

Modaraba Al-Mali

Managed by:

BankIslami Modaraba Investments Ltd.



**Financial Statement (un-audited)
For the nine months period ended
March 31, 2020**

10th Floor, Progressive Square, Opposite Nursery, Sharea Faisal, Karachi.
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Modaraba Al-Mali

CONTENTS

	Page
Corporate Information	1
Directors' Report	2
Balance Sheet	3
Profit and Loss Account	4
Cash Flow Statement	5
Statement of Changes in Equity	6
Notes to the Financial Statements	7

CORPORATE INFORMATION

Board of Directors	Mr.Sohail Sikandar	Chairman
	Ms.Ayesha Ashraf Jangda	Director
	Mr.Kashif Nisar	Director
	Mr.Muhammad Hamid	Director
	Mr.Khurram Jamil	Director
	Mr.Rizwan Qamar Lari	Director
	Mr.Muhammad Haris Munawar	Director
	Mr.Mohammad Sadiq Sheikh	Chief Executive Officer
Audit Committee	Mr.Muhammad Hamid	Chairman
	Mr.Kashif Nisar	Member
	Mr.Sohail Sikandar	Member
	Mr.Khurram Jamil	Member
	Mr.Rizwan Qamar Lari	Member
HR & Remuneration Committee	Mr.Muhammad Hamid	Chairman
	Mr.Sohail Sikandar	Member
	Mr.Mohammad Sadiq Sheikh	Member
Management Team	Mr.Mohammad Sadiq Sheikh	Chief Executive Officer
	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	Bawany & Partners	
	Mohsin Tayeabaly & Company-Advocate	
Bankers & Financiers	BankIslami Pakistan Limited	
	Bank Alfalah Limited	
	Dubai Islamic Bank Ltd.	
	Meezan Bank Limited	
Share Registrar	JWAFS Registrar Services (Pvt.) Ltd.	
Share Registration Office	407, 408 Al-Ameera Centre, Shahrah-e-Iraq, Karachi.	
Registered Office	10th Floor, Progressive Square,	
	Opposite Nursery, Shahrah-e-Faisal, Karachi.	
	Phone: 34547521-25, Fax: 34547526	
	E-mail: info@modarabaalmali.com	
	URL: http://www.modarabaalmali.com	

Directors' Review

We are pleased to present the un-audited financial statements of Modaraba Al-Mali for nine months period ended March 31, 2020 as required under section 237 of the Companies Act 2017, presented in accordance with the requirements of the International Accounting Standard-34 "Interim Financial Reporting" as applicable in Pakistan.

Operating Results:

During the period under review Modaraba has earned profit after tax of Rs. 2,332,469 as against Rs 5,434,368 during the corresponding period ended March 31, 2019. Reduction in profit is mainly due to the additional provision of Rs. 5,960,746 made against overdue Ijarah rentals in terms of SECP Prudential Regulations. The management is making effort for recovery of overdue rentals.

Due to operational efficiencies, administrative and operating expenses remained under control and recorded a decline of Rs. 1,100,010 as against the corresponding period of last year.

Future Prospects:

The Modaraba operated in tough economic environment which experienced devaluation of Pak Rupee, increase in discount rates with inflation averaging 12.6 % during the period under review. Further, in view of COVID 19 outbreak and continued lock down situation has a significant impact on the economic activity which is impacting the operation of Modaraba. Going forward, the focus of the management is to optimize the utilization of our resources as well as continue leveraging the balance sheet to enhance the business value and profitability.

Acknowledgement:

We wish to place on record our appreciation to the Registrar Modaraba and the Securities & Exchange Commission of Pakistan for their support and guidance. We thank our customers and certificate holders for their continued trust and staff for their hard work.

