

Modaraba Al-Mali

Managed by:

BankIslami Modaraba Investments Ltd.



**Half Yearly Report
December 31, 2020
(Un-audited)**

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CORPORATE INFORMATION

Board of Directors	Mr.Sohail Sikandar	Chairman
	Ms.Ayesha Ashraf Jangda	Director
	Mr.Kashif Nisar	Director
	Mr.Muhammad Hamid	Director
	Mr.Khurram Jamil	Director
	Mr.Rizwan Qamar Lari	Director
	Mr.Muhammad Haris Munawar	Director
	Mr.Mohammad Sadiq Sheikh	Chief Executive Officer
Audit Committee	Mr.Muhammad Hamid	Chairman
	Mr.Kashif Nisar	Member
	Mr.Sohail Sikandar	Member
	Mr.Khurram Jamil	Member
	Mr.Rizwan Qamar Lari	Member
HR & Remuneration Committee	Mr.Muhammad Hamid	Chairman
	Mr.Sohail Sikandar	Member
	Mr.Mohammad Sadiq Sheikh	Member
Management Team	Mr.Mohammad Sadiq Sheikh	Chief Executive Officer
	Rashid Matin Khan	Chief Financial Officer & Company Secretary
Auditors	A.F. Ferguson & Co.	
	Chartered Accountants	
Credit Rating Appraiser	The Pakistan Credit Rating Agency Limited	
Shari'ah Advisor	Mufti Ameerullah	
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	

Directors' Review

On behalf of the Board of Directors, we are pleased to present Un-audited Interim Financial Statements of Modaraba Al-Mali for the half year ended December 31, 2020 together with Auditors Review Report thereon.

Operating Results

Modaraba has earned profit after tax of Rs 5.005 million for the half year ended December 31, 2020 as against Rs 5.303 million earned during the corresponding period ended December 31, 2019. While income from operation of fuel station increased by 20.35% to Rs 2.231 million as against Rs 1,854 million, during the corresponding period last year, decline in profit was due to the maturity of Ijarah and Diminishing Musharakah contracts. Administrative and operating expenses were kept under strict control without any increase.

Future Prospects

The Board of Directors and Management are cognizant of the prevailing economic environment, largely affected by the spread of Covid-19 Pandemic in the Country, and have adopted policies to conduct business operations with diligence and care to protect the interest of all stake holders.

Sale of Modaraba Management Company (BankIslami Modaraba Investments Limited)

On April 25, 2019, the Board of Directors of the parent company (BankIslami Pakistan Limited, herein after referred as the 'Bank') of Modaraba Management Company announced their decision on Pakistan Stock Exchange (PSX) to explore and evaluate the strategic options including divestment of shares held by the Bank in one or more associated and subsidiary companies. Subsequently, after following a detail process, the Bank has identified buyer and signed a Share Purchase Agreement with respect to sale of its investment in the Modaraba Management Company. The announcement for the same was made by the Bank on (PSX) on October 29, 2020. Currently, the Bank and the buyer are in the process of arranging regulatory approvals.

Acknowledgement

The Board is thankful to the valuable Certificate Holders for their trust and confidence. We record our sincere appreciation and gratitude to the Registrar Modaraba and the Security and Exchange Commission of Pakistan for their support and guidance. We also appreciate our employees for their dedication and hard work.

On behalf of the Board

Karachi:
February 19, 2021

-- sd --
Ayesha Ashraf
Director

-- sd --
Mohammed Sadiq Sheikh
Chief Executive Officer

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE CERTIFICATE HOLDERS OF MODARABA AL-MALI ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim balance sheet of Modaraba Al-Mali (the 'Modaraba') as at December 31, 2020 and the related condensed interim profit and loss account and other comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management of the Modaraba Management Company [BankIslami Modaraba Investment Limited] is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim profit and loss account and other comprehensive income for the quarters ended December 31, 2020 and December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2020.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

--sd--

A.F.Ferguson & Co.

