEGMENTS

Management has determined the operating segments based on the information presented to the Chief Executive Officer of the Modaraba Management Company for allocation of resources and assessment of performance. Reporting structure of the Modaraba is based on this internal management reporting structure. The Modaraba is organised into the following reportable operating segments:

Financing / Investments/Ijarah, Murabaha and Diminishing Musharaka

Fuel station Petrol and diesel filling / service station

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

SEGMENT RESULTS

	2019		
	Financing/ Investments	Fuel station	Total
	Rupees		
Income	11,169,844	11,753,088	22,922,932
Result			
Profit for the year before tax	3,046,252	6,224,690	9,270,942
Profit for the year after taxation	3,046,252	5,409,186	8,455,438
	2018		
	Financing/ Investments	Fuel station	Total
	Rupees		
Income	35,872,598	11,986,925	47,859,523
Result			
Profit for the year before tax	6,001,714	6,931,408	12,933,122
Profit for the year after taxation	6,001,714	5,817,459	11,819,173
		2019 Rupees	2018 Rupees
Reconciliation of segment results			
Total results for reportable segments		8,455,438	11,819,173
Rental income		6,351,780	5,895,852
Other operating income		3,126,735	3,906,370
Operating expenses:			
Salaries, allowances and other benefits		(2,140,073)	(2,805,759)
Depreciation		(209,244)	(747,460)
Workers' welfare fund		(175,604)	(254,157)
Fuel and conveyance		(182,041)	(212,294)
Other unallocated operating expenses		(5,105,240)	(6,341,906)
Total comprehensive income for the year		<u>10,121,751</u>	<u>11,259,819</u>

	Financing / Investments	Fuel station	Total
	-----Rupees-----		
Assets and liabilities			
Total assets	33,111,834	72,539,368	105,651,202
Total liabilities	10,688,942	-	10,688,942

	2018		
	Financing / Investments	Fuel station	Total
	-----Rupees-----		
Assets and liabilities			
Total assets	20,603,808	72,154,678	92,758,486
Total liabilities	11,223,832	2,047,918	13,271,750

	Assets	
	2019	2018
	Rupees	Rupees
Reconciliation of segments' assets and liabilities		
Total for reportable segments	105,651,202	92,758,486
Advance income tax	29,386,162	28,049,759
Property and equipment	683,707	1,190,999
Cash and bank balance	49,182,224	47,176,421
Other unallocated assets	76,182,557	26,434,308
Total as per balance sheet	261,085,852	195,609,973
	Liabilities	
	2019	2018
	Rupees	Rupees
Total for reportable segments	10,688,942	13,271,750
Unclaimed profit distribution	8,236,300	7,749,769
Charity and donations payable	61,071	59,513
Other unallocated liabilities	8,799,861	6,050,279
Total as per balance sheet	27,786,174	27,131,311

Modaraba Al-Mali

OTHER INFORMATION

2019

	Financing/ Investments	Fuel station	Unallocated	Consolidated	
	Rupees				
Capital expenditure	-	-	91,970	91,970	91,970
Depreciation	7,086,896	454,224	209,244	7,750,364	7,750,364
Salaries, allowances and other benefits	2,126,938	2,765,543	175,604	5,068,085	5,068,085
Rent, rates and taxes	-	275,552	145,555	421,107	421,107
Advertisement	-	-	230,500	230,500	230,500
Income tax	-	815,504	-	815,504	815,504

35. CAPITAL RISK MANAGEMENT

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The Modaraba manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. It is the Modaraba's practice to distribute at least 90% of the profit earned during the period to its certificate holders in order to avail tax exemption under clause 100 of Part I of the Second Schedule to Income Tax Ordinance 2001. However in order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit distributable to certificate holders or issue new certificates.

The Modaraba is not subject to externally imposed capital requirements.

36. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Modaraba Management Company in their meeting held on **September 27, 2019** has approved final cash dividend of **0.16** per certificate. The financial statements of the Modaraba for the year ended June 30, 2019 do not include the effect of the final dividend which will be accounted for in the financial statements of the Modaraba for the year ending June 30, 2020.

