

Modaraba Al-Mali

Managed by:

BankIslami Modaraba Investments Ltd.



**Half Yearly Report
December 31, 2018
(Un-audited)**

10th Floor, Progressive Square, Opposite Nursery, Sharea Faisal, Karachi.
Phone : (92-21) 34547521-5 Fax : (92-21) 34547526

Modaraba Al-Mali

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CORPORATE INFORMATION

Board of Directors	Mr.Muhammad Farooq Anwar	Chairman
	Ms.Ayesha Ashraf Jangda*	Director
	Mr.Kashif Nisar	Director
	Mr.Syed Akhtar Ausaf	Director (resigned w.e.f 31-01-2019)
	Mr.Muhammad Hamid	Director
	Mr.Khurram Jamil	Director (appointed w.e.f 13-12-2018)
	Mr.Sohail Sikandar	Director
	Mr.Mohammad Sadiq Sheikh	Chief Executive Officer (appointed w.e.f 21-01-2019)
Audit Committee	Mr.Muhammad Hamid	Chairman
	Mr.Syed Akhtar Ausaf	Member (resigned w.e.f 31-01-2019)
	Mr.Kashif Nisar	Member
	Mr.Sohail Sikandar	Member
	Mr.Khurram Jamil	Member (appointed w.e.f 12-02-2019)
HR & Remuneration Committee	Mr.Muhammad Hamid	Chairman
	Mr.Syed Akhtar Ausaf	Member (resigned w.e.f 31-01-2019)
	Mr.Muhammad Farooq Anwar	Member
	Mr.Mohammad Sadiq Sheikh	Member (appointed w.e.f 12-02-2019)
Management Team	Mr.Mohammad Sadiq Sheikh	Chief Executive Officer (appointed w.e.f 21-01-2019)
	Rashid Matin Khan	Chief Financial Officer & Company Secretary
Auditors	A.F. Fergusons & Co. Chartered Accountants	
Credit Rating Appraiser	The Pakistan Credit Rating Agency Limited	
Shari'ah Advisor	Mufti Attaullah	
Legal Advisor	Mohsin Tayebaly & Company, Advocate Bawany & Partners	
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	

* The decision regarding Chairmanship of BOD was made in the board meeting for the half year ended December 31, 2018

Directors' Review

We are pleased to present un-audited Financial Statements of Modaraba Al-Mali for the half year ended December 31, 2018 as required under section 237 of the Companies Act, 2017, presented in accordance with the requirements of the International Accounting Standard-34 "Interim financial Reporting" as applicable in Pakistan.

Operating Results

Modaraba earned profit after tax of Rs. 3.893 million for the half year ended December 31, 2018 as against Rs.4.762 million earned during the corresponding period. While income against Diminishing Musharaka and operation of fuel station has improved, the decline in profit is mainly due to the maturity of Ijarah contracts. Additionally, Rs 1.227m was provided against overdue rentals under Ijarah financing in terms of Prudential Regulations. However, overdue rentals are expected to be recovered shortly.

Future Prospects

Modaraba is focusing on fresh financing business to improve profitability. Our endeavor is to optimize the utilization of our resources as well as control leveraging of the balance sheet to book and gradually build good quality assets portfolio.

Acknowledgement

We wish to place on record our appreciation and sincere gratitude to the regulators for their guidance, customers for their confidence, certificate-holders for their continued support and to all the members of management and staff for their dedication and hard work.

On behalf of the Board

-- sd --

Mohammed Sadiq Sheikh
Chief Executive Officer

Karachi: February 12, 2019

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE CERTIFICATE HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim balance sheet of Modaraba Al-Mali (the 'Modaraba') as at December 31, 2018 and the related condensed interim profit and loss account, 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 for the quarters ended December 31, 2018 and December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