Chartered Accountants

Karachi: February 27, 2021

Engagement Partner: Syed Fahim ul Hasan

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at December 31, 2020

	Note	Unaudited December 31, 2020	Audited June 30, 2020
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances	5	74,867,773	64,479,573
Ijarah finance	6	3,755,007	3,755,007
Murabaha finance	7	-	-
Current portion of Diminishing Musharaka	8	5,903,124	7,388,866
Receivable against Ijarah rentals and maintenance service	9	-	12,647,513
Advances, deposits, prepayments, other assets and receivables	10	5,317,115	3,781,590
Tax refunds due from government		26,480,169	29,386,162
Inventory		1,768,989	1,569,368
		118,092,177	123,008,079
Non-current assets			
Long-term portion of Diminishing Musharaka	8	1,579,458	4,358,408
Investment property	12	72,090,040	72,090,400
Property and equipment under Ijarah arrangements	13	-	4,064,006
Property and equipment	14	68,535,834	68,794,659
		142,205,332	149,307,473
Total assets		260,297,509	272,315,552
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	15	5,865,305	7,208,632
Current portion of security deposits		3,777,138	7,841,138
Unclaimed profit distribution		9,686,375	8,406,113
		19,328,818	23,455,883
Non-current liabilities			
Security deposits		100,000	100,000
Total liabilities		19,428,818	23,555,883
NET ASSETS		240,868,691	248,759,669
REPRESENTED BY: CAPITAL AND RESERVES			
Authorised certificate capital			
30,000,000 (June 30, 2020: 30,000,000)			
Modaraba certificates of Rs.10 each		300,000,000	300,000,000
Issued, subscribed and paid-up certificate capital		184,239,450	184,239,450
Capital reserves		133,929,056	133,929,056
Revenue reserves - accumulated loss		(77,299,815)	(69,408,837)
		240,868,691	248,759,669

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the half year and quarter ended December 31, 2020

Note	Half year ended		Quarter ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees)		(Rupees)	
Income on Diminishing Musharaka transactions	645,092	1,301,347	294,251	233,609
Ijarah rentals - net	-	143,545	-	71,773
Income from operation of fuel station	5,110,798	5,011,160	2,335,804	2,409,162
Profit on term deposits	1,926,415	1,319,671	992,784	1,319,671
Income on deposits with bank	284,082	1,219,796	119,589	200,138
	<u>7,966,387</u>	<u>8,995,519</u>	<u>3,742,428</u>	<u>4,234,353</u>
Depreciation on assets under Ijarah arrangements	-	(117,400)	-	(58,700)
Expenses on fuel station operations	(2,879,452)	(3,157,212)	(1,379,439)	(1,797,788)
Reversal of provision against doubtful Ijarah rentals	-	104,617	-	-
	<u>5,086,935</u>	<u>5,825,524</u>	<u>2,362,989</u>	<u>2,377,865</u>
Other income	3,842,826	3,493,482	1,921,413	3,066,412
Administrative and operating expenses	(3,409,633)	(3,544,884)	(1,679,461)	(1,902,595)
	<u>5,520,128</u>	<u>5,774,122</u>	<u>2,604,941</u>	<u>3,541,682</u>
Modaraba Management Company's remuneration	-	-	-	-
Provision for services sales tax on management company's remuneration	(773)	(808)	(415)	(428)
Provision for Workers' Welfare Fund	(108,238)	(113,218)	(50,092)	(53,236)
Profit for the period before taxation	<u>5,411,117</u>	<u>5,660,096</u>	<u>2,554,434</u>	<u>3,488,018</u>
Taxation	405,333	356,639	192,967	178,377
Profit for the period after taxation	<u>5,005,784</u>	<u>5,303,457</u>	<u>2,361,467</u>	<u>3,309,641</u>
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>5,005,784</u>	<u>5,303,457</u>	<u>2,361,467</u>	<u>3,309,641</u>
Earnings per certificate - basic & diluted	<u>0.27</u>	<u>0.29</u>	<u>0.13</u>	<u>0.18</u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the half year ended December 31, 2020

