



**BankIslami Modaraba
In ve st ments**

Modaraba Al-Mali

Managed by:
BankIslami Modaraba Investments Ltd.

Annual Report | 2020

CONTENTS

Mission Statement and Vision	02
Corporate Information	03
Chairman's Review Report	04
Directors' Report	05
Directors' Report (Urdu)	10
Key Operating and Financial Data	16
Shariah Audit Report	17
Statement of Compliance with the Code of Corporate Governance	18
Review Report on Statement of Compliance	20
Auditors' Report to the Certificate Holders	21
Balance Sheet	22
Profit & Loss Account	23
Cash Flow Statement	24
Statement of Changes in Equity	25
Notes to the Financial Statements	26
Pattern of Certificate Holding	65
Categories of Certificate Holding	66
Notice of Annual Review Meeting (Urdu)	67

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 Ms.Ayesha Ashraf Jangda Mr.Kashif Nisar Mr.Muhammad Hamid Mr.Khurram Jamil Mr.Rizwan Qamar Lari Mr.Muhammad Haris Munawar Mr.Mohammad Sadiq Sheikh	Chairman Director Director Director Director Director Director Chief Executive Officer
Audit Committee	Mr.Muhammad Hamid Mr.Kashif Nisar Mr.Sohail Sikandar Mr.Khurram Jamil Mr.Rizwan Qamar Lari	Chairman Member Member Member Member
HR & Remuneration Committee	Mr.Muhammad Hamid Mr.Sohail Sikandar Mr.Mohammad Sadiq Sheikh	Chairman Member Member
Management Team	Mr.Mohammad Sadiq Sheikh Rashid Matin Khan	Chief Executive Officer 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	JWAFFS 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	

Modaraba Al-Mali

CHAIRMAN'S REVIEW

It is my pleasure to present the Annual Report to our valued Certificate Holders on the affairs of Modaraba Al-Mali for the year ended June 30, 2020.

Despite a clear element of uncertainty due to Covid-19 Pandemic during the 2nd half of the financial year under review, your Modaraba has continued to show progress and has earned profit of Rs 18.607 M as against Rs 7.964 M during the last financial year. The Management Company of the Modaraba after hectic efforts was able to recover long outstanding amounts from delinquent customers which contributed in the improvement of the overall profitability.

I am pleased to report that the Board of Directors of the Management Company has met at regular intervals and continued to provide valuable guidance to the Management throughout the year. I am particularly grateful to our Board Audit Committee members who conducted detailed and diligent reviews of the performance of the Modaraba. A review of the Board's performance and effectiveness through a self- assessment basis has been conducted during the year to ensure best practices.

I would like to express my gratitude and appreciation to the Securities and Exchange Commission of Pakistan and the Registrar Modaraba for their continued guidance and support.

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

-- sd --

Sohail Sikandar

Chairman

September 15, 2020

Modaraba Al-Mali

DIRECTORS' REPORT

On behalf of the Board of Directors of BankIslami Modaraba Investments Limited we are pleased to present 35th Annual report of Modaraba Al-Mali together with audited accounts for the year ended June 30, 2020.

The Modaraba is engaged mainly in the business of operating fuel station and it also include Ijarah, Murabaha and Musharaka Financing,.

1. Operating Results

A summary of operating results for the year ended June 30, 2018 is presented as under:

	(Rupees in "000")	
	June 30, 2020	June 30, 2019
Total income	25,978	36,117
Ijarah depreciation	(117)	(7,087)
Income net of Ijarah depreciation	<u>25,861</u>	<u>29,031</u>
Reversal of provision / (provision) against doubtful Ijarah Rentals	6,782	(6,782)
Administrative and operating expenses, including expenses on fuel station	<u>(13,352)</u>	<u>(13,469)</u>
	19,291	8,780
	(684)	(815)
Taxation	<u>18,607</u>	<u>7,965</u>
Profit for the year after taxation	1.01	0.43
Earnings per certificate – basic & diluted		

Under the provision of Modaraba Ordinance, 1980, the management company is entitled to 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 @ 7% i.e. Rs. 0.7 per certificate for the year ended June 2020.

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

The recent Covid-19 Pandemic has surfaced as a major event creating disruption and uncertainty for the society and business community at a global level. The economic ramification of the crisis resulted in restricting economic activities and disruption of several businesses in the Country. To mitigate the adverse financial impact on the economy, the State Bank of Pakistan and Security & Exchange Commission of Pakistan introduced several measures including reduction in policy rate from 13.25 % to 7 % and announcing various relief packages for businesses to dampen the effects

of Covid-19 in the Country. The Management of your Modaraba took necessary precautionary measures to ensure continuity of its business and safety and well-being of all staff members.

5. Operational review

By the Grace of Almighty Allah, during the year, the operations of your Modaraba resulted in after tax profit of Rs 18,607 M as against Rs 7,965 M, an increase of 133.6 % over the last year. This has been achieved despite spread of Covid-19 Pandemic which had badly affected the sale of fuel during the last quarter of the year. Growth in profit is attributed to the recovery of long outstanding amounts from delinquent customers after hectic efforts made by the management of the Modaraba. Income on deposits with banks increased by 166.2 % to Rs 5,059 M as compared to Rs 1.90 M during last year. Reduction in policy rates by 625 bps during the second half of the year has impacted the profit rates offered by the banks on deposits.

6. Future prospects

The spread of Covid-19 Pandemic has been controlled in Pakistan and economy has shown signs of recovery. It is expected that this pandemic does not carry any major threat to the economy going forward. Nonetheless, your Board of Directors and Management are cognizant of the prevailing situation and are committed to steer out safely from this calamity with adoption of policies resulting in the growth of business and profitability.

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 appropriate manner in accordance with the size, industry sector and relevant laws and regulations.

The Board regularly evaluates performance of the company 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, 2019 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;

Modaraba Al-Mali

- 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 board is as follows:

Non-executive Directors	1. Mr. Muhammad Hamid 2. Mr. Sohail Sikandar (Chairman) 3. Mr. Rizwan Qamar Lari 4. Mr. Khurram Jamil 5. Mr. Kashif Nisar 6. Muhammad Haris Munawar appointed w.e.f 17-10-2019 7. 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 all, four Board meetings of the Modaraba Company were held during the year.

Attendance of each director is appended hereunder:

Name of Directors	No. of Meetings attended	Leave of Absence	Remarks
Ms. Ayesha Ashraf Jangda	4	--	
Mr. Rizwan Qamar Lari	4	--	
Mr. Muhammad Hamid	4	--	
Mr. Khurram Jamil	4	--	
Mr. Sohail Sikandar	4	--	
Mr. Kashif Nisar	4	--	
Mr. Muhammad Haris Munawar	3	--	Appointed w.e.f 17-10-2020

Modaraba Al-Mali

11. Audit Committee

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

Name of Member

a. Mr. Muhammad Hamid	Chairman
b. Mr. Khurram Jamil	Member
c. Mr. Kashif Nisar	Member
d. Mr. Sohail Sikandar	Member
e. 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;

a. Mr. Muhammad Hamid	Chairman
b. Mr. Sohail Sikandar	Member
c. 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. No new appointment of CEO has been made during the current year. 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 assigned long term entity rating of BBB+ 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. 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, 2021. 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.

Modaraba Al-Mali

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

-- sd --

Mohammad Sadiq Sheikh
Chief Executive Officer

-- sd --

Ayesha Ashraf Jangda
Director

Karachi:
September 15, 2020

ڈائریکٹر زر پورٹ

بنیک اسلامی مداربہ انویسٹمنٹس لمبینڈ کے بورڈ آف ڈائریکٹر زر کی جانب سے 30 جون 2020 کو اختتام پذیر سال پر ہم مداربہ المالی کی 35 ویں سالانہ رپورٹ بیان آؤٹ شدہ کھاتے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مداربہ بنیادی طور پر فیول اسٹیشن کے آپریشن کے کاروبار کے ساتھ جس میں اجارہ، مرکب، مشارکہ کی سرمایہ کاری بھی شامل ہیں۔

۱۔ آپریشن کے نتائج

30 جون 2020 کو ختم ہونے والے سال پر آپریشن کے نتائج کا خلاصہ درج ذیل ہے:

روپے 000 میں

2019 جون 30 2020 جون 30

36,117	25,978	کل آمدنی
(7,087)	(117)	اجارہ فرسودگی (Depreciation)
29,031	25,861	خالص آمدنی بعد از اجارہ فرسودگی
(6,782)	6,782	مشکوک کرایہ داری اجارہ کے لیے مختص کی وابستی
(13,469)	(13,352)	انتظامی اور آپریشن کے اخراجات شامل فیول اسٹیشن کے اخراجات
8,780	19,2891	محصول
(815)	(684)	سال کا منافع بعد از محصول
7,965	18,607	آمدنی فی سرٹیفیکیٹ - بنیادی اور کم شدہ (diluted)
0.43	1.01	

مداربہ آرڈیننس 1980،، میجنٹ کمپنی کو اس بات کا حق دیتا ہے کہ وہ مضابطہ کے منافع کا 10 فیصد فیس وصول کرے۔ تاہم بورڈ آف ڈائریکٹر ز نے فیصلہ کیا ہے کہ وہ اس سال کی فیس چھوڑ دیں۔

۲۔ منافع کی تقسیم

جون 2020 پر اختتام پذیر سال پر، ڈائریکٹر زر 7 فیصد کی شرح یعنی 0.7 روپے فی سرٹیفیکیٹ کا نقد منقسمہ منافع (dividend) کا اعلان کرتے ہوئے خوشی محسوس کرتے ہیں۔