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 26, 2019

Engagement Partner: Syed Fahim ul Hasan

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at December 31, 2018

	Note	Unaudited December 31, 2018	Audited June 30, 2018
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances	5	41,465,058	47,176,421
Ijarah finance	6	3,755,007	3,755,007
Murabaha finance	7	-	-
Current portion of Diminishing Musharaka	8	7,706,052	4,576,378
Receivable against Ijarah rentals and maintenance service	9	11,625,841	8,065,119
Advances, deposits, prepayments, other assets and receivables	10	4,253,717	6,879,346
Tax refunds due from government		28,690,916	28,049,759
Inventory		2,245,550	2,545,969
		99,742,141	101,047,999
Non-current assets			
Long-term portion of Diminishing Musharaka	8	14,654,032	10,401,689
Investment property	11	66,888,000	-
Property and equipment under Ijarah arrangements	12	7,058,206	13,898,802
Property and equipment	13	69,617,911	70,261,483
		158,218,149	94,561,974
Total assets		257,960,290	195,609,973
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	14	8,602,417	8,814,904
Current portion of security deposits		10,380,738	10,331,841
Unclaimed profit distribution		9,185,020	7,749,769
		28,168,175	26,896,514
Non-current liabilities			
Security deposits		100,000	234,797
Total liabilities		28,268,175	27,131,311
NET ASSETS		229,692,115	168,478,662
REPRESENTED BY: CAPITAL AND RESERVES			
Authorised certificate capital			
30,000,000 (June 30, 2018: 30,000,000)			
Modaraba certificates of Rs.10 each"		300,000,000	300,000,000
Issued, subscribed and paid-up certificate capital			
18,423,945 (June 30, 2018: 18,423,945)			
Modaraba certificates of Rs.10 each"		184,239,450	184,239,450
Premium on issue of certificates		511,409	511,409
Statutory reserve		61,571,075	61,571,075
Accumulated loss		(83,162,048)	(77,843,272)
Surplus on revaluation of Investment Property		66,532,229	-
		229,692,115	168,478,662
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For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the half year and quarter ended December 31, 2018

Note	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	----- (Rupees) -----		----- (Rupees) -----	
Ijarah rentals - net	7,432,105	19,695,945	2,885,726	9,592,837
Income from operation of fuel station	6,086,333	5,682,982	2,928,335	3,013,722
Income on deposits with bank	779,281	497,299	370,195	279,984
Income on Diminishing Musharaka transactions	1,235,586	437,335	698,524	166,759
	15,533,305	26,313,561	6,882,780	13,053,302
Depreciation on assets under Ijarah arrangements	(6,734,697)	(16,348,125)	(2,719,945)	(7,974,118)
Expenses on fuel station operations	(2,806,032)	(2,363,753)	(1,423,779)	(1,198,859)
Provision against doubtful Ijarah rentals	(1,227,920)	-	(1,227,920)	-
	4,764,656	7,601,683	1,511,136	3,880,325
Other income	4,401,890	3,105,872	1,587,945	1,287,729
Administrative and operating expenses	(4,724,486)	(5,295,788)	(2,287,665)	(2,639,616)
	4,442,060	5,411,767	811,416	2,528,438
Modaraba Management Company's remuneration	-	-	-	-
Provision for services sales tax on management company's remuneration	(622)	(758)	(508)	(397)
Provision for Workers' Welfare Fund	(91,512)	(106,113)	(77,179)	(55,559)
Profit for the period before taxation	4,349,926	5,304,896	733,729	2,472,482
Taxation	456,729	542,586	201,438	270,089
Profit for the period after taxation	3,893,197	4,762,310	532,291	2,202,393
Earnings per certificate - basic & diluted	0.21	0.26	0.03	0.12
Other comprehensive income for the period				
Items that will not be reclassified to Profit and Loss account:				
Surplus on revaluation of Investment Property	66,532,229	-	66,532,229	-
Total comprehensive income for the period	70,425,426	4,762,310	67,064,520	2,202,393

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the half year ended December 31, 2018

Note	December 31,	
	2018	2017
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES	4,349,926	5,304,896
Profit for the period before taxation		
Adjustments for non-cash charges and other items:		
Depreciation on assets under Ijarah arrangements	6,734,697	16,348,125
Depreciation on fixed assets in own use	379,771	604,077
Gain on disposal on fixed assets in own use	(1,226,000)	-
Gain on disposal of Ijarah assets	-	(38,903)
	5,888,468	16,913,299
	10,238,394	22,218,195
(Increase) / decrease in assets		
Receivable against Ijarah rentals and maintenance service	(3,560,723)	(4,395,375)
Advances, deposits, prepayments and other receivable	2,625,629	(545,197)
Inventory	300,419	(1,531,893)
	(634,675)	(6,472,465)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(212,487)	525,742
Security deposits	(85,900)	(2,449,320)
	(298,387)	(1,923,578)
Cash generated from operations	9,305,332	13,822,152
Income taxes paid	(1,097,886)	(966,965)
Net cash generated from operating activities	8,207,446	12,855,187
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets in own use	(91,970)	(11,000)
Disposal of assets under Ijarah arrangements	105,900	2,728,802
Proceeds from disposal of fixed assets in own use	1,226,000	-
Diminishing Musharaka finances	(7,382,017)	1,177,057
Net cash (used in) / generated from investing activities	(6,142,087)	3,894,859
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	(7,776,722)	(3,816,099)
Net cash used in financing activities	(7,776,722)	(3,816,099)
Net (decrease) / increase in cash and cash equivalents	(5,711,363)	12,933,947
Cash and cash equivalents at beginning of the period	47,176,421	19,591,033
Cash and cash equivalents at end of the period	41,465,058	32,524,980