37. GENERAL

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

38. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. No significant reclassifications have been made to the corresponding figures except the following:

Rental income amounting to Rs. 6,351,780 (2018:Rs. 5,895,852) which was classified under other income has now been reclassified and shown separately on the face of the profit and loss account.

39. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Modaraba Management Company on **September 27, 2019** .

**For BankIslami Modaraba Investments Limited
(Modaraba Management Company)**

Chief Financial Officer
BankIslami Modaraba Investments Limited
Modaraba Management Company

Chief Executive Officer
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

PATTERN OF CERTIFICATE HOLDERS

As at June 30, 2019

Number of Certificate Holding		Certificate Holding		To Certificate Held	Percentage %
		From	To		
	1988	1	100	41,069	0.22
	596	101	500	165,724	0.90
	283	501	1000	217,058	1.18
	454	1001	5000	1,015,999	5.51
	109	5001	10000	818,580	4.44
	36	10001	15000	456,598	2.48
	14	15001	20000	237,079	1.29
	7	20001	25000	156,162	0.85
	5	25001	30000	132,934	0.72
	8	30001	35000	264,674	1.44
	4	35001	40000	150,318	0.82
	5	40001	45000	218,182	1.18
	3	45001	50000	139,450	0.76
	2	50001	55000	105,065	0.57
	2	55001	60000	114,286	0.62
	4	60001	65000	252,055	1.37
	1	65001	70000	66,999	0.36
	2	70001	75000	148,338	0.81
	1	80001	85000	83,324	0.45
	2	95001	100000	196,250	1.07
	1	100001	105000	102,047	0.55
	1	110001	115000	114,660	0.62
	1	115001	120000	120,000	0.65
	2	120001	125000	243,432	1.32
	1	135001	140000	135,716	0.74
	1	140001	145000	144,500	0.78
	1	155001	160000	158,500	0.86
	1	160001	165000	162,000	0.88
	1	165001	170000	166,000	0.90
	1	225001	230000	227,500	1.23
	2	250001	255000	500,988	2.72
	1	300001	305000	303,515	1.65
	1	375001	380000	379,500	2.06
	1	475001	480000	478,500	2.60
	1	495001	500000	499,782	2.71
	1	705001	710000	708,029	3.84
	1	910001	915000	910,487	4.94
	1	1420001	1425000	1,421,250	7.71
	1	1420001	1425000	1,842,395	10.00
	1	2180001	2185000	2,183,000	11.85
	1	2640001	2645000	2,642,000	14.34
3549				18,423,945	100

CATEGORIES OF CEARTIFICATE HOLDING

As at June 30, 2019

Categories of Ceartificate Holders	Number	Ceartificates Held	Prcentage %
Associated Companies, Undeartakings, and Related Parties.			
Bankislami Modaraba Investments Ltd.,	1	2,342,490	12.714
Sub Total	1	2,342,490	12.714
N.I.T. & I.C.P.			
Invesment Corporation of Pakistan	1	1,494	0.008
National Bank of Pakistan Trustee Department	1	13,656	0.074
IDBP (ICP Unit)	1	498	0.003
Directors,Chief Executive Officer and their Spouse and Minor Children			
Muhammad Hamid	1	34,000	0.185
Sub Total	4	49,648	0.269
Public Sestor Company & Corporation			
Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modaraba's and Mutul Funds	27	1,452,511	7.884
Joint Stock Companies & Others	35	575,328	3.123
Individuals	3,482	14,003,968	76.010
Sub Total	3,544	16,031,807	87.016
Total	3,549	18,423,945	100.000

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 20th Annual Review Meeting of certificate holders of Modaraba Al-Mali will be held on Saturday, the 26th October 2019 at 02:45 p.m. at 602, 6th Floor, Progressive Centre, PECHS, Shahr-e -Faisal, Karachi to review the performance of the Modaraba for the year ended June 30, 2019 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular number 4/2004 by Registrar Modaraba Companies and Modarabas.