Note	December 31, 2020		December 31, 2019	
	(Rupees)		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the period before taxation	5,411,117		5,660,096	
Adjustments for non-cash charges and other items:				
Depreciation on assets under Ijarah arrangements	-		117,400	
Depreciation on fixed assets in own use	258,826		272,433	
	<u>258,826</u>		<u>389,833</u>	
	<u>5,669,943</u>		<u>6,049,929</u>	
Decrease / (increase) in assets				
Receivable against Ijarah rentals and maintenance service	12,647,513		107,706	
Advances, deposits, prepayments and other receivable	(1,535,525)		(628,415)	
Inventory	(199,621)		84,961	
	<u>10,912,367</u>		<u>(435,748)</u>	
(Decrease) / increase in current liabilities				
Creditors, accrued and other liabilities	(1,343,327)		(1,732,719)	
Security deposits	(4,064,000)		(2,569,600)	
	<u>(5,407,327)</u>		<u>(4,302,319)</u>	
Cash generated from operations	<u>11,174,983</u>		<u>1,311,862</u>	
Income taxes refunded / (paid)	2,500,660		(972,690)	
Net cash generated from operating activities	<u>13,675,643</u>		<u>339,172</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of assets under Ijarah arrangements	4,064,006		2,524,599	
Diminishing Musharaka finances	4,265,051		3,928,696	
Net cash generated from investing activities	<u>8,329,057</u>		<u>6,453,295</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Profit paid to certificate holders	(11,616,500)		(2,602,347)	
Net cash used in financing activities	<u>(11,616,500)</u>		<u>(2,602,347)</u>	
Net increase in cash and cash equivalents	<u>10,388,200</u>		<u>4,190,120</u>	
Cash and cash equivalents at beginning of the period	64,479,573		49,182,224	
Cash and cash equivalents at end of the period	<u>74,867,773</u>		<u>53,372,344</u>	

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director

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

For the half year ended December 31, 2020

	Paid-up certificate capital	Capital reserves		Revenue reserves		Total Reserves	Total
		Premium on issue of certificates	Statutory reserve	Surplus on revaluation of Investment Property (Rupees)	Accumulated Losses (Note)		
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)
Total comprehensive income for the six months period ended December 31, 2019	-	-	-	-	5,303,457	5,303,457	5,303,457
Balance as at December 31, 2019	184,239,450	511,409	63,164,012	66,532,230	(78,791,797)	51,415,854	235,655,304
Total comprehensive income for the six months period ended June 30, 2020	-	-	-	-	13,303,567	13,303,567	13,303,567
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
Final cash dividend of Re. 0.70 per certificate for the year ended June 30, 2020	-	-	-	-	(12,896,762)	(12,896,762)	(12,896,762)
Total comprehensive income for the six months period ended December 31, 2020	-	-	-	-	5,005,784	5,005,784	5,005,784
Balance as at December 31, 2020	184,239,450	511,409	66,885,417	66,532,230	(77,299,815)	56,629,241	240,868,691

Note: Accumulated loss as at December 31, 2020 includes unrealised gain on investment property amounting to Rs. 5,202,400 (June 30, 2020: Rs. 5,202,400) which is not distributable in terms of Section 240 of the Companies Act, 2017.

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director

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

For the half year ended December 31, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.1.2 These condensed interim financial statements do not include all the information required for a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended June 30, 2020.

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

2.2 Functional and presentation currency

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

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

2.3.1 SECP vide its circular No. 10 of 2004 dated February 13, 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on modarabas with effect from July 1, 2003 and advised the management companies of modarabas that they may continue to prepare the financial statements of 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 2.3.2.

2.3.2 Islamic Financial Accounting Standard (IFAS) 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the SECP vide SRO 431(1)/ 2007 dated May 5, 2007. Under the above IFAS 2, the Ijarah transactions are accounted for in the following manner:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

3.1 The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of Modaraba for the year ended June 30, 2020.

3.2 Standards, amendments and interpretations to accounting and reporting standards that are effective in the current year

3.2.1 IFRS 9: "Financial Instruments" has become applicable effective for accounting periods beginning on or after 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.