س۔ دستوری ذخائر

سیکیوریٹی ایڈ ایچیجن کمیشن آف پاکستان (SECP) کے جاری کردہ پروڈیشل ریگولیشن برائے مضاربہ کمپنی کے مطابق مضاربہ کمپنی کو اپنے منافع بعد از محصول کا کم سے کم 20 فیصد اور زیادہ سے زیادہ 50 فیصد کو دستوری ذخائر میں منتقل کرنا ہوتا ہے۔ پورہ آف ڈائریکٹر زنے بعد از منافع کا 20 فیصد دستوری ذخائر کے لیے مختص کر دیا ہے۔

۴۔ معاشی جائزہ

حالیہ عالمی وباء کو ڈ۔19 نے بطور بڑے واقعہ کے سراہیا جس نے عالمی سطح پر سوسائٹی اور کاروباری کمیوٹی کی سرگرمیوں میں خلل اور بے یقینی پیدا کی۔ اس بحران کے معاشی پیچیدگی کے نتیجے میں ملک میں معاشی سرگرمیاں محدود ہوئیں اور متعدد کاروباری اداروں میں خلل آیا۔ بینک دولت پاکستان اور سیکیوریٹی ایڈ ایچیجن کمیشن آف پاکستان نے معیشت پر ناموافق مالی اثرات سے بچاؤ کے لیے متعدد اقدامات متعارف کروائے۔ بشمول پالیسی نرخ میں 13 فیصد سے 7 فیصد کی کمی اور کاروباری سیکٹر کے مختلف معاونت پیچیجن کا اعلان کیا تاکہ ملک میں کو ڈ۔19 کے اثرات کو کم کیا جاسکے۔ آپ کے مضاربہ نے ضروری احتیاطی تدابیر اٹھائے تاکہ کاروبار کے تسلیل کو اور عملے کے ارکان کے زندگیوں کے حفاظت اور بھلائی کو یقین بنایا جاسکے۔

۵۔ مضاربہ کے آپریشن کا جائزہ

اللہ تعالیٰ کی مہربانی سے زیر جائزہ مدت کے دوران، آپ کے مضاربہ نے 18.607 ملین روپے کا منافع بعد از محصول کمایا جکہ گذشتہ سال اسی مدت میں 7.965 ملین روپے کمایا جس میں 133.6 فیصد اضافے کا اندر ایج کیا۔ یہ نتیجہ کو ڈ۔19 کی عالمی وباء کے پھیلاؤ کے باوجود حاصل کیا جس نے سال کی آخری سہ ماہی میں ایڈھن کی فروخت کو بری طرح متاثر کیا۔ منافع میں اضافے کی وجہ نادہنہ گاہوں پر مدت سے واجب الادار قم کی کمی مضاربہ کی انتظامیہ کی کافی سخت کوششوں سے وصولی ہوئی۔ بینک میں ڈپازٹس سے آمدی میں 166.2 فیصد کے ساتھ 5.059 ملین روپے ہوئی جکہ اس کے مقابلے میں گذشتہ سال 1.90 ملین روپے تھی۔ سال کی دوسری سہ ماہی میں پالیسی نرخ میں 625 یس پاؤنسٹس کی کمی نے بینک کا ڈپازٹس پر دینے والے منافع کو متاثر کیا ہے۔

۶۔ مستقبل کا منظر نامہ

پاکستان میں کو ڈ۔19 کے پھیلاؤ کو تابو کیا جا چکا ہے اور معیشت نے بھالی کے اشارے دکھا چکی ہے۔ یہ توقع کی جاتی ہے کہ آنے والے دنوں میں یہ عالمی وباء معیشت کے لئے بڑا خطرہ نہیں ہو گی۔ علاوہ ازیں، آپ کے پورہ ڈائریکٹر ز اور انتظامیہ موجودہ صورت حال سے اچھی طرح آگاہ ہے اور پر بخشی ہو۔

۷۔ اداراتی نظم و ضبط

پورہ آف ڈائریکٹر ز منظم طور پر ڈیزائن کے طریقہ کار سے مستحکم، شفاف اور موثر اداراتی انتظام کو یقین بنا یا جائے۔ میجنت کمپنی کاروباری

سرگرمیاں کو مناسب طور سے سر انجام دینے کے لیے فصلہ کرتی ہے جس کی بنیاد سائز، صنعتی شعبہ اور متعلقہ قوانین اور ضوابط کے تحت ہوتی ہے۔ بورڈ باتاکنڈہ طور پر، بلواسطہ اور بلا واسطہ، بورڈ کی کمیٹیوں اور سی ای اور 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 اسٹیڈی کمپنیز کوڈ آف کارپوریٹ گورننس (CCG) ریگولیشنز 2019 کی متعدد شرائط کی تعلیم 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 مختتم اندر وی آؤٹ فناشن تیار کیا ہے اور آؤٹ کمپنی کی تشكیل اور آؤٹ کمپنی کا منشور بنایا ہے۔

وستوری آئیز کے لیے لازم ہے کہ بہترین مثقوں (practices) کے تعیین 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 ملکیت سرمایہ (equity) میں تبدیلی کی مناسب صورتحال 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 تینیوں کی بنیاد مناسب اور محتاط اندازے ہیں۔
- میں الاقوامی فناشل رپورٹنگ اسٹینڈرڈ، جو پاکستان میں مضاربہ پر لگو 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؛
- اندر وی گرینی کا نظام مسکنم ہے اور اس کو موثر 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۔
- گذشتہ چھ سالوں کا اہم آپریٹنگ اور مالیاتی اعداد و شمار اس رپورٹ کے ساتھ مسلک کیا گیا ہے۔

۸۔ سرٹیفیکیٹ رکھنے کا رجحان

سرٹیفیکیٹ رکھے جانے کا رجحان اس رپورٹ کے ساتھ مسلک ہے۔

۹۔ بورڈ آف ڈائریکٹرز کی ساخت

بورڈ کے کل ڈائریکٹر زکی تعداد آٹھ ہے جو درج ذیل ہے:

مرد: سات

خاتون: ایک

بورڈ کی ساخت درج ذیل ہے:

جناب محمد حامد	نام ایگزکیوٹو ائریکٹر
جناب سہیل سکندر (چیرین مین)	
جناب رضوان قمر لاری	
جناب خرم جیل	
جناب کاشف ثار	
جناب محمد حارث منور (2019-10-17 سے منتخب ہوئے)	
جناب عائشہ اشرف جانگڑا	
جناب محمد صادق شیخ (چیف ایگزکیوٹو آفیسر)	ایگزکیوٹو ائریکٹر

۱۰۔ بورڈ اجلاس کی حاضری

کمپنیز ایکٹ 2017 کے تحت میمنٹ کمپنی کے بورڈ آف ڈائریکٹر سہ ماہی کی بنیاد پر اجلاس کرتی ہے۔ علاوہ ازیں بورڈ کے اجلاس اہم معاملات کی منظوری پشمول بجٹ کی منظوری، فنی پالیسیوں اور طریقہ کار کی منظوری اور موجودہ پالیسیوں اور طریقہ کار میں تراجم کی منظوری کے لیے منعقد ہو سکتی ہیں۔ ایسے تمام اجلاس اور ان کے نتائج کی مناسب طور پر مختلفہ انصبابی اخبار بیبز کو اطلاع دی جاتی ہے۔
مجموعی طور پر سال میں مضاربہ کمپنی کے چار اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری درج ذیل ہے:

ڈائریکٹر کے نام	اجلاس میں شرکت کی تعداد	غیر حاضر کی رخصت	تبصرہ
محمد عائشہ اشرف جانگڑا	4	--	
جناب رضوان قمر لاری	4	--	
جناب محمد حامد	4	--	
جناب خرم جیل	4	--	
جناب سہیل سکندر	4	--	
جناب کاشف ثار	4	--	
جناب محمد حارث منور	3	--	17 اکتوبر 2020 کو منتخب ہوئے

۱۱۔ آڈٹ کمیٹی

بورڈ، آڈٹ کمیٹی کی تشکیل کرچکا ہے جو مندرجہ ذیل ارکان پر مشتمل ہے:
ارکان کے نام

جناب محمد حامد	چیئرمین
جناب خرم جیل	رکن
جناب کاشف ثار	رکن
جناب سعیل سعیدر	رکن
جناب رضوان قمر لاری	رکن

۱۲۔ انسانی و سائل اور مشاہروں کی کمیٹی

اداراتی کارکردگی کے ضابطے کی تعییل کرتے ہوئے بورڈ، انسانی و سائل اور مشاہروں کمیٹی کی تشکیل کرچکا ہے جو مندرجہ ذیل ارکان پر مشتمل ہے:

جناب محمد حامد	چیئرمین
جناب سعیل سعیدر	رکن
جناب محمد صادق شیخ	رکن

۱۳۔ ڈائریکٹرز کی مشاہراہ پالیسی

بورڈ، CEO کے منتخب، مشاہراہ اور ان کی ملازمت کی شرائط و ضوابط کیا جاچکا ہے۔ جاری سال میں کسی نئے کا انتخاب نہیں کیا گیا ہے۔ بورڈ نے نان ایکریکیو ڈائریکٹرز کے منتخب کی شرائط مظہور نہیں کی ہیں کیونکہ وہ پینک اسلامی، جو میہمنت کمپنی کی ہو لانگ کمپنی ہے، کے نامزد کر دے ہیں۔ آزاد ڈائریکٹرز کے منتخب کی شرائط کا تعین میہمنت کمپنی کرتی ہے اور ان کا مشاہراہ بھی میہمنت کمپنی کرتی ہے۔