Company Secretary

Date: September 27, 2019

Note:

1. The Modaraba Certificate transfer book shall remain closed from Saturday, 19th October 2019 to Saturday, 26th October 2019 (both days inclusive) to determine the names of Certificate Holders entitled to receive dividend and to attend the Annual Review Meeting. Transfers received in order at the registrar's office of the Modaraba up to the close of the business on Friday, 18th October 2019 will be treated in time for the entitlement of profit distribution and to attend Annual Review Meeting.
2. The certificate holders are advised to notify to the registrar of Modaraba Al-Mali, any change in their addresses.
3. CDC certificate holders desiring to attend the meeting are requested to bring their original NIC, Account, and Participant's ID number, for identification purpose.

اطلاع برائے سالانہ جائزہ اجلاس

بزرگ بڑا اطلاع دی جاتی ہے کہ مضاربہ المالہ کے سرٹیفکیٹ ہولڈرز کا جیسواں سالانہ جائزہ اجلاس ۲۶ اکتوبر ۲۰۱۹ء کو دوپہر ۲:۳۵ بجے کمرہ نمبر ۶۰۲، چھٹی منزل، پروگریسیو سینٹر، ۳۰-اے، بلاک نمبر ۶، شارع فیصل، کراچی میں منعقد ہوگا جس میں رجسٹرڈ مضاربہ کے سرکل نمبر ۴/۲۰۰۳ اور پروڈینشل ریگولیشن کے شق ۲۰ کے تحت، ۳۰ جون ۲۰۱۹ء کو ختم ہونے والے سال میں مضاربہ کی کارکردگی کا جائزہ لیا جائے گا۔

راشد متین خان

کمپنی سیکریٹری

۲۷ ستمبر ۲۰۱۹

کراچی

نوٹس:

۱۹، اکتوبر ۲۰۱۹ء سے ۲۶، اکتوبر ۲۰۱۹ء تک (بشمول دونوں ایام) بند رہیں گی تاکہ اجلاس میں شرکت اور ڈیڈ لائن کے حقدار کا تعین ہو سکے۔ سرٹیفکیٹ منتقلی کیلئے بروز جمعہ ۱۸، اکتوبر ۲۰۱۹ء کو کاروباری اوقات ختم ہونے سے پہلے تک المالہ مضاربہ کے رجسٹرڈ آفس میں موصول ہونے والی تمام درخواست سالانہ جائزہ اجلاس میں شرکت اور ڈیڈ لائن کی تقسیم کیلئے بروقت تصور کی جائیں گی۔

۲. سرٹیفکیٹ ہولڈرز سے درخواست ہے کہ اگر ان کے پتوں میں کوئی تبدیلی ہو تو رجسٹرڈ آگاہ کریں۔

۳. سی ڈی سی سرٹیفکیٹ ہولڈرز جو اجلاس میں شرکت کرنا چاہتے ہیں، اپنے ساتھ اصل شناختی کارڈ، اکاؤنٹ اور پارٹنر شپ سیٹ آئی ڈی نمبر لازمی لائیں۔

M/s, _____

Bank Mandate Form/s.,

I Mr. / Ms./Mrs. _____ S/o, D/o, w/o, _____
hereby authorize Allied Bank Limited to send /directly credit cash dividends declared by it,
in my bank account as detailed below:

(i) Certificate holder's details	
Name of the Certificate holder	
Folio # / Participant & Account # CDC Investor #	
CNIC NO. / NTN	
Passport No. (in case of foreign shareholder)	
Landline / Cell Number of the Shareholder	
(ii) Certificate holder's Bank detail	
Bank's Name	
Branch Name and Address	
Branch Code Number.	
Title of Bank Account	
Account Number	
IBAN	

It is stated that the above particulars given by me are correct to the best of my knowledge and I shall keep the Company/ Share Registrar informed in case of any changes in the said particulars in future.








Signature of the Certificate holder










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(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event
notifications, corporate and
regulatory actions)
-  Jamapunji application for
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