During 2019, the Modaraba Association of Pakistan informed its members that the SECP has deferred the applicability of IFRS 9 to the extent of provision against financings made by the modaraba and required the modaraba to follow all other requirements of IFRS 9. The aforementioned communication by the Modaraba Association of Pakistan to its members was based on the clarification given by the SECP to the Modaraba Association of Pakistan. Accordingly, the Modaraba had adopted all requirements of IFRS 9 and had determined the provision against financings (Ijarah and Diminishing Musharaka) as per the requirements of the Prudential Regulations issued by the SECP at the time of finalization of the financial statements for the year ended June 30, 2019.

During the year ended June 30, 2020, the SECP deferred the applicability of IFRS 9 for modarabas for period / year ending on or after June 30, 2021. During the current period, the SECP has clarified to one of the Modarabas that the requirements of IFRS 9 are applicable on the annual financial statements of the Modaraba for the year ending June 30, 2021 and not on the condensed interim financial statements for the six months period ended December 31, 2020. The Modaraba had already adopted all the requirements of IFRS 9 in the year 2019 with the exception of determining the provision against financing (Ijarah and Diminishing Musharaka). The provision against financing (Ijarah and Diminishing Musharaka) has been currently determined in accordance with the requirements of the Prudential Regulations issued by the SECP.

The Management is currently in the process of assessing the impact of IFRS 9 on the financial statements of the Modaraba for the year ending June 30, 2021.

3.2.2 There are certain other standards, amendments and interpretations that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are, therefore, not detailed in these condensed interim financial statements.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2021 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are therefore not detailed in these condensed interim financial statements.

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

3.5 The significant judgments made by the management in applying the Modaraba's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the annual published financial statements for the year ended June 30, 2020.

4. RISK MANAGEMENT POLICIES

The financial risk management objectives and policies are consistent with those disclosed in the annual published financial statements of the Modaraba for the year ended June 30, 2020.

5. CASH AND BANK BALANCES

	Note	Un-audited December 31, 2020	Audited June 30, 2020
		----- (Rupees) -----	
CASH AND BANK BALANCES			
Balances with banks in:			
- Profit and loss sharing accounts	5.1 & 5.2	11,383,167	16,871,499
- Term deposit account	5.3	60,000,000	45,000,000
- Current accounts	5.1	2,886,847	1,757,171
		74,270,014	63,628,670
Balance with the State Bank of Pakistan		14,191	14,191
		74,284,205	63,642,861
Cash in hand		583,318	836,462
Stamp Paper		250	250
		74,867,773	64,479,573

5.1 Balances with banks include an amount of Rs. 12.44 million (June 30, 2020: Rs. 16.70 million) held with BankIslami Pakistan Limited, (holding company of the Modaraba Management Company).

5.2 These accounts carry profit at rates ranging from 2.2% to 6.6% (June 30, 2020: 2.74% to 6.21%) per annum.

5.3 These represent amounts placed with BankIslami Pakistan Limited, holding company of the Modaraba Management Company under Islami Amadni Certificates amounting to Rs. 60 million with latest maturity on March 7, 2021. These carry profit at rates ranging from 6% to 6.8% per annum.

6. IJARAH FINANCE

Note	Un-audited December 31, 2020	Audited June 30, 2020
	----- (Rupees) -----	
Ijarah contracts commencing up to June 30, 2008		
- accounted for as finance leases		
	40,480,939	40,480,939
Minimum lease payments due	3,755,007	3,755,007
Residual value of leased assets	44,235,946	44,235,946
Total receivable		
	<u>(7,491,364)</u>	<u>(7,491,364)</u>
Suspended lease income	(32,989,575)	(32,989,575)
Provision for impairment against potential lease losses	(40,480,939)	(40,480,939)
	<u>3,755,007</u>	<u>3,755,007</u>

6.1 These Ijarah finances are fully provided and the remaining amount represents amount of security deposits to be adjusted at the time of final settlement.