۱۴۔ کریڈٹ درجہ بندی

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

۱۵۔ اندرونی مالیاتی کنٹرول کی موزوںیت

بورڈ آف ڈائریکٹرز مالیات کی نگرانی کا ایک کارکردگی میں بہتر (efficient) اندرونی نظام تشکیل کرچکے ہیں تاکہ آپریشنز، مضاربہ کے اثنائے جات کا تحفظ، قوانین اور ضوابط کے مطابق تعییل اور معابر مالیاتی رپورٹنگ کارکردگی میں بہتری (efficient) اور موثر (effective) سے ہونے کو یقینی بنایا جاسکے۔ بورڈ نے اندرونی احتساب کی کاموں کو میسر جنیدی شیعیت اسد، چارٹرڈ اکاؤنٹنیٹ، 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 آٹھ کمیٹی اندر وہ کثروں کے ڈھانچے اور مالیاتی دستاویزات کا سہ ماہی کی پابندی برائی کے موئیں ہونے کا جائز لیتی ہے۔

۷۱- دستوری آگلیٹر ز

موجودہ آئیکٹر زیمسرز: اے ایف فرگوسن انیڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، جن کے انتخاب کی مدت معابدہ ختم ہو رہی ہے انہوں نے 30 جون 2021 کے اختتام تک اپنے آپ کو دوبارہ انتخاب کے لئے پیش کیا ہے۔ ڈائریکٹر زان کے انتخاب کی منظوری دے چکا ہے جو مضاربہ کپنیز اور مضاربہ کے رجسٹریار کی منظوری سے مشروط ہے۔

۱۸- اداراتی سماجی ذمہ داری

مضارہ جس معاشرے میں کام کرتا ہے اس کی قدر میں اضافہ کرنے کے لیے پر عزم ہے، مضارہ کی خیر اتی اور چندے کی بورڈ سے باضابطہ منظور شدہ یا لیسی موجود ہے۔ تمام خیر اتی فتنے سے ادھیگیا، CEO یا بورڈ آف ڈائریکٹرز کی سفارش پر شریعہ مشیر کی منظوری کے بعد کی جاتی ہیں۔

۱۹- اعتراف/ستائش

ہم اپنے سرٹیفیکیٹ کنڈ گان اور کاروباری شرکاء کا ان کی مسلسل سرپرستی پر اپنے مخصلانہ شکر یہ کا اظہار کرنا چاہتے ہیں۔ ہم اپنے ملازمین کے خلوص اور سخت محنت کو بھی سراہتے ہیں۔ علاوہ از س، ہم SECP کی ہمارے لیے نہایت وسیع حمایت اور تعاون کا بھی اعتراض کرتے ہیں۔

بورڈ کی جانب سے

عالیہ اشرف جانگلہ

محمد صادق شیخ

کراچی

2020 ۱۵

Modaraba Al-Mali

KEY OPERATING AND FINANCIAL DATA

Balance Sheet Summary		(Rupees in Million)					
Year Ended June 30,		2015	2016	2017	2018	2019	2020
EQUITY							
Issued, subscribed and paid up capital		184.24	184.24	184.24	184.24	184.24	184.24
Statutory Reserves		57.01	58.45	59.75	62.07	63.16	66.88
Revenue Reserves and unappropriated profit		(82.48))	(83.15))	(81.62))	(77.84))	(14.10))	(2.37))
	Total Equity	158.77	159.54	162.37	168.47	233.30	248.75
LIABILITIES							
Liability against Ijarah finances		-	-	-	-	-	-
Musharak Finance		-	7.53	-	-	-	-
Customer Security Deposit		12.17	19.11	18.30	10.56	10.40	7.94
Others		-	-	-	-	-	-
		12.17	26.64	18.30	10.56	10.40	7.94
Current Liabilities							
Short term Morabaha and Musharika		-	4.83	-	-	-	-
Other Current Liabilities		34.77	28.32	15.61	16.57	17.36	15.61
	Total Current Liabilities	34.77	33.15	15.61	16.57	17.36	15.61
	Total Liabilities	205.71	219.33	196.28	195.60	261.06	272.30
ASSETS							
Assets Leased Out		82.18	102.17	53.11	13.89	6.70	4.06
Net investment in Ijarah		-	-	-	-	-	-
Assets in Own Use		73.56	72.33	71.43	70.26	69.33	68.79
Long Term Morabaha and Musharika		-	-	5.33	10.40	-	-
Long Term Investment		-	-	-	-	-	-
Other Long Term Assets		-	-	-	-	81.83	76.45
		155.74	174.50	129.87	94.55	157.86	149.30
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		33.94	35.15	40.71	45.56	50.27	54.77
Cash and Bank Balance		12.28	5.93	19.59	47.17	49.18	64.48
	Total Current Assets	49.97	44.83	66.41	101.05	103.20	123.00
	Total Assets	205.71	219.33	196.28	195.60	261.06	272.30
Income Statement Highlights		(Rupees in Million)					
Year Ended June 30,		2015	2016	2017	2018	2019	2020
INCOME							
Lease		26.40	47.33	46.33	34.99	8.50	0.14
Musharika and Morabaha		-	-	0.25	0.87	-	-
Capital Gain on Investments		-	-	-	-	3.71	1.49
Dividend		-	-	-	-	-	-
Certificate of Investment		-	-	-	-	-	-
Maintenance services		-	-	-	-	-	-
Other		13.54	14.85	13.95	21.79	23.90	24.35
	Total Income	39.94	62.18	60.53	57.65	36.11	25.98
EXPENSES							
Operating		22.52	18.30	14.78	15.82	13.48	13.36
Financial		-	1.19	0.25	-	-	-
Amortization, depreciation		19.23	38.46	38.24	29.13	7.08	0.11
Provision for doubtful receivables		(6.98)	(1.02)	-	-	(6.78)	6.78
Management fee		-	-	-	-	-	-
Profit / (loss) before taxation		5.17	5.26	7.26	12.70	8.77	19.29
Taxation		0.46	0.58	0.74	1.11	0.82	0.68
	Net profit / (loss)	4.71	4.68	6.52	11.59	7.96	18.61
APPROPRIATIONS							
Total Dividend		3.68	3.68	3.68	5.15	9.21	2.94
Statutory Reserves		0.94	0.93	1.30	2.32	1.59	3.72
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 and June 30, 2015 for Gratuity Fund.

Modaraba Al-Mali



REPORT OF THE SHARIAH ADVISER

I have conducted the Shariah review of Modaraba Al-Mali managed by BankIslami Modaraba Investment Limited for the year ended June 30, 2020 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. 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;
- iii. 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.
- iv. The earnings that have been realized from the sources or by means prohibited by Shariah have been credited to charity accounts.

Observation(s):

During review it has been observed that;

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

Recommendation(s):

Recommendations are as follow;

- (i) The Charity amount should be disbursed before the end of December 2020.
- (ii) Training sessions on Islamic finance products should be conducted for the employees.

Conclusion:

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

Mufti Attaullah
SECP Registered Shariah Adviser
Registration#: SECP/IFD/SA/009

Modaraba Al-Mali

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Modaraba Al-Mali For the year ended June 30, 2020

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:

Other Non-executive Directors	<ol style="list-style-type: none">1. Mr. Sohail Sikandar (Chairman)2. Mr. Muhammad Hamid3. Mr. Khurram Jamil4. Mr. Rizwan Qamar Lari5. Mr. Muhammad Haris Munawar6. Mr. Kashif Nisar
Female Director	<ol style="list-style-type: none">1. Ms. Ayesha Ashraf Jangda
Executive Director	<ol style="list-style-type: none">1. Mr. Mohammad Sadiq Sheikh (Chief Executive Officer)

It is mandatory that the Modaraba has at least two or one third members of the Board, whichever is higher, as independent directors. The Modaraba currently does not have any independent director.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Modaraba.
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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
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 and, in his absence, by a director elected by the Board for this purpose. 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 Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

Modaraba Al-Mali

9. The Modaraba is compliant with the requirement of training of minimum number of directors as on June 30, 2020.
10. The Board has approved appointment of Chief Financial Officer (CFO) and Company Secretary, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. 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.
11. Chief Financial Officer 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. Sohail Sikandar (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, 2020;
 - b) HR and Remuneration Committee: No meeting held during the financial year ended June 30, 2020 due to COVID - 19.
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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.
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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 except for 6(1) of the Regulations have been complied with; and

Modaraba Al-Mali

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

S. No.	Requirement	Explanation for Non-Compliance	Regulation no.
1	The Human Resource and Remuneration Committee shall meet at least once in a financial year.	Due to COVID-19, the meeting was not possible. However, matters requiring immediate attention relating to HR were discussed via e-mail between members of the board.	28(3)
2	All companies shall make appropriate arrangements to carry out orientation for their directors to acquaint them with these Regulations, applicable laws, their duties and responsibilities to enable them to effectively govern the affairs of the listed company for and on behalf of shareholders.	No such orientation program was carried out during the year. The Modaraba's directors are experienced and are conversant with their duties and responsibilities.	18
3	The internal audit function, wholly or partially, may be outsourced by the company to a professional services firm or be performed by the internal audit staff of holding company and in lieu of outsourcing, the company shall appoint or designate a fulltime employee other than chief financial officer, as head of internal audit holding equivalent qualification.	The coordinator appointed by the Board does not have the required qualification. The operations of the Modaraba are limited and the management believes that the person currently appointed as coordinator is competent to perform the duties.	31(6)

Karachi:
September 15, 2020

-- 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, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (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, 2020 in accordance with the requirements of regulation 36 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. 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.

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, 2020.

Further, we highlight below an 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.	2	Currently, no member on the Board of directors of the modaraba management company is an independent director.