On behalf of the Board

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Karachi:
April 20, 2020

Mohammed Sadiq Sheikh
Chief Executive Officer

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at March 31, 2020

	Note	Unaudited March 31, 2020	Audited June 30, 2019
ASSETS			
Current assets			
Cash and bank balances	5	61,121,371	49,182,224
Ijarah finance	6	3,755,007	3,755,007
Murabaha finance	7	-	-
Current portion of Diminishing Musharaka	8	7,434,637	7,662,921
Receivable against Ijarah rentals and maintenance service	9	-	6,077,340
Advances, deposits, prepayments, other assets and receivables	10	3,676,537	4,280,914
Tax refunds due from government		30,495,939	29,386,162
Inventory		566,105	2,864,170
		107,049,596	103,208,738
Non-current assets			
Long-term portion of Diminishing Musharaka	8	6,060,782	11,232,893
Investment property - at fair value	11	70,604,000	70,604,000
Property and equipment under Ijarah arrangements	12	4,064,006	6,706,006
Property and equipment	13	68,928,100	69,334,215
		149,656,888	157,877,114
Total assets		256,706,484	261,085,852
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	14	7,499,246	9,069,136
Current portion of security deposits		7,826,138	10,380,738
Unclaimed profit distribution		8,581,784	8,236,300
		23,907,168	27,686,174
Non-current liabilities			
Security deposits		115,000	100,000
Total liabilities		24,022,168	27,786,174
NET ASSETS		232,684,316	233,299,678
REPRESENTED BY: CAPITAL AND RESERVES			
Authorised certificate capital			
30,000,000 (June 30, 2019: 30,000,000)			
Modaraba certificates of Rs.10 each		300,000,000	300,000,000
Issued, subscribed and paid-up certificate capital			
18,423,945 (June 30, 2019: 18,423,945)			
Modaraba certificates of Rs.10 each		184,239,450	184,239,450
Premium on issue of certificates		511,409	511,409
Statutory reserve		63,164,012	63,164,012
Accumulated loss		(81,762,785)	(81,147,423)
Surplus on revaluation of Investment Property		66,532,230	66,532,230
		232,684,316	233,299,678
CONTINGENCIES AND COMMITMENTS			

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the nine months period ended March 31, 2020

	Note	Nine months period ended		Quarter ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
(Rupees)					
Income on Diminishing Musharaka transactions		1,842,500	1,930,895	541,153	695,309
Ijarah rentals - net		143,545	7,605,404	-	173,299
Income from operation of fuel station	16	7,445,510	8,621,526	2,434,350	2,535,193
Profit on term deposits		2,634,670	-	1,314,999	-
Income on deposits with bank		1,363,188	1,162,327	143,392	383,046
		13,429,413	19,320,152	4,433,894	3,786,847
Depreciation on assets under Ijarah arrangements		(117,400)	(6,910,797)	-	(176,100)
Expenses on fuel station operations	16	(4,640,635)	(4,041,688)	(1,483,423)	(1,235,656)
Provision against doubtful Ijarah rentals		(5,960,746)	(1,924,787)	(5,960,746)	(696,867)
Reversal of provision against doubtful Ijarah rentals		104,617	-	-	-
		2,815,249	6,442,880	(3,010,275)	1,678,224
Other income	17	5,240,827	5,989,835	1,747,345	1,587,945
Administrative and operating expenses	18	(5,141,034)	(6,241,044)	(1,596,150)	(1,516,558)
		2,915,042	6,191,671	(2,859,080)	1,749,611
Modaraba Management Company's remuneration	14.1	-	-	-	-
Provision for services sales tax on management company's remuneration	14.1	(408)	(867)	400	(245)
Provision for Workers' Welfare Fund	19	(57,158)	(121,405)	56,060	(29,893)
Profit for the period before taxation		2,857,476	6,069,399	(2,802,620)	1,719,473
Taxation	20	525,007	635,031	168,368	178,302
Profit for the period after taxation		2,332,469	5,434,368	(2,970,988)	1,541,171
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		2,332,469	5,434,368	(2,970,988)	1,541,171
Earnings per certificate - basic & diluted		0.13	0.29	(0.16)	0.08

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the nine months period ended March 31, 2020