7. MURABAHA FINANCE

Considered doubtful	7.1	2,517,068	2,517,068
Provision for impairment loss against doubtful recoveries		<u>(2,517,068)</u>	<u>(2,517,068)</u>
		-	-

7.1 These represent amounts receivable against Murabaha transactions i.e. sale of goods on deferred payment basis at a specified profit margin ranging from 10% to 24% per annum.

8. DIMINISHING MUSHARIKA

Musharaka Finance	7,482,582	11,747,274
Less: Current portion of Diminishing	<u>(5,903,124)</u>	<u>(7,388,866)</u>
Long-term portion of Diminishing Musharaka	<u>1,579,458</u>	<u>4,358,408</u>

Modaraba Al-Mali

	Note	Un-audited December 31, 2020	Audited June 30, 2020
9. RECEIVABLE AGAINST IJARAH RENTALS AND MAINTENANCE SERVICES			
Considered good			
- Ijarah rentals receivable		-	12,647,513
Considered doubtful			
- Maintenance fee		4,275,537	4,275,537
- Ijarah lease rentals of tower and allied equipments	9.1	10,194,319	10,194,320
		14,469,857	27,117,370
		(14,469,857)	(14,469,857)
		-	12,647,513
9.1 This relates to discontinued operations.			
10. ADVANCES, DEPOSITS, PREPAYMENTS, OTHER ASSETS AND RECEIVABLES			
Considered Good			
Advances			
- to suppliers		1,728,196	-
- to employees against salary		-	62,200
Prepayments		840,112	712,693
Defined benefit plan - staff gratuity		1,284,354	1,284,354
Other deposits		40,899	40,899
		3,893,561	2,100,146
Other receivables			
- Receivable from BankIslami Pakistan Limited - Related Party		852,297	580,680
- Others		571,257	1,100,764
		1,423,554	1,681,444
Considered doubtful			
Other receivables			
- Terminated leases		6,242,260	6,242,260
- Miscellaneous amount recoverable from the lessees		1,188,872	1,188,872
- Dividend receivable		16,275	16,275
- Receivable from brokers		22,422	22,422
- Receivable against sale of fuel		355,102	355,102
- Others		228,732	228,732
		8,053,663	8,053,663
		(8,053,663)	(8,053,663)
Provision for impairment loss against doubtful receivable		5,317,115	3,781,590

11. 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. The Modaraba has filed application for refund for each tax year in which withholding tax have been deducted.

During the current period, in respect of tax years 2014, 2015 and 2019, the FBR has passed an order of refund for an amount less than that claimed by Modaraba in its refund applications. The Modaraba has filed an appeal against the said orders and the management is confident that the appeal will be decided in favour of the Modaraba. Accordingly, no provision has been recognised in these condensed interim financial statements in respect of amounts disallowed by the FBR.

Modaraba Al-Mali

	Note	Un-audited December 31, 2020	Audited June 30, 2020
12. INVESTMENT PROPERTY			
Carrying amount - opening			
		72,090,040	70,604,000
Net gain from fair value adjustment			
		-	1,486,400
Carrying amount - closing			
		72,090,040	72,090,400

12.1 The leasehold office premises (investment property) of the Modaraba were valued by an independent valuer Harvester Services (Private) Limited, as at June 30, 2020, on the basis of professional assessment of the market values.

12.2 Forced sale value of the investment property was assessed at Rs. 61.28 million as at June 30, 2020.

13. PROPERTY AND EQUIPMENT UNDER IJARAH ARRANGEMENTS

13.1 Ijarah contracts commenced from July 01, 2008

-accounted for under IFAS2

	December 31, 2020 (Un-audited)		
	Machinery	Vehicles	Total
At July 01, 2020			
Cost	-	40,640,000	40,640,000
Accumulated depreciation	-	(36,575,994)	(36,575,994)
Net book value	-	4,064,006	4,064,006
Additions			
Transfers / disposals	-	-	-
Cost	-	40,640,000	40,640,000
Depreciation	-	(36,575,994)	(36,575,994)
	-	4,064,006	4,064,006
Depreciation charge for the period			
Closing net book value	-	-	-
At December 31, 2020	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Net book value	-	-	-
Life (years)	-	-	-