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive

Director

Director

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

For the half year ended December 31, 2018

	Paid-up certificate capital	Premium on issue of certificates	Statutory reserve	Accumulated Losses	Total Reserves	Surplus on revaluation of Investment Property	Total
	(Rupees)						
Balance as at June 30, 2017	184,239,450	511,409	59,252,298	(81,625,609)	(21,861,902)	-	162,377,548
Final cash dividend of Re. 0.28 per certificate for the year ended June 30, 2017	-	-	-	(5,158,705)	(5,158,705)	-	(5,158,705)
Total comprehensive income for the six months period ended December 31, 2017	-	-	-	4,762,310	4,762,310	-	4,762,310
Balance as at December 31, 2017	184,239,450	511,409	59,252,298	(82,022,004)	(22,258,297)	-	161,981,153
Total comprehensive income for the six months period ended June 30, 2018	-	-	-	6,831,575	6,831,575	-	6,831,575
Other comprehensive loss for the year ended June 30, 2018	-	-	-	(334,066)	(334,066)	-	(334,066)
Transfer to statutory reserve	-	-	2,318,777	(2,318,777)	-	-	-
Balance as at June 30, 2018	184,239,450	511,409	61,571,075	(77,843,272)	(15,760,788)	-	168,478,662
Final cash dividend of Re. 0.50 per certificate for the year ended June 30, 2018	-	-	-	(9,211,973)	(9,211,973)	-	(9,211,973)
Total comprehensive income for the six months period ended December 31, 2018	-	-	-	3,893,197	3,893,197	66,532,229	70,425,426
Balance as at December 31, 2018	184,239,450	511,409	61,571,075	(83,162,048)	(21,079,564)	66,532,229	229,692,115

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive

Director

Director

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

For the half year ended December 31, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan (ICAP);
- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981; and
- 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.

Wherever the requirements of the Companies Act, 2017, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Rules, 1981 and provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the requirements of the Companies Act, 2017, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Rules, 1981 or provisions of and directives issued under the Companies Act, 2017 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, 2018.

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

2.2 Functional and presentation currency

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

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

2.3.1 SECP vide its circular No. 10 of 2004 dated February 13, 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on modarabas with effect from July 1, 2003 and advised the management companies of modarabas that they may continue to prepare the financial statements of the modarabas without applying the requirements of IAS 17. Currently, lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained in note 2.3.2.

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

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

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

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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, 2018.

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

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, 2018 that are expected to have an impact on the financial statements of the Modaraba.

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an Expected Credit Losses (ECL) model that replaces the current incurred loss impairment model. The Expected Credit Losses (ECL) model does not have impact on the Modaraba since time based criteria given in the Prudential Regulations for Modarabas would prevail over the ECL requirements given under IFRS 9.

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

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

3.4 The significant judgments made by the management in applying the Modaraba's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the annual published financial statements for the year ended June 30, 2018.

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, 2018.

5. CASH AND BANK BALANCES

Balances with banks in:

- profit and loss sharing accounts
- current accounts

Balances with State Bank of Pakistan

Cash in hand

Stamp Paper

Note	Un-audited December 31, 2018	Audited June 30, 2018
	(Rupees)	
5.2	38,573,294	45,187,636
	2,371,434	1,115,682
	40,944,728	46,303,318
	24,092	9,092
	40,968,820	46,312,410
	482,438	858,511
	13,800	5,500
	41,465,058	47,176,421

5.1 Balances with banks include an amount of Rs. 32.46 million (June 30, 2018: Rs. 29.50 million) held with BankIslami Pakistan Limited, (parent company of the Modaraba Management Company).

5.2 These accounts carry profit at rates ranging from 1.07% to 4.02% (June 30, 2018: 1.73% to 4.08%) per annum.

6. IJARAH FINANCE

Ijarah contracts commencing up to June 30, 2008
- accounted for as finance leases

Minimum lease payments due	40,480,939	40,480,939
Residual value of leased assets	3,755,007	3,755,007
Total receivable	44,235,946	44,235,946

Suspended lease income	(7,491,364)	(7,491,364)
Provision for impairment against potential lease losses	(32,989,575)	(32,989,575)
	(40,480,939)	(40,480,939)
	3,755,007	3,755,007