-- sd --

A. F. Ferguson & Co.
Chartered Accountants

Karachi:
September 28, 2020

Engagement Partner
Syed Fahim Hasan

Modaraba Al-Mali

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Modaraba Al-Mali (Modaraba) as at June 30, 2020 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 basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Modaraba 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;
 - 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, 2020 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 and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

- sd --
Chartered Accountants

Karachi:
September 28, 2020

Engagement Partner
Syed Fahim ul Hasan

Modaraba Al-Mali

BALANCE SHEET As at June 30, 2020

ASSETS	Note	2020 Rupees	2019 Rupees
Current assets			
Cash and bank balances	4	64,479,573	49,182,224
Ijarah finance	5	3,755,007	3,755,007
Murabaha finance	6	-	-
Current portion of Diminishing Musharaka	7	7,388,866	7,662,921
Receivable against Ijarah rentals and maintenance service	8	12,647,513	6,077,340
Advances, deposits, prepayments, other assets and receivables	9	3,781,590	4,280,914
Tax refunds due from government	10	29,386,162	29,386,162
Inventory	11	1,569,368	2,864,170
		<u>123,008,079</u>	<u>103,208,738</u>
Non-current assets			
Long-term portion of Diminishing Musharaka	7	4,358,408	11,232,893
Investment property - at fair value	12	72,090,400	70,604,000
Property and equipment under Ijarah arrangements	13	4,064,006	6,706,006
Property and equipment	14	68,794,659	69,334,215
		<u>149,307,473</u>	<u>157,877,114</u>
Total assets		<u>272,315,552</u>	<u>261,085,852</u>
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	15	7,208,632	9,069,136
Current portion of security deposits	16	7,841,138	10,380,738
Unclaimed profit distribution		8,406,113	8,236,300
		<u>23,455,883</u>	<u>27,686,174</u>
Non-current liabilities			
Long term portion of security deposits	16	100,000	100,000
Total liabilities		<u>23,555,883</u>	<u>27,786,174</u>
NET ASSETS		<u>248,759,669</u>	<u>233,299,678</u>
REPRESENTED BY:			
CAPITAL AND RESERVES			
Authorised certificate capital			
30,000,000 (June 30, 2019: 30,000,000)			
Modaraba certificates of Rs.10 each	17	<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid-up certificate capital		184,239,450	184,239,450
Capital reserves	18	133,929,056	130,207,651
Revenue reserves		(69,408,837)	(81,147,423)
		<u>248,759,669</u>	<u>233,299,678</u>
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 38 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, 2020

	Note	2020 Rupees	2019 Rupees
Ijarah rentals		143,545	8,500,406
Income from operation of fuel station	20	10,014,673	11,753,088
IIIncome from Term Deposits with Islamic banks		3,549,056	-
Income on deposits with Islamic bank		1,510,868	1,900,735
Income on Diminishing Musharaka transactions		2,227,598	2,669,438
Rental Income	21	5,929,547	6,351,780
Fair value adjustment on investment property	12	<u>1,486,400</u>	<u>3,716,000</u>
		24,861,687	34,891,447
Depreciation on assets under Ijarah arrangements	13	(117,400)	(7,086,896)
Expenses on fuel station operations	20	<u>(6,226,462)</u>	<u>(5,528,398)</u>
		18,517,825	22,276,153
Other income	22	1,117,900	1,226,000
Reversal of provision / (provision) against doubtful Ijarah rentals	23	6,782,496	(6,782,496)
Administrative and operating expenses	24	<u>(6,738,330)</u>	<u>(7,762,702)</u>
		19,679,891	8,956,955
Modaraba Management Company's remuneration	15.2	-	-
Provision for Sindh services sales tax on management company's remuneration	15.2	(2,558)	(1,164)
Provision for Workers' Welfare Fund	25	<u>(385,830)</u>	<u>(175,604)</u>
Profit for the year before taxation		19,291,503	8,780,187
Taxation	20 & 26	684,479	815,504
Profit for the year after taxation		18,607,024	7,964,683
Other comprehensive income			
Items that will not be reclassified to profit and loss account			
Surplus on revaluation of investment property	12.1	-	66,532,230
Remeasurement of post-employment benefit obligations	9.1.6	<u>(199,202)</u>	<u>(463,924)</u>
Total comprehensive income for the year		18,407,822	74,032,989
Earnings per certificate - basic & diluted	27	1.01	0.43

The annexed notes from 1 to 38 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

CASH FLOW STATEMENT For The Year Ended June 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation		19,291,503	8,780,187
Adjustments for non-cash charges and other items:			
Depreciation on assets under Ijarah arrangements		117,400	7,086,896
Depreciation on fixed assets in own use		539,556	663,468
(Reversal of provision) / provision against doubtful Ijarah rentals		(6,782,496)	6,782,496
Provision for Workers' Welfare Fund		385,830	175,604
Other income		(1,117,900)	(1,226,000)
Fair value adjustment on Investment property		(1,486,400)	(3,716,000)
		(8,344,010)	9,766,464)
		10,947,493	18,546,651
(Increase) / decrease in assets			
Receivable against Ijarah rentals and maintenance service		212,323	(4,794,717)
Advances, deposits, prepayments and other receivables		300,122	2,134,508
Inventory		1,294,802	(318,201)
		1,807,247	(2,978,410)
Increase / (decrease) in current liabilities			
Creditors, accrued and other liabilities		(1,128,434)	78,628
Security deposits		(2,539,600)	(85,900)
		(3,668,034)	(7,272)
Cash generated from operations			
Income taxes paid		9,086,706	15,560,969
Net cash generated from operating activities		(684,479)	(2,151,907)
		8,402,227	13,409,062
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets in own use		-	(91,970)
Proceeds from disposal of fixed assets in own use		-	1,226,000
Disposal of assets under Ijarah arrangements		2,524,600	105,900
Diminishing Musharaka		7,148,540	(3,917,747)
Net cash generated from / (used in) investing activities		9,673,140	(2,677,817)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to certificate holders		(2,778,018)	(8,725,442)
Net cash used in financing activities		(2,778,018)	(8,725,442)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		15,297,349	2,005,803
		49,182,224	47,176,421
Cash and cash equivalents at end of the year	4	64,479,573	49,182,224

The annexed notes from 1 to 38 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

STATEMENT OF CHANGES IN EQUITY

For The Year Ended June 30, 2020

	Paid-up certificate capital	Capital reserves			Revenue reserves		Total reserves	Total equity
		Premium on issue of certificates	Statutory reserve	Surplus on revaluation of investment property	Accumulated loss (Note)			
Rupees								
Balance as at July 1, 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 loss for the year ended June 30, 2019	-	-	-	66,532,230	(463,924)	66,068,306	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	66,532,230	(81,147,423)	49,060,228	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)	
Profit for the year ended June 30, 2020	-	-	-	-	18,607,024	18,607,024	18,607,024	
Other comprehensive loss for the year ended June 30, 2020	-	-	-	-	(199,202)	(199,202)	(199,202)	
Transfer to statutory reserve	-	-	3,721,405	-	(3,721,405)	-	-	
Balance as at June 30, 2020	184,239,450	511,409	66,885,417	66,532,230	(69,408,837)	64,520,219	248,759,669	

Note: Accumulated loss as at June 30, 2020 includes unrealised gain on investment property amounting to Rs. 5,202,400 (2019: Rs. 3,716,000) which is not distributable in terms of Section 240 of the Companies Act, 2017.

The annexed notes from 1 to 38 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *For The Year Ended June 30, 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 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 approved accounting standards as applicable in Pakistan. The approved accounting 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 June 30, 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 2.4.2.

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:

- Muj`ir (lessor) presents assets subject to Ijarah on their balance sheet according to the nature of the asset, distinguished from owned assets.
- 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 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 approved accounting 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 approved accounting standards that are effective in the current year:

2.6.1 IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It results in almost all leases being recognised on the balance sheet, 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. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The management has adopted requirements of IFRS 16 in the current year. However, the adoption of IFRS 16 did not have any impact on the Financial Statements of the Modaraba.

The leases that are extended by the Modaraba to its customer on Ijarah basis are accounted for under the requirements of IFAS 2 as detailed in note 2.4 to these financial statements and therefore are outside the scope of IFRS 16.

2.6.2 There were certain new amendments to the approved accounting standards which became effective during the year ended June 30, 2020 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 approved accounting standards that are not yet effective

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2020 that are expected to have an impact on the financial statements of the Modaraba.

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.

Last year, NBFI & Modaraba Association of Pakistan based on the clarification of SECP informed its members that SECP has deferred the applicability of IFRS 9 to the extent of provision for impairment for financings made by Modaraba and required the Modaraba to follow all other requirements of IFRS 9. Accordingly, 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 in the financial statements for the year ended June 30, 2019.

However, during the current year, the SECP has deferred the applicability of complete IFRS-9 for Modarabas upto June 30, 2021. In the circumstances, as the Modaraba had already adopted all requirements of IFRS 9 last year with the exception of provision for impairment for financings which was determined in accordance with the requirements of the Prudential Regulations therefore, the Modaraba continues to follow same practice in the current year.

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 except for change in accounting policy as disclosed in note 2.6.1 to the financial statements.

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 of cash in hand, balances with banks in current accounts and in profit and loss sharing accounts, term deposit receipt with maturity upto 90 days, 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 as an expense 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 relevant assets. These are included in the profit and loss account currently.

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 is 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 reporting 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 June 30, 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, bank balances and term deposit receipts

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

IFRS 9 has the following categories for classification 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 classification is based on true criteria which is 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.

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 Modaraba 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 profit and loss account. 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 statement of profit and loss account in the period in which they arise.

Impairment of financial asset

IFRS 9 requires impairment to be measured using the expected credit loss model. 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. Consequently, it is 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.

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.

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 service period of 3 years. 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 actuarial valuation was carried out as at June 30, 2020 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 the rate of 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.

	Notes	2020 Rupees	2019 Rupees
4. CASH AND BANK BALANCES			
Balances with banks in:			
- profit and loss sharing accounts	4.1 & 4.2	16,871,499	47,049,411
- term deposit accounts	4.3	45,000,000	-
- current accounts	4.1	1,757,171	1,607,040
		63,628,670	48,656,451
Balances with State Bank of Pakistan		14,191	16,374
		63,642,861	48,672,825
Cash in hand		836,462	509,149
Stamp paper		250	250
		64,479,573	49,182,224

4.1 Balances with banks include an amount of Rs. 16.70 million (2019: Rs. 45.17 million) held with BankIslami Pakistan Limited, holding company of the Modaraba Management Company.