Note	March 31, 2020	March 31, 2019
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	2,857,476	6,069,399
Adjustments for non-cash charges and other items:		
Depreciation on assets under Ijarah arrangements	117,400	6,910,797
Depreciation on fixed assets in own use	406,116	518,304
Gain on disposal on fixed assets in own use	-	(1,226,000)
	523,516	6,203,101
	3,380,992	12,272,500
(Increase) / decrease in assets		
Receivable against Ijarah rentals and maintenance service	6,077,340	(2,188,558)
Advances, deposits, prepayments and other receivable	604,377	2,835,448
Inventory	2,298,065	(449,044)
	8,979,782	197,846
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(1,569,890)	(399,014)
Security deposits	(2,539,600)	(85,900)
	(4,109,490)	(484,914)
Cash generated from operations	8,251,284	11,985,432
Income taxes paid	(1,634,784)	(1,677,639)
Net cash generated from operating activities	6,616,500	10,307,793
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets in own use	-	(91,970)
Disposal of assets under Ijarah arrangements	2,524,599	105,900
Proceeds from disposal of fixed assets in own use	-	1,226,000
Diminishing Musharaka finances	5,400,395	(5,582,961)
Net cash generated from / (used in) investing activities	7,924,994	(4,343,031)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	(2,602,347)	(8,681,974)
Net cash used in financing activities	(2,602,347)	(8,681,974)
Net increase / (decrease) in cash and cash equivalents	11,939,147	(2,717,212)
Cash and cash equivalents at beginning of the period	49,182,224	47,176,421
Cash and cash equivalents at end of the period	22 61,121,371	44,459,209

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director

CONDENSED INTERIM STATEMENT
OF CHANGES IN EQUITY (UN-AUDITED)

For the nine months period ended March 31, 2020

	Paid-up certificate capital	Premium on issue of certificates	Statutory reserve	Accumulated Losses	Total Reserves	Surplus on revaluation of Investment Property	Total
	(Rupees)						
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. 0.50 per certificate for the year ended June 30, 2018	-	-	-	(9,211,973)	(9,211,973)	-	(9,211,973)
Total comprehensive income for the six months period ended March 31, 2019	-	-	-	5,434,368	5,434,368	66,532,230	71,966,598
Balance as at March 31, 2019	184,239,450	511,409	61,571,075	(81,620,877)	(19,538,393)	66,532,230	231,233,287
Total comprehensive income for the six months period ended June 30, 2019	-	-	-	2,530,315	2,530,315	-	2,530,315
Other comprehensive loss for the year ended June 30, 2019	-	-	-	(463,924)	(463,924)	-	(463,924)
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
Final cash dividend of Re. 0.16 per certificate for the year ended June 30, 2019	-	-	-	(2,947,831)	(2,947,831)	-	(2,947,831)
Total comprehensive income for the six months period ended March 31, 2020	-	-	-	2,332,469	2,332,469	-	2,332,469
Balance as at March 31, 2020	184,239,450	511,409	63,164,012	(81,762,785)	(18,087,364)	66,532,230	232,684,316

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the nine months period ended March 31, 2020

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 Modaraba is listed on the Pakistan Stock Exchange Limited. Registered office is situated at 10th Floor, Progressive Square, Shahr-e Faisal, Karachi, in the province of Sindh.

The Modaraba is engaged in the business of Leasing, 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, for the Modaraba.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting (IAS 34), 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 (ICAP);
- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas; and
- Provisions of and directives issued by the Securities & Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas and IFASs differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas and IFASs have been followed.

2.1.2 These condensed interim financial statements do not include all the information required for a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended June 30, 2019.

2.1.3 These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance.

2.2 Functional and presentation currency

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

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

2.3.1 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 the modarabas without applying the requirements of IAS 17. 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 2.3.2.

2.3.2 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 5, 2007. Under the above IFAS 2, the Ijarah transactions are accounted for in the following manner:

- Muj'ir (lessor) presents assets subject to Ijarah on 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 to 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.

2.3.3 IFRS 9 "Financial Instruments"; is applicable effective from July 1, 2018. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach.

The SECP has deferred the applicability of IFRS 9 for provision against financings made by Modaraba in the financial statements for the year ended June 30, 2019 and required the Modaraba to follow all other requirements of IFRS 9. The Modaraba had adopted all requirements of IFRS 9 and had determined the provision in respect of financings as per the requirements of the Prudential Regulations.

During the current period, the SECP has further deferred the applicability of IFRS 9 for a further period of one year (i.e. upto June 30, 2020). The Modaraba has adopted the classification and measurement requirements of IFRS 9 on all other balances except for financings made by Modaraba in line with the practice adopted by the Modaraba for the year ended June 30, 2019. The provision against financings has been determined in accordance with the requirements of the Prudential Regulations.

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

3.1 The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of Modaraba for the year ended June 30, 2019.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are therefore not detailed in these condensed interim financial statements.

There are other certain new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2018 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are therefore not detailed in these condensed interim financial statements.