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

Modaraba Al-Mali

	Note	Un-audited December 31, 2020	Audited June 30, 2020
		------(Rupees)-----	
14. PROPERTY AND EQUIPMENT			
Property and equipment - own use	14.1	68,185,834	68,444,659
Towers and allied equipment	14.2	350,000	350,000
		68,535,834	68,794,659

14.1. Property and equipment - own use

	December 31, 2020 (Un-audited)						
	Lease hold land - fuel station	Building - fuel station	Office premises - lease hold	Vehicles	Furniture and fixtures	Office Equipment	Computers
	------(Rupees)-----						
At July 01, 2020							
Cost	63,848,000	8,399,474	963,178	42,500	2,004,827	3,396,074	2,388,488
Accumulated depreciation	-	(4,016,942)	(963,178)	(26,196)	(1,860,850)	(3,342,228)	(2,388,488)
Net book value	63,848,000	4,382,532	-	16,304	143,977	53,846	-
At December 31, 2020							
Cost	63,848,000	8,399,474	963,178	42,500	2,004,827	3,396,074	2,388,488
Accumulated depreciation	-	(4,227,189)	(963,178)	(30,446)	(1,881,330)	(3,366,077)	(2,388,488)
Net book value	63,848,000	4,172,285	-	12,054	123,497	29,997	-
Life (Years)	-	20	20	5	10	2 to 5	3

	June 30, 2020 (Audited)						
	Lease hold land - fuel station	Building - fuel station	Office premises - lease hold	Vehicles	Furniture and fixtures	Office Equipment	Computers
	------(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
Accumulated depreciation	-	(3,596,966)	(963,178)	(17,700)	(1,817,839)	(3,242,155)	(2,388,488)
Net book value	63,848,000	4,802,508	-	24,800	186,988	121,919	-
At June 30, 2020							
Cost	63,848,000	8,399,474	963,178	42,500	2,004,827	3,396,074	2,388,488
Accumulated depreciation	-	(4,016,942)	(963,178)	(26,196)	(1,860,850)	(3,342,228)	(2,388,488)
Net book value	63,848,000	4,382,532	-	16,304	143,977	53,846	-
Life (Years)	-	20	20	5	10	2 to 5	3

Modaraba Al-Mali
14.2 Towers and allied equipment

	December 31, 2020 (Un-audited)		
	Towers with allied equipment	Other allied equipment	Total
	------(Rupees)-----		
At July 01, 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	350,000	-	350,000

Additions	-	-	-
Disposals	-	-	-
Cost	-	-	-
Depreciation	-	-	-
Depreciation charge for the period	-	-	-
Closing net book value	350,000	-	350,000

At December 31, 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	350,000	-	350,000
Life (Years)	20	5	

	Note	Un-audited December 31, 2020	Audited June 30, 2020
		------(Rupees)-----	
15. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Accrued liabilities		4,971,932	5,524,211
Charity and donation		64,707	63,965
Payable to provincial government	15.1	8,104	7,988
Others		697,316	1,454,264
Ijarah rental received in advance		123,246	158,204
		5,865,305	7,208,632

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

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

16. CONTINGENCIES AND COMMITMENTS
16.1 Contingencies

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

16.2 Commitments

There were no commitments outstanding as at December 31, 2020 and June 30, 2020.