4.2 These carry profit rates ranging from 2.74% to 6.21% (2019: 6.72% to 10.5%) per annum.

4.3 These represent amount placed with BankIslami Pakistan Limited, holding company of the Modaraba Management Company under Islami Amadni Certificates amounting to Rs. 45 million. These certificates will mature on September 9, 2020. The profit on these certificates is 7.50% per annum.

Modaraba Al-Mali

5. IJARAH FINANCE	Notes	2020 Rupees	2019 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		<u>3,755,007</u>	3,755,007
Total receivable		<u>44,235,946</u>	44,235,946
 Suspended lease income		 <u>(7,491,364)</u>	 (7,491,364)
Provision for impairment against potential Ijarah losses	5.1 & 23	<u>(32,989,575)</u>	<u>(32,989,575)</u>
		<u>(40,480,939)</u>	<u>(40,480,939)</u>
		<u>3,755,007</u>	<u>3,755,007</u>
 5.1			
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.			
 6. MURABAHA FINANCE			
Considered doubtful	6.1	2,517,068	2,517,068
Provision for impairment loss against doubtful recoveries	23	<u>(2,517,068)</u>	<u>(2,517,068)</u>
		<u>-</u>	<u>-</u>
 6.1			
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.			
 7. DIMINISHING MUSHARAKA			
Musharaka Finance		11,747,274	18,895,814
Less: Current portion of Diminishing Musharaka		<u>(7,388,866)</u>	<u>(7,662,921)</u>
Long term portion of Diminishing Musharaka		<u>4,358,408</u>	<u>11,232,893</u>
 8. RECEIVABLE AGAINST IJARAH RENTALS AND MAINTENANCE SERVICE			
Considered good			
- Ijarah rentals receivable		12,647,513	6,077,340
 Considered doubtful			
- Ijarah rentals receivable		-	6,782,496
- Maintenance fee	8.1	<u>4,275,537</u>	<u>4,275,537</u>
- Ijarah lease rentals of tower and allied equipments		<u>10,194,320</u>	<u>10,194,320</u>
		<u>27,117,370</u>	<u>27,329,693</u>
Less: Provision against potential Ijarah losses	23	<u>(14,469,857)</u>	<u>(21,252,353)</u>
		<u>12,647,513</u>	<u>6,077,340</u>
 8.1			
This relates to discontinued operations.			

Modaraba Al-Mali

8.2 Minimum future Ijarah rentals from assets under IFAS-2

	2020 (Rupees)		
	Due within one year	Due after one year but within five years	Total
Minimum Ijarah payments receivable	-	-	-
2019 (Rupees)			
	Due within one year	Due after one year but within five years	Total
	144,866	-	144,866

9.	ADVANCES, DEPOSITS, PREPAYMENTS, OTHER ASSETS AND RECEIVABLES	Notes	2020 Rupees	2019 Rupees		
			Total	Total		
Considered Good						
Advances						
- to suppliers			-	35,945		
- to employees against salary			62,200	-		
Prepayments			712,693	421,180		
Defined benefit plan - staff gratuity	9.1		1,284,354	1,392,775		
Other deposits			40,899	43,899		
			<u>2,100,146</u>	<u>1,893,799</u>		
Other receivables						
- Receivable from BankIslami						
Pakistan Limited - Holding Company			580,680	742,824		
of Modaraba Management Company			1,100,764	1,644,291		
- Others			1,681,444	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		
			<u>8,053,663</u>	<u>8,053,663</u>		
Provision for impairment loss against doubtful recoveries	23		<u>(8,053,663)</u>	<u>(8,053,663)</u>		
			<u>3,781,590</u>	<u>4,280,914</u>		

Modaraba Al-Mali

	Notes	2020 Rupees	2019 Rupees
9.1 Defined benefit asset - staff gratuity			
9.1.1 Present value of defined benefit obligation and assets of the fund			
Present value of defined benefit obligation		1,774,139	1,558,945
Fair value of plan assets		(3,058,493)	(2,951,720)
Net defined benefit asset recognised in the balance sheet		(1,284,354)	(1,392,775)
9.1.2 Movement in net defined benefit asset during the year			
Opening net defined benefit asset		(1,392,775)	(1,531,304)
Income recognised in profit and loss account		(90,781)	(288,925)
Contributions made during the year		-	(36,470)
Remeasurement loss recognised in other comprehensive income		199,202	463,924
Closing net defined benefit asset		(1,284,354)	(1,392,775)
9.1.3 Amount charged to the profit and loss account			
Following amounts have been charged to the profit and loss account during the current year in respect of this scheme:			
Current service cost		97,951	182,474
Return Expense	9.1.4	231,340	296,997
Gain due to settlement	9.1.4	-	(325,395)
Expected return on plan assets	9.1.5	(420,072)	(443,001)
		(90,781)	(288,925)
Actual return on plan assets	9.1.6	106,773	79,712
9.1.4 Movement in the present value of defined benefit obligation			
Present value of defined benefit obligation at beginning of the year		1,558,945	2,897,732
Current service cost		97,951	182,474
Return Expense		231,340	296,997
Benefits paid		-	(1,593,498)
(Gain) / loss due to settlement		-	(325,395)
Remeasurement (gain) / loss for the year		(114,097)	100,635
Present value of defined benefit obligation at end of the year		1,774,139	1,558,945

Modaraba Al-Mali

	2020 Rupees	2019 Rupees
9.1.5 Movement in the fair value of plan assets		
Fair value of plan assets at beginning of the year	2,951,720	4,429,036
Expected return on plan assets	420,072	443,001
Contributions	-	36,470
Benefit paid	-	(1,593,498)
Remeasurement loss for the year	(313,299)	(363,289)
Fair value of plan assets at end of the year	<u><u>3,058,493</u></u>	<u><u>2,951,720</u></u>
9.1.6 Re-measurements recognised in other comprehensive income		
Re-measurement: Actuarial loss / (gain) on obligation		
Due to change in financial assumptions	(42,128)	30,942
Due to change in experience adjustments	(71,969)	69,693
	<u><u>(114,097)</u></u>	<u><u>100,635</u></u>
Re-measurement: Actuarial loss / (gain) on plan assets		
Actual return on plan assets	(106,773)	(79,712)
Expected return on plan assets	420,072	443,001
	<u><u>313,299</u></u>	<u><u>363,289</u></u>
Re-measurement loss recognised in other comprehensive income	<u><u>199,202</u></u>	<u><u>463,924</u></u>
9.1.7 Composition of plan assets		
Debt instruments	730,850	727,148
Bank deposits	<u><u>2,327,643</u></u>	<u><u>2,224,572</u></u>
	<u><u>3,058,493</u></u>	<u><u>2,951,720</u></u>
9.1.8 Actuarial assumptions		
The principal assumptions used in the actuarial valuation carried out as of June 30, 2020, using the 'Projected Unit Credit' method, are as follows:		
	2020	2019
Expected rate of increase in salary	9.25% per annum	14.50% per annum
Discount rate used to determine the actuarial present value of obligation	9.25% per annum	14.50% per annum
Expected rate of return on plan assets	9.25% per annum	14.50% per annum
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
Expected income in respect of gratuity scheme in the next financial year on the advice of actuary is Rs. 10,834		

9.1.9 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 2020 consists of bank deposit.

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 profit investments is based on gross redemption yield as at the balance sheet date.

9.1.10 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	1,590,879	1,985,187
Expected rate of increase in salaries	1,992,188	1,582,011

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

Modaraba Al-Mali

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, 2020 is 11.06 years (2019: 11.19 years).

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

	Rupees
For the year 2021	24,952
For the year 2022	26,819
For the year 2023	29,405
For the year 2024	32,613
For the year 2025	36,854
For the year 2026-30	206,069

9.1.11 Historical information (in respect of the gratuity scheme)

	2020	2019	2018	2017	2016
(Rupees)					
Defined benefit obligation	1,774,139	1,558,945	2,897,732	2,359,658	2,884,495
Fair value of plan assets	(3,058,493)	(2,951,720)	(4,429,036)	(4,225,028)	(4,750,063)
Unrecognised actuarial loss (Surplus) / Deficit	-	-	-	-	-
	<u>(1,284,354)</u>	<u>(1,392,775)</u>	<u>(1,531,304)</u>	<u>(1,865,370)</u>	<u>(1,865,568)</u>
Remeasurements of plan liabilities	(114,097)	100,635	120,554	(196,981)	(117,598)
Remeasurements of plan assets	(313,299)	(363,289)	(213,512)	(197,179)	(104,007)
Remeasurement loss of prior period	-	-	-	-	-

10. TAX REFUNDS DUE FROM GOVERNMENT

These represent 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.