3.3 The preparation of these condensed interim financial statements requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.4 The significant judgments made by the management in applying the Modaraba's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the annual published financial statements for the year ended June 30, 2019.

4. RISK MANAGEMENT POLICIES

The financial risk management objectives and policies are consistent with those disclosed in the annual published financial statements of the Modaraba for the year ended June 30, 2019.

Note	Un-audited March 31, 2020	Audited June 30, 2019
5. CASH AND BANK BALANCES		
	----- (Rupees) -----	
Balances with banks in:		
- Profit and loss sharing accounts	5.2	13,830,199
- Term deposit account	5.3	47,049,411
- Current accounts		-
		1,816,076
		1,607,040
		60,646,275
Balance with the State Bank of Pakistan		48,656,451
		16,374
		16,374
		60,662,649
Cash in hand		48,672,825
Stamp Paper		509,149
		458,472
		250
		250
		61,121,371
		49,182,224

5.1 Balances with banks include an amount of Rs. 12.63 million (June 30, 2019: Rs. 45.17 million) held with BankIslami Pakistan Limited, (parent company of the Modaraba Management Company).

Modaraba Al-Mali

5.2	These accounts carry profit at rates ranging from 3% to 6.7% (June 30, 2019: 6.72% to 10.5%) per annum.			
5.3	Term deposits of Rs. 45 million are held with BankIslami Pakistan Limited (parent company of the Modaraba Management Company). These carry mark-up at 11.50% per annum and are due to mature on June 11, 2020.			
6.	IJARAH FINANCE			
	Ijarah contracts commencing up to June 30, 2008 - accounted for as finance leases	Note	Un-audited March 31, 2020	Audited June 30, 2019
			----- (Rupees) -----	
	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 lease losses	6.1	(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 deposits to be adjusted at the time of final settlement.			
7.	MURABAHA FINANCE			
	Considered doubtful	7.1	2,517,068	2,517,068
	Provision for impairment loss against doubtful recoveries		(2,517,068)	(2,517,068)
			-	-
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 MUSHARIKA			
	Musharika Finance		13,495,419	18,895,814
	Less: Current portion of Diminishing Musharika		(7,434,637)	(7,662,921)
			6,060,782	11,232,893
9.	RECEIVABLE AGAINST IJARAH RENTALS AND MAINTENANCE SERVICES			
	Considered good			
	- Ijarah rentals receivable		-	6,077,340
	Considered doubtful			
	- Ijarah rentals receivable		12,647,513	6,782,496
	- Maintenance fee	9.1	4,275,537	4,275,537
	- Ijarah lease rentals of tower and allied equipments		10,194,320	10,194,320
			27,117,370	27,329,693
	Less: Provision against potential ijarah losses		(27,117,370)	(21,252,353)
			-	6,077,340
9.1	This relates to discontinued operations.			

Modaraba Al-Mali

10.	ADVANCES, DEPOSITS, PREPAYMENTS, OTHER ASSETS AND RECEIVABLES	Note	Un-audited March 31, 2020	Audited June 30, 2019
	Considered Good		----- (Rupees) -----	
	Advances		-	35,945
	- to suppliers		-	-
	- to employees against salary		91,300	-
	Prepayments		685,669	421,180
	Defined benefit plan - staff gratuity		1,392,775	1,392,775
	Other deposits		40,899	43,899
			2,210,643	1,893,799
	Other receivables			
	- Receivable from BankIslami Pakistan Limited - Related Party		893,207	742,824
	- Others		572,687	1,644,291
			1,465,894	2,387,115
	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 receivable		(8,053,663)	(8,053,663)
			3,676,537	4,280,914
11.	INVESTMENT PROPERTY - FAIR VALUE			
	Carrying amount - opening		70,604,000	-
	Transfers from owner occupied property		-	66,888,000
	Net gain from fair value adjustment		-	3,716,000
	Carrying amount - closing		70,604,000	70,604,000
11.1	The leasehold office premises (investment property) of the Modaraba were valued by an independent valuer Harvester Services (Private) Limited, as at December 31, 2019, on the basis of professional assessment of the market values. The revaluation did not result in any change in fair market values of the investment property.			
11.2	Forced sale value of the investment property was assessed at Rs. 65.003 million as at December 31, 2019.			
12.	PROPERTY AND EQUIPMENT UNDER IJARAH ARRANGEMENTS			
12.1	Following additions and disposals in Ijarah / leased out assets, at cost, were made during the period:			
	Additions at cost during the period			
	- Machinery and Equipment		-	-
	- Vehicles		-	-
			-	-
	Disposals at cost during the period			
	- Machinery and Equipment		-	-
	- Vehicles		13,797,000	1,059,000
			13,797,000	1,059,000
13.	PROPERTY AND EQUIPMENT			
	Property and equipment in own use	13.1	68,578,100	68,984,215
	Towers and allied equipment		350,000	350,000
			68,928,100	69,334,215