17. PROFIT FROM OPERATIONS OF FUEL STATION

	Note	(Un-audited) Half year ended		(Un-audited) Quarter ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		------(Rupees)-----			
Income	17.1				
Sale of fuel		117,786,150	133,423,082	55,437,582	66,154,226
Cost of sales		(113,536,252)	(129,274,322)	(53,533,678)	(64,178,464)
		4,249,898	4,148,760	1,903,904	1,975,762
Rental income	17.2	860,900	862,400	431,900	433,400
		5,110,798	5,011,160	2,335,804	2,409,162
Expenses					
Salaries and allowances		1,374,403	1,287,937	681,406	642,385
Generator fuel		69,330	124,836	10,018	47,661
Depreciation		218,356	227,112	107,010	113,556
Electricity		194,262	210,569	99,252	122,139
Repairs and maintenance		352,030	761,577	184,560	596,047
Printing and stationery		9,999	15,000	3,599	12,000
Security guards		371,700	250,800	138,600	125,400
Insurance		54,961	59,706	27,517	33,285
Telephone		13,686	11,694	7,841	6,007
Rent, rates & taxes		124,926	123,663	62,643	49,420
Miscellaneous		95,799	84,318	56,993	49,888
		2,879,452	3,157,212	1,379,439	1,797,788
		2,231,346	1,853,948	956,365	611,374

17.1 Income relates to the operation of petrol and diesel filling / service station which was started from October 03, 2010 under a retailer agreement with an oil marketing company (the Company). In accordance with the agreement, the Company has granted the right to the Modaraba to operate the fuel station and deal exclusively in petroleum products of the Company on a predetermined margin.

17.2 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.

18. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and other benefits	750,226	657,389	369,696	328,440
Rent, rates and taxes	40,820	103,654	18,915	66,224
Depreciation	40,470	45,321	20,235	22,541
Fuel and conveyance	67,430	69,759	32,648	34,972
Repairs and maintenance	148,041	178,461	68,794	97,554
Legal and professional	882,971	766,463	435,760	418,155
Electricity	104,839	210,179	36,086	73,935
Telephone	79,521	81,929	39,422	40,033
Entertainment	19,678	25,243	10,270	8,680
Insurance	47,412	52,654	23,706	24,820
Printing and stationery	241,888	227,167	118,731	105,677
Auditors' remuneration	432,114	605,150	270,557	454,250
Subscription	226,260	213,534	119,487	106,767
Registrar services	132,302	100,893	89,927	58,518
Postage	56,337	55,068	28,403	27,298
Advertisement	60,600	88,100	(15,300)	(14,500)
Others	78,724	63,920	12,124	49,231
	3,409,633	3,544,884	1,679,461	1,902,595

19. WORKERS' WELFARE FUND

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

20. TAXATION

20.1 As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation for statutory reserves. Accordingly, no provision in respect of current and deferred tax has been made in these condensed interim financial statements. 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.

20.2 The income tax returns of the Modaraba have been filed upto the financial year ended June 30, 2020 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

21. EARNINGS PER CERTIFICATE

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

22. RELATED PARTY TRANSACTIONS

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

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

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

	(Un-audited) Half year ended	
	December 31, 2020	December 31, 2019
	------(Rupees)-----	
BankIslami Pakistan Limited (Holding company of the management company)		
Profit on Islamic profit and loss sharing account	249,160	1,150,938
Profit on term deposit account	1,926,415	1,319,671
Rental income	3,842,826	3,493,482
Other transactions		
Contributions to staff provident fund	44,211	43,068

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

	(Un-audited) December 31, 2020	(Un-audited) June 30, 2020
	------(Rupees)-----	
BankIslami Pakistan Limited (Holding company of the management company)		
Bank deposits	12,448,167	16,700,000
Investment in term deposit	60,000,000	45,000,000
Amount receivable in respect of genset and premises rent income and others	852,297	580,680

23. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

December 31, 2020 (Un-audited)				
	Level 1	Level 2	Level 3	Total
Assets:	----- (Rupees) -----			
Investment property	-	-	72,090,040	72,090,040

June 30, 2020 (Un-audited)				
	Level 1	Level 2	Level 3	Total
Assets:	----- (Rupees) -----			
Investment property	-	-	72,090,040	72,090,040

24. GENERAL

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

24.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. However, no significant reclassifications have been made during the half year.

25. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue by the Board of Directors of the Modaraba Management Company on February 19, 2021.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director