Modaraba Al-Mali

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

	Notes	2020 Rupees	2019 Rupees
12. INVESTMENT PROPERTY - AT FAIR VALUE			
Carrying amount as at July 01, 2019		70,604,000	-
Transfers from owner-occupied property	12.1	-	66,888,000
Net gain from fair value adjustment		1,486,400	3,716,000
Carrying amount as at June 30, 2020		72,090,400	70,604,000

- 12.1 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 - 66,532,230
- 12.2 The Management Company of the Modaraba has rented out the leasehold office premises. The leasehold office premises (investment property) of the Modaraba have been valued as at June 30, 2020 by 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. 1.486 million (2019:Rs. 3.716 million) which has been taken to the profit and loss account.
- 12.3 Forced sale value of the investment property is assessed at Rs. 61.28 million (2019: Rs 60.013 million).
- 12.4 The details of investment property in the name of the Modaraba is as follows:

Location	Area
Offices at 10th Floor Progressive Square, Shahra e Faisal, Karachi	7,432 sq. feet

Modaraba Al-Mali

13. PROPERTY AND EQUIPMENT UNDER IJARAH ARRANGEMENTS

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

	2020		
	Machinery	Vehicles	Total
	(Rupees)		
At July 01, 2019			
Cost	-	54,437,000	54,437,000
Accumulated depreciation	-	(47,730,994)	(47,730,994)
Net book value	<hr/>	<hr/>	<hr/>
	-	6,706,006	6,706,006
 Additions			
Transfers			
Cost	-	(13,797,000)	(13,797,000)
Depreciation	-	11,272,400	11,272,400
	<hr/>	<hr/>	<hr/>
	-	(2,524,600)	(2,524,600)
 Disposals			
Cost	-	-	-
Depreciation	-	-	-
	<hr/>	<hr/>	<hr/>
	-	-	-
 Depreciation charge for the year			
	-	(117,400)	(117,400)
Closing net book value	<hr/>	<hr/>	<hr/>
	-	4,064,006	4,064,006
 At June 30, 2020			
Cost	-	40,640,000	40,640,000
Accumulated depreciation	-	(36,575,994)	(36,575,994)
Net book value	<hr/>	<hr/>	<hr/>
	-	4,064,006	4,064,006
 Life (years)			
	<hr/>	<hr/>	<hr/>
	-	3 to 5	3 to 5

Modaraba Al-Mali

	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	<u>4,101,297</u>	<u>9,797,505</u>	<u>13,898,802</u>
Additions	-	-	-
Transfers			
Cost	(5,107,580)	5,107,580	-
Depreciation	1,006,283	(1,006,283)	-
	<u>(4,101,297)</u>	<u>4,101,297</u>	
Disposals			
Cost	-	(1,059,000)	(1,059,000)
Depreciation	-	953,100	953,100
	<u>-</u>	<u>(105,900)</u>	<u>(105,900)</u>
Depreciation charge for the year	-	(7,086,896)	(7,086,896)
Closing net book value	<u>-</u>	<u>6,706,006</u>	<u>6,706,006</u>
At June 30, 2019			
Cost	-	54,437,000	54,437,000
Accumulated depreciation	-	(47,730,994)	(47,730,994)
Net book value	<u>-</u>	<u>6,706,006</u>	<u>6,706,006</u>
Life (years)	<u>3 to 4</u>	<u>3 to 5</u>	

14. PROPERTY AND EQUIPMENT

	Notes	2020 Rupees	2019 Rupees
Property and equipment - own use	14.1	68,444,659	68,984,215
Towers and allied equipment	14.2	350,000	350,000
		<u>68,794,659</u>	<u>69,334,215</u>

Modaraba Al-Mali

14.1 Operating property and equipment - own use

	2020							
	Lease hold land - fuel station	Building - fuel station	Office premises - lease hold	Vehicles	Furniture and fixtures	Office Equipment	Computers	Total
(Rupees)								
At July 01, 2019								
Cost	63,848,000	8,399,474	963,178	42,500	2,004,827	3,396,074	2,388,488	81,042,541
Accumulated depreciation	-	(3,596,966)	(963,178)	(17,700)	(1,817,839)	(3,274,155)	(2,388,488)	(12,058,326)
Net book value	63,848,000	4,802,508	-	24,800	186,988	121,919	-	68,984,215
Additions	-	-	-	-	-	-	-	-
Disposals								
Cost	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(419,976)	-	(8,496)	(43,011)	(68,073)	-	(539,556)
Closing net book value	63,848,000	4,382,532	-	16,304	143,977	53,846	-	68,444,659
At June 30, 2020								
Cost	63,848,000	8,399,474	963,178	42,500	2,004,827	3,396,074	2,388,488	81,042,541
Accumulated depreciation	-	(4,016,942)	(963,178)	(26,196)	(1,860,850)	(3,342,228)	(2,388,488)	(12,597,882)
Net book value	63,848,000	4,382,532	-	16,304	143,977	53,846	-	68,444,659
Life (Years)	-	20	20	5	10	2 to 5	3	—
2019								
	Lease hold land - fuel station	Building - fuel station	Office premises - lease hold	Vehicles	Furniture and fixtures	Office Equipment	Computers	Total
(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	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
Additions	-	-	85,970	-	-	6,000	-	91,970
Disposals								
Cost	-	-	(11,999,049)	(285,200)	-	-	-	(12,284,249)
Depreciation	-	-	11,643,279	285,200	-	-	-	11,928,479
Depreciation charge for the year	-	-	(355,770)	-	-	-	-	(355,770)
Closing net book value	63,848,000	4,802,508	-	24,800	186,988	121,919	-	68,984,215
At June 30, 2019								
Cost	63,848,000	8,399,474	963,178	42,500	2,004,827	3,396,074	2,388,488	81,042,541
Accumulated depreciation	-	(3,596,966)	(963,178)	(17,700)	(1,817,839)	(3,274,155)	(2,388,488)	(12,058,326)
Net book value	63,848,000	4,802,508	-	24,800	186,988	121,919	-	68,984,215
Life (Years)	-	20	20	5	10	2 to 5	3	—

Modaraba Al-Mali

14.1.1 Depreciation charge for the year

Notes	2020 Rupees	2019 Rupees
Operating expenses	24	85,820
Fuel station business	20	453,736
	<u>539,556</u>	<u>663,468</u>

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

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

14.2 Towers and allied equipment

	2020		
	Towers with allied equipment	Other allied equipment	Total
(Rupees)			
At July 01, 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	<u>350,000</u>	<u>-</u>	<u>350,000</u>

Additions

Disposals

Cost	-	-	-
Depreciation	-	-	-
-			
Depreciation charge for the year	-	-	-
Closing net book value	<u>350,000</u>	<u>-</u>	<u>350,000</u>

At June 30, 2020

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	<u>350,000</u>	<u>-</u>	<u>350,000</u>

Life (Years)

<u>20</u>	<u>5</u>
-----------	----------

Modaraba Al-Mali

	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	

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

15. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Notes	2020 Rupees	2019 Rupees
Accrued liabilities	15.1	5,524,211	7,191,061
Charity and donation		63,965	61,071
Payable to provincial government	15.2	7,988	5,430
Advance from customers		-	50,000
Others		1,454,264	1,603,370
Ijarah rental received in advance		158,204	158,204
		7,208,632	9,069,136

15.1 These include amount payable in respect of staff compensated absences amounting to Rs. 437,777 (2019: Rs. 401,348).

Modaraba Al-Mali

- 15.2** 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.

		Notes	2020 Rupees	2019 Rupees
16. SECURITY DEPOSITS				
Customers' security deposits		16.1	7,941,138	10,480,738
Less: Current portion of security deposits			(7,841,138)	(10,380,738)
Long term portion of security deposits			100,000	100,000

- 16.1** These represent amounts received under Ijarah Finance as security deposits, repayable / adjustable on the expiry of the Ijarah period.

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

2020 No. of Certificates	2019 No. of Certificates		2020 Rupees	2019 Rupees
30,000,000	30,000,000	Modaraba certificate of Rs. 10/- each	300,000,000	300,000,000

Issued, subscribed and paid-up certificate capital

2020 No. of Certificates	2019 No. of Certificates		2020 Rupees	2019 Rupees
13,569,000	13,569,000	Modaraba certificate 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

18,423,945	18,423,945	184,239,450	184,239,450
-------------------	-------------------	--------------------	--------------------

- 17.1** BankIslami Modaraba Investments Limited (Modaraba Management Company) held 2,342,490 certificates (2019: 2,342,490 certificates) of Rs. 10 each, as at June 30, 2020.

18. CAPITAL RESERVES

Capital reserves include statutory reserve which 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. 3,721,405 (2019: Rs. 1,592,937) which represents 20% (2019: 20%) of the profit after tax.

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

There were no contingencies as at June 30, 2020 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 of Sindh. As at June 30, 2020 the application is pending for hearing before the High Court of Sindh. The management has good arguable case and is likely to be decided in its favour based on the advice of its consultant and therefore, no provision has been made in these financial statements.

19.2 Commitments

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

Modaraba Al-Mali

		Notes	2020 Rupees	2019 Rupees
20.	PROFIT FROM OPERATION OF FUEL STATION			
	Income	20.1		
	Sale of fuel		240,803,413	263,727,954
	Cost of sales		(232,662,690)	(253,579,566)
			8,140,723	10,148,388
	Rental income	20.2	1,663,014	1,604,700
	Other income		210,936	-
			10,014,673	11,753,088
	Expenses			
	Salaries and allowances		2,694,708	2,765,543
	Generator fuel		198,794	410,479
	Depreciation		453,736	454,224
	Electricity		414,440	286,530
	Repairs and maintenance		1,172,401	526,557
	Printing and stationery		21,000	24,369
	Security guards		714,500	492,800
	Takaful		115,056	105,600
	Telephone		25,071	24,790
	Entertainment		17,970	22,670
	Rent, rates & taxes		249,309	275,552
	Miscellaneous		149,477	139,284
			6,226,462	5,528,398
	Profit before taxation		3,788,211	6,224,690
	Taxation		(684,479)	(815,504)
	Profit after taxation		3,103,732	5,409,186
20.1	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.			
20.2	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.			
21.	This includes rental income earned from letting out vacant office premises (classified as investment property) to BankIslami Pakistan Limited (holding company of the Modaraba Management Company and a related party).			
22.	OTHER INCOME			
	Gain on disposal of property and equipment		-	1,226,000
	Liabilities considered no longer payable			
	written back		1,117,900	-
			1,117,900	1,226,000