Modaraba Al-Mali

	Note	Un-audited March 31, 2020	Audited June 30, 2019
13.1 Following additions and disposals, at cost, were made during the period:			
------(Rupees)-----			
Additions at cost during the period			
- Office premises - leasehold		-	85,970
- Office and computer equipment		-	6,000
		-	91,970
Disposals / transfer at cost during the period			
- Office premises - leasehold		-	11,999,049
- Vehicles		-	285,200
		-	12,284,249

14. CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued liabilities		6,119,744	7,191,061
Charity and donation		62,432	61,071
Payable to provincial government	14.1	5,095	5,430
Advance from customers		42,000	50,000
Others		1,114,811	1,603,370
Ijarah rental received in advance		155,164	158,204
		7,499,246	9,069,136

14.1 The Modaraba Management Company is entitled to a remuneration for services rendered to 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 Modaraba.

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

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 There were no contingencies as at March 31, 2020 and 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 ACIT. The second appeal filed against the said order with the Appellate Tribunal Inland Revenue (the Tribunal) was also decided against Modaraba. The Modaraba filed an application with the Tribunal for a review, which has also been decided against the Modaraba during the year ended June 30, 2017. The Modaraba has filed a second review application with the Tribunal and a reference in the High Court of Sindh. As at December 31, 2019 the application is pending for hearing before the High Court of Sindh. The management based on the advice of its legal counsel is hopeful for a favourable outcome and therefore, no provision has been made in these condensed interim financial statements.

15.2 Commitments

15.2.1 There were no commitments outstanding as at March 31, 2020 and June 30, 2019.

Modaraba Al-Mali

16. PROFIT FROM OPERATIONS OF FUEL STATION

		(Un-audited) Nine months period ended		(Un-audited) Quarter ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
------(Rupees)-----					
Note					
Income	16.1				
Sale of fuel		198,636,735	199,773,376	65,213,653	53,940,482
Cost of sales		(192,484,825)	(192,327,550)	(63,210,503)	(51,834,289)
		6,151,910	7,445,826	2,003,150	2,106,193
Rental income	16.2	1,293,600	1,175,700	431,200	429,000
		7,445,510	8,621,526	2,434,350	2,535,193
Expenses					
Salaries and allowances		1,983,856	2,011,048	695,919	634,152
Generator fuel		163,592	315,457	38,756	15,499
Depreciation		340,531	340,668	113,419	113,556
Electricity		300,854	195,919	90,285	86,556
Repairs and maintenance		941,259	374,319	179,682	115,841
Printing and stationery		18,000	17,300	3,000	6,700
Security guards		482,400	367,400	231,600	125,400
Insurance		87,381	79,200	27,675	26,400
Telephone		17,547	18,617	5,853	5,253
Rent, rates & taxes		186,306	203,769	62,643	68,283
Miscellaneous		118,909	117,991	34,591	38,016
		4,640,635	4,041,688	1,483,423	1,235,656
		2,804,875	4,579,838	950,927	1,299,537

16.1 Income relates to the operation of petrol and diesel filling / service station which was started from October 03, 2010 under a retailer agreement with an oil marketing company (the 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.

16.2 Rent is received in respect of the plot of land used for fuel station under a lease agreement with the Company.

17. The other income pertains to rental income earned from letting out vacant office premises temporarily to BankIslami Pakistan Limited (parent company of the Modaraba Management Company and a related party).

18. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and other benefits	1,025,537	1,947,058	368,148	399,341
Rent, rates and taxes	152,147	109,285	48,493	36,279
Depreciation	65,585	177,636	20,264	24,977
Fuel and conveyance	105,096	166,100	35,337	33,306
Repairs and maintenance	209,263	247,350	30,802	70,777
Legal and professional	1,145,915	1,065,590	379,452	252,561
Electricity	245,575	315,855	35,396	27,972
Telephone	119,923	143,134	37,994	39,421
Entertainment	34,865	42,746	9,622	9,753
Insurance	76,660	90,246	24,006	22,879
Printing and stationery	339,322	384,749	112,155	127,632
Gratuity	-	22,984	-	7,479
Auditors' remuneration	786,888	452,700	181,738	150,900
Subscription	320,305	314,206	106,771	109,359
Registrar services	210,996	189,908	110,103	104,028
Postage	91,795	102,010	36,727	37,422
Advertisement	115,066	196,300	26,966	34,200
Others	96,096	273,187	32,176	28,272
	5,141,034	6,241,044	1,596,150	1,516,558

19. WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) due to which the Modaraba became liable to pay contribution to the Workers' Welfare Fund (WWF) at the rate of 2% on the higher of the profit before taxation as per the accounts or the return of income.

20. TAXATION

20.1 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 condensed interim financial statements except for minimum tax deducted on certain items which has been treated as full and final tax charge.

20.2 The income tax returns of the Modaraba have been filed upto the financial year ended June 30, 2019 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

21. EARNINGS PER CERTIFICATE

A diluted earnings per certificate has not been presented as the Modaraba did not have any convertible instruments in issue as at March 31, 2020 and 2019 which would have any effect on the earnings per certificate if the option to convert is exercised.

	Un-audited March 31, 2020	Un-audited March 31, 2019
		(Rupees)
Balances with banks in:		
- Profit and loss sharing accounts	13,830,199	41,504,346
- Term deposit account	45,000,000	-
- Current accounts	1,816,076	1,471,069
	60,646,275	42,975,415
Balance with the State Bank of Pakistan	16,374	24,092
	60,662,649	42,999,507
Cash in hand	458,472	1,433,647
Stamp Paper	250	16,055
	61,121,371	44,459,209

23. 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.

The remuneration of key management employees (executives) are determined in accordance with their terms of appointment. Contribution to the provident and gratuity funds are made in accordance with the service rules and actuarial advise respectively. Modaraba management fee is payable in accordance with the provision of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Other transactions are in accordance with the agreed terms.

23.1 Details of transactions with related parties during the period are as follows:

Details of transactions with related parties during the period are as follows:	
	(Un-audited) Half year ended
BankIslami Pakistan Limited (Holding company of the management company)	March 31, 2020 March 31, 2019 ------(Rupees)-----
Profit on Islamic profit and loss sharing account	<u>1,150,938</u> <u>690,891</u>
Profit on term deposit account	<u>1,363,188</u> <u>-</u>
Rental income	<u>5,240,223</u> <u>4,763,835</u>
Bank charges	<u>-</u> <u>4,833</u>
Other transactions	
Contributions to staff provident fund	<u>43,068</u> <u>75,982</u>
Contribution to staff gratuity fund	<u>-</u> <u>279,074</u>

23.2 Details of balances with related parties as at period / year end are as follows:

Details of balances with related parties as at period / year end are as follows:	(Un-audited)	(Audited)
	March 31, 2020	June 30, 2019
	-----	-----
	(Rupees)	
Bank deposits	<u>12,633,629</u>	<u>45,170,854</u>
Investment in term deposit	<u>45,000,000</u>	<u>-</u>
Amount receivable in respect of genset and premises rent income and others	<u>893,207</u>	<u>742,824</u>

24. Fair Value of Financial Instruments

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 the 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 period.

Currently, the Modaraba holds investment property which is being carried and disclosed at fair value. The carrying values of all other financial assets and liabilities reflected in these condensed interim financial statements approximate their fair value.

The following is the categorisation of assets measured at fair value.

	December 31, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
Assets:	<hr style="border-top: 1px dashed black;"/> (Rupees)			
Recurring fair value measurement of investment property				
Office premises - lease hold	<u>-</u>	<u>-</u>	<u>70,604,000</u>	<u>70,604,000</u>
	June 30, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
Assets:	<hr style="border-top: 1px dashed black;"/> (Rupees)			
Recurring fair value measurement of investment property				
Office premises - lease hold	<u>-</u>	<u>-</u>	<u>70,604,000</u>	<u>70,604,000</u>

25. GENERAL

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

25.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison.

26. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Modaraba Management Company on April 20, 2020

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director