Modaraba Al-Mali

23. PROVISION FOR IMPAIRMENT LOSS

	2020							
	Property and equipment	Ijarah finance	Ijarah rentals	Morabaha finance	Operating lease rentals	Maintenance fee	Other receivables	Total
-----(Rupees)-----								
Opening balance	1,104,014	32,989,575	6,782,496	2,517,068	10,194,320	4,275,537	8,053,663	59,134,177
Provision during the year	-	-	(6,782,496)	-	-	-	-	-
Closing balance	<u>1,104,014</u>	<u>32,989,575</u>	<u>-</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>
	2019							
	Property and equipment	Ijarah finance	Ijarah rentals	Morabaha 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	-	-	6,782,496	-	-	-	-	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>	<u>65,916,673</u>

24. ADMINISTRATIVE AND OPERATING EXPENSES	Notes	2020		2019	
		Rupees	Rupees	Rupees	Rupees
Salaries, allowances and other benefits	24.1	1,445,308		2,126,938	
Rent, rates and taxes		163,764		145,555	
Depreciation		85,820		209,244	
Fuel and conveyance		131,937		198,705	
Repairs and maintenance		252,426		297,716	
Legal and professional		1,594,278		1,596,462	
Electricity		336,424		408,883	
Telephone		174,591		186,750	
Entertainment		38,605		49,445	
Takaful		100,666		119,007	
Printing and stationery		444,610		489,498	
Auditor's remuneration	24.2	862,545		666,360	
Subscription		427,078		423,563	
Registrar services		301,802		264,282	
Postage		118,179		128,769	
Advertisement		140,365		230,500	
Others		119,932		221,025	
		6,738,330		7,762,702	

Modaraba Al-Mali

- 24.1** 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:

	2020			2019		
	Officers	Other (key employees)	Total	Officers	Other (key employees)	Total
	management personnel)			management personnel)		
(Rupees)						
Salaries	-	824,142	824,142	-	1,213,354	1,213,354
Retirement benefits						
Defined contribution plan -						
provident fund	-	54,192	54,192	-	65,242	65,242
Defined benefit plan -						
gratuity fund	-	-	-	-	29,906	29,906
House rent allowance	-	371,466	371,466	-	546,010	546,010
Conveyance and other allowances	-	195,508	195,508	-	272,426	272,426
	-	1,445,308	1,445,308	-	2,126,938	2,126,938
Number of employees at the end of year	-	2	2	-	2	2

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

	2020		2019	
	Rupees	Rupees	Rupees	Rupees
24.2 Auditors' remuneration				
Statutory audit		374,220		340,200
Review report on statement of compliance with the Code of Corporate Governance		23,760		21,600
Review of the half yearly financial information		100,980		91,800
Other certifications		235,440		167,400
Out of pocket expenses		128,145		45,360
		862,545		666,360

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

26. TAXATION

- 26.1** 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.

Modaraba Al-Mali

- 26.2** 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.

		2020 Note	2019 Rupees
27.	EARNINGS PER CERTIFICATE - BASIC AND DILUTED		
	Basic earnings per certificate is worked out as under:		
	Profit for the year after taxation	<u>18,607,024</u>	<u>7,964,683</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	27.1	<u>1.01</u>
			<u>0.43</u>

- 27.1** The figure for diluted earnings per certificate is the same as basic earnings per certificate as the Modaraba has not issued any instrument which would have an impact on basic earnings per certificate when exercised.

28. RELATED PARTY TRANSACTIONS

The related parties comprise of BankIslami Modaraba Investments Limited being the Modaraba Management Company, BankIslami Pakistan Limited (being the holding 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.

Modaraba Al-Mali

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

BankIslami Pakistan Limited (holding company of the Modaraba Management Company)	2020 Rupees	2019 Rupees
Profit on Islamic profit and loss sharing accounts	<u>1,556,005</u>	<u>1,162,217</u>
Rental income	<u>5,929,547</u>	<u>6,351,780</u>
Bank charges	<u>2,200</u>	<u>6,528</u>
BankIslami Modaraba Investments Limited (Modaraba Management Company)		
Services sales tax on management fees	<u>2,558</u>	<u>1,164</u>
Other transactions		
Contributions to staff provident fund	<u>53,330</u>	<u>97,516</u>
Contribution to staff gratuity fund	<u>-</u>	<u>36,470</u>

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

BankIslami Pakistan Limited (holding company of the Modaraba Management Company)	2020 Rupees	2019 Rupees
Bank deposits	<u>61,700,000</u>	<u>45,170,854</u>
Amount receivable in respect of gensem and premises rent income and others	<u>580,680</u>	<u>742,824</u>

28.3 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

Modaraba Al-Mali

29. NUMBER OF EMPLOYEES	2020	2019
29.1 Number of employees at June 30		
- Permanent	2	2
- Contractual	9	9
	<u>11</u>	<u>11</u>

29.1.1 This includes 8 (2019: 8) number of fuel station employees.

29.2 Average number of employees during the year

- Permanent	2	3
- Contractual	9	9
	<u>11</u>	<u>12</u>

30. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per balance sheet

At amortised cost

Cash and bank balances	64,479,573	49,182,224
Ijarah Finance	3,755,007	3,755,007
Receivable against Ijarah rentals and maintenance services	12,647,513	6,077,340
Advances, deposits and other receivables	1,784,543	2,431,014
Diminishing Musharaka	<u>11,747,274</u>	<u>18,895,814</u>
	<u>94,413,910</u>	<u>80,341,399</u>

Financial liabilities as per balance sheet

At amortised cost

Creditors accrued and other liabilities	7,042,440	8,855,502
Security deposits - Ijarah	7,941,138	10,480,738
Unclaimed profit distribution	8,406,113	8,236,300
	<u>23,389,691</u>	<u>27,572,540</u>

31. FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, fair value 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.

Modaraba Al-Mali

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

31.1 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.

	2020					
	Less than 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Total Contractual	Carrying Amount
(Rupees)						
Creditors, accrued and other liabilities	3,338,312	1,640,286	2,741,298	401,434	8,121,330	7,042,440
Security deposits	7,841,138	-	100,000	-	7,941,138	7,941,138
Unclaimed profit distribution	8,406,113	-	-	-	8,406,113	8,406,113
	19,585,563	1,640,286	2,841,298	401,434	24,468,581	23,389,691

	2019					
	Less than 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Total Contractual	Carrying Amount
(Rupees)						
Creditors, accrued and other liabilities	3,421,204	1,294,650	3,399,839	739,809	8,855,502	8,855,502
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
	22,038,242	1,294,650	3,499,839	739,809	27,572,540	27,572,540

Modaraba Al-Mali

31.2 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, Diminishing Musharaka finance and other receivables.

The Modaraba's maximum exposure to credit risk related to receivable at June 30, 2020 and June 30, 2019 is the carrying amounts of following financial assets.

	2020 Rupees	2019 Rupees
Ijarah Finance	3,755,007	3,755,007
Receivable against Ijarah rentals and maintenance services	12,647,513	6,077,340
Bank balances	63,642,861	48,672,825
Advances, deposits, and other receivables	1,784,543	3,823,789
Diminishing Musharaka	11,747,274	18,895,814
	<u>93,577,198</u>	<u>81,224,775</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 publicly 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 and investments.

Banks	Short Term	Long Term	2020 Rupees	2019 Rupees
BankIslami Pakistan Limited	A1	A+	61,700,000	45,170,854
Bank Alfalah Limited	A1+	AA+	1,866,192	1,823,562
Meezan Bank Limited	A-1+	AA	53,033	50,072
Dubai Islamic Bank Pakistan Limited	A-1	AA-	5,001	4,923

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

Modaraba Al-Mali

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

As at June 30, 2020					
	OAEM	Substandard	Doubtful	Loss	Total
(Rupees)					
Ijarah finance	-	-	-	44,235,946	44,235,946
Murabaha finance	-	-	-	2,517,068	2,517,068
Diminishing Musharaka	1,445,954	-	-	-	1,445,954
Receivable against Ijarah rentals and maintenance services	-	-	-	-	-
Other receivables	-	-	-	8,053,663	8,053,663
	1,445,954	-	-	54,806,677	56,252,631

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	

Total impairment against these assets as at June 30, 2020 is Rs. 54,806,677 (2019: Rs. 61,589,173). 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.

31.2.1 Concentration of credit risk

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

Sector	2020		2019	
	Rupees	%	Rupees	%
Financial Institutions	270,692	0.46%	270,692	0.39%
Distributors, Wholesellers and Retailers	24,569,840	41.49%	26,448,264	38.33%
Food, Tobacco and Beverages	540,945	0.91%	540,945	0.78%
Chemical, Fertilizer and Pharma	374,950	0.63%	374,950	0.54%
Textile and Garments	3,621,383	6.12%	3,621,383	5.25%
Steel, Engineering and Autos	6,029,504	10.18%	6,029,504	8.74%
Transport and Communication	5,165,505	8.72%	8,006,569	11.60%
Glass, Ceramics and Plastics	1,311,650	2.22%	1,311,650	1.90%
Misc. / Individuals	17,331,871	29.27%	22,404,688	32.47%
	59,216,340	100%	69,008,645	100%

31.3 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.

31.3.1 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:

	2020 Rupees	2019 Rupees
Profit bearing financial instruments		
Bank balances	61,871,499	47,049,411

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 benchmark rate varied by 100 basis points (2019: 100 basis points) with all the other variables held constant, profit before tax for the year would have been approximately higher / lower by Rs. 16,987 (2019: Rs. 38,217).

31.3.2 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 Rupee.

31.3.3 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.

32. 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 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.

33. 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, Diminishing Musharaka and Term Deposit Receipts

Fuel station

Petrol and diesel filling / service station

Modaraba Al-Mali

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

	2020		
	Financing / Investments	Fuel station	Total
(Rupees)			
Income	5,920,199	10,014,673	15,934,872
Result			
Profit for the year before taxation	12,585,295	3,788,211	16,373,506
Profit for the year after taxation	12,585,295	3,103,732	15,689,027
2019			
	Financing / Investments	Fuel station	Total
(Rupees)			
Income	11,169,844	11,753,088	22,922,932
Result			
(Loss) / profit for the year before taxation	(2,699,548)	6,224,690	3,525,142
(Loss) / profit for the year before taxation	(2,699,548)	5,409,186	2,709,638
		2020	2019
		Rupees	Rupees
Reconciliation of segment results			
Total results for reportable segments		15,689,027	2,709,638
Rental income		5,929,547	6,351,780
Other operating income		4,115,168	6,842,735
Operating expenses:			
Salaries, allowances and other benefits	(1,445,308)	(2,126,938)	
Depreciation	(85,820)	(209,244)	
Workers' welfare fund	(385,830)	(175,604)	
Fuel and conveyance	(131,937)	(198,705)	
Other unallocated operating expenses	(5,077,823)	(5,228,979)	
Total comprehensive income for the year	<u><u>18,607,024</u></u>	<u><u>7,964,683</u></u>	

Modaraba Al-Mali

	2020		
	Financing / Investments	Fuel station	Total
----- <i>(Rupees)</i> -----			
Assets and liabilities			
Total assets	<u>19,566,287</u>	<u>70,542,657</u>	<u>90,108,944</u>
Total liabilities	<u>8,099,342</u>	<u>-</u>	<u>8,099,342</u>
----- <i>(Rupees)</i> -----			
	2019		
	Financing / Investments	Fuel station	Total
----- <i>(Rupees)</i> -----			
Assets and liabilities			
Total assets	<u>33,111,834</u>	<u>72,539,368</u>	<u>105,651,202</u>
Total liabilities	<u>10,688,942</u>	<u>-</u>	<u>10,688,942</u>

	Assets		
	2020	2019	
	Rupees	Rupees	
Reconciliation of segments' assets and liabilities			
Total for reportable segments	<u>90,108,944</u>	<u>105,651,202</u>	
Advance income tax	<u>29,386,162</u>	<u>29,386,162</u>	
Property and equipment	<u>564,127</u>	<u>683,707</u>	
Cash and bank balance	<u>64,479,573</u>	<u>49,182,224</u>	
Other unallocated assets	<u>87,776,746</u>	<u>76,182,557</u>	
Total as per balance sheet	<u>272,315,552</u>	<u>261,085,852</u>	

	Liabilities		
	2020	2019	
	Rupees	Rupees	
Total for reportable segments	<u>8,099,342</u>	<u>10,688,942</u>	
Unclaimed profit distribution	<u>8,406,113</u>	<u>8,236,300</u>	
Charity and donations payable	<u>63,965</u>	<u>61,071</u>	
Other unallocated liabilities	<u>6,986,463</u>	<u>8,799,861</u>	
Total as per balance sheet	<u>23,555,883</u>	<u>27,786,174</u>	

Modaraba Al-Mali

OTHER INFORMATION

	2020			
	Financing/ Investments	Fuel station	Unallocated	Consolidated
(Rupees)-				
Capital expenditure	-	-	-	-
Depreciation	117,400	453,736	85,820	656,956
Salaries, allowances and other benefits	-	2,694,708	1,831,138	4,525,846
Rent, rates and taxes	-	249,309	163,764	413,073
Advertisement	-	-	140,365	140,365
Income tax	-	684,479	-	684,479
2019				
	Financing/ Investments	Fuel station	Unallocated	Consolidated
(Rupees)-				
Capital expenditure	-	-	91,970	91,970
Depreciation	7,086,896	454,224	209,244	7,750,364
Salaries, allowances and other benefits	-	2,765,543	2,302,542	5,068,085
Rent, rates and taxes	-	275,552	145,555	421,107
Advertisement	-	-	230,500	230,500
Income tax	-	815,504	-	815,504

34. 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.

35. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Modaraba Management Company in their meeting held

Modaraba Al-Mali

on September 15, 2020 has approved final cash dividend of 0.7 per certificate. The financial statements of the Modaraba for the year ended June 30, 2020 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, 2021.

36. IMPACTS OF COVID-19

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The Securities & Exchange Commission of Pakistan (SECP) through its Circular (the Circular) dated April 24, 2020 allowed Modarabas to defer customers' principal repayments on their finance obligations by one year alongwith relaxing other regulatory criteria related to restructuring / rescheduling of financing limits. As per the Circular, the customers were required to apply by June 30, 2020 for availing the above deferment. However, none of the customers of the Modaraba have opted for such relaxation and are continuing to pay as per the original terms.

The management has carried out its assessment in respect of COVID-19 and is of the view that there is no material impact due to COVID-19 on the financial statements of the Modaraba.

37. GENERAL

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

37.2 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 during the year.

38. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Modaraba Management Company on September 15, 2020.

**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 HOLDING

As at June 30, 2020

Number of Certificate Holding	Certificate Holding		To Certificate Held	Percentage %
	From	To		
1986	1	100	40,908	0.22
589	101	500	164,090	0.89
282	501	1000	216,356	1.17
453	1001	5000	1,011,511	5.49
98	5001	10000	725,547	3.94
39	10001	15000	496,769	2.70
13	15001	20000	221,908	1.20
9	20001	25000	203,662	1.11
6	25001	30000	159,934	0.87
7	30001	35000	229,674	1.25
2	35001	40000	74,479	0.40
5	40001	45000	218,182	1.18
2	45001	50000	92,283	0.50
3	55001	60000	158,065	0.86
2	60001	65000	111,471	0.61
4	65001	70000	251,534	1.37
1	70001	75000	66,999	0.36
2	75001	80000	148,338	0.81
1	80001	85000	83,324	0.45
3	95001	100000	295,110	1.60
1	100001	105000	102,047	0.55
1	110001	115000	114,660	0.62
2	115001	120000	243,432	1.32
1	120001	125000	130,000	0.71
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
3530			18,423,945	100

Categories of Ceartificate Holders

As at June 30, 2020

Categories of Ceartificate Holders	Number	Certificates Held	Percentage %
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.			
Investment 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 Mutual Funds	17	1,452,360	7.883
Joint Stock Companies & Others	34	596,001	3.235
Individuals	3,474	13,983,446	75.898
Sub Total	3,525	16,031,807	87.016
Total	3,530	18,423,945	100.000

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 21st Annual Review Meeting of certificate holders of Modaraba Al-Mali will be held on Tuesday, the 20th October 2020 at 03:00 p.m. at 602, 6th Floor, Progressive Centre, PECHS, Sharae Faisal, Karachi to review the performance of the Modaraba for the year ended June 30, 2020 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular number 4/2004 by Registrar Modaraba Companies and Modarabas.

Rashid Matin Khan

Company Secretary

Date: September 15, 2020

Note:

1. The Modaraba Certificate transfer book shall remain closed from Wednesday 14th October 2020 to Tuesday, 20th October 2020 (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 Tuesday, 13th October 2020 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

بذریعہ ہذا اطلاع دی جاتی ہے کہ مضاربہ المالی کے سٹیفیکٹ ہولڈر زکا اکیسوال سالانہ جائزہ اجلاس ۲۰ اکتوبر ۲۰۲۰ء کو سہ پہر ۳:۰۰ بجے کمرہ نمبر ۲۰۲، چھٹی منزل، پروگریسیو سینٹر، ۳۰-۱، بلاک نمبر ۲، شارع فیصل، کراچی میں منعقد ہو گا جس میں رجسٹر ارمضارب کے سرکار نمبر ۳۰۰۳/۲۰۰۳ اور پوڈینشل ریگلیشن کے شق ۲۰ کے تحت، ۳۰ جون ۲۰۲۰ء کو ختم ہونے والے سال میں مضاربہ کی کارکردگی کا جائزہ لیا جائے گا۔

راشد میں خان
کمپنی سکریٹری
۱۵ اکتوبر ۲۰۲۰ء
کراچی

۱۔ سٹیفیکٹس ٹرانسفر بکس ۱۲۰ اکتوبر، ۲۰۲۰ء سے ۱۲۰ اکتوبر، ۲۰۲۰ء تک (بشرط دنوں ایام) بندر ہیں گی تاکہ اجلاس میں شرکت اور ڈویڈنڈ کے حصہ کا تعین ہو سکے۔ سٹیفیکٹ منتقلی کے لیے بروز منگل، ۱۳ اکتوبر، ۲۰۲۰ء کو کاروباری اوقات ختم ہونے سے پہلے تک مضاربہ المالی کے رجسٹر ایفیس میں موصول ہونے والی تمام درخواست سالانہ جائزہ اجلاس میں شرکت اور ڈویڈنڈ کی تقسیم کے لیے بروقت تصور کی جائیں گی۔

۲۔ سٹیفیکٹ ہولڈر ز سے درخواست ہے کہ اگر ان کے ایڈریس میں کوئی تبدیلی ہو تو رجسٹر اکاؤنٹ کریں۔
۳۔ سی ڈی سی سٹیفیکٹ ہولڈر ز جو اجلاس میں شرکت کرنا چاہتے ہیں، اپنے ساتھ اصل شناختی کارڈ، اکاؤنٹ اور پارٹیپنٹ آئی ڈی نمبر لازمی لائیں۔



Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

- ⌚ Licensed Entities Verification
- ⌚ Scam meter*
- 🎮 JamaPunji games*
- 💻 Tax credit calculator*
- 💠 Company Verification
- 💻 Insurance & Investment Checklist
- FAQs Answered

- 💻 Stock trading simulator
(based on live feed from PSX)
- 💻 Knowledge center
- 📊 Risk profiler*
- 💻 Financial calculator
- ⌚ Subscription to Alerts (event notifications, corporate and regulatory actions)
- 📱 JamaPunji application for mobile device
- ❓ Online Quizzes



Jama Punji is an Investor Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices



10th Floor, Progressive Square, Opposite Nursery, Sharea Faisal, Karachi.

Phone: +92-21-34547521-25 | Fax: +92-21-34547526

Email: info@modarabaalmali.com

URL: <http://www.modarabaalmali.com>