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

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	Note	Un-audited December 31, 2018	Audited June 30, 2018
		(Rupees)	
7. MURABAHA FINANCE			
Considered doubtful	7.1	2,517,068	2,517,068
Provision for impairment loss against doubtful recoveries		(2,517,068)	(2,517,068)
		-	-
7.1			
These represent amounts receivable against Murabaha transactions i.e. sale of goods on deferred payment basis at a specified profit margin ranging from 10% to 24% per annum. Since the finance is non-performing, no income is accrued on it in accordance with the Prudential Regulations for Modarabas.			
8. DIMINISHING MUSHARIKA			
Musharika Finance		22,360,084	14,978,067
Less: Current portion of Diminishing Musharika		(7,706,052)	(4,576,378)
		14,654,032	10,401,689
9. RECEIVABLE AGAINST IJARAH RENTALS AND MAINTENANCE SERVICES			
Considered good			
- Ijarah rentals receivable		11,625,841	8,065,119
Considered doubtful			
- Maintenance Fee	9.1	4,275,537	4,275,537
- Ijarah lease rentals of tower and allied equipments		10,194,320	10,194,320
- Ijarah rentals receivable		1,865,589	-
		27,961,287	22,534,976
Less: Provision against potential ijarah losses		(16,335,446)	(14,469,857)
		11,625,841	8,065,119
9.1			
This relates to discontinued operations.			
10. ADVANCES, DEPOSITS, PREPAYMENTS, OTHER ASSETS AND RECEIVABLES			
Considered Good			
Advances			
- to suppliers		144,135	145,196
- to employees against salary		7,500	72,625
Advance against Diminishing Musharaka arrangement		-	2,949,999
Prepayments		966,856	424,018
Defined benefit plan - staff gratuity		1,531,304	1,531,304
Other deposits		43,899	43,899
		2,693,694	5,167,041
Other receivables			
- Receivable from BankIslami Pakistan Limited - Related Party		429,445	420,843
- Others		1,130,578	1,291,462
		1,560,023	1,712,305
Considered doubtful			
Other receivables			
- Terminated leases		6,242,260	6,242,260
- Miscellaneous amount recoverable from the lessees		1,188,872	1,188,872
- Dividend receivable		16,275	16,275
- Receivable from brokers		22,422	22,422
- Receivable against sale of fuel		355,102	355,102
- Others		228,732	228,732
		8,053,663	8,053,663
Provision for impairment loss against doubtful recoveries		(8,053,663)	(8,053,663)
		4,253,717	6,879,346

11. INVESTMENT PROPERTY

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

The leasehold office premises (Investment Property) of the Modaraba were valued by an independent valuer Harvester Services (Private) Limited on the basis of professional assessment of the market values. The revaluation resulted in a surplus of Rs. 66.53 million over the book value of Rs. 0.35 million which has been recognised by the Modaraba.

Subsequent to the initial recognition any surplus or deficit arising on subsequent revaluations will be taken to the profit and loss account.

12. PROPERTY AND EQUIPMENT UNDER IJARAH ARRANGEMENTS

	Note	Un-audited December 31, 2018	Audited June 30, 2018
		------(Rupees)-----	
Following additions and disposals in Ijarah / leased out assets, at cost, were made during the period:			
Additions at cost during the period			
- Machinery and Equipment		-	-
- Vehicles		-	-
		<u>-</u>	<u>-</u>
Disposals at cost during the period			
- Machinery and Equipment		-	40,586,250
- Vehicles		1,059,000	23,816,990
		<u>1,059,000</u>	<u>64,403,240</u>

13. PROPERTY AND EQUIPMENT

Property and equipment in own use	13.1	69,267,911	69,911,483
Towers and allied equipment		350,000	350,000
		<u>69,617,911</u>	<u>70,261,483</u>

13.1 Following additions and disposals, at cost, were made during the period:

Additions at cost during the period			
- Office premises - leasehold		85,970	-
- Office and computer equipment		6,000	26,800
		<u>91,970</u>	<u>26,800</u>
Disposals / transfer at cost during the period			
- Office premises - leasehold - note 13.2		12,962,227	-
- Vehicles		285,200	-
		<u>13,247,427</u>	<u>-</u>

13.2 As more fully explained in note 11 to these condensed interim financial statements, as at December 31, 2018, the Modaraba has transferred its leasehold office premises from property and equipment under own use to "Investment Property".**14. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Accrued liabilities	6,147,671	6,286,527
Charity and donation	59,622	59,513
Payable to provincial government	4,411	4,266
Advance from customers	50,000	657,194
Others	2,182,509	1,646,628
Ijarah rental received in advance	158,204	160,776
	<u>8,602,417</u>	<u>8,814,904</u>

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

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

15. CONTINGENCIES AND COMMITMENTS**15.1 Contingencies**

15.1.1 There were no contingencies as at December 31, 2018 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. The management is hopeful for a favourable outcome and therefore, no provision is made in these condensed interim financial statements.

15.2 Commitments

15.2.1 There were no commitments outstanding as at December 31, 2018 and June 30, 2018.

16. PROFIT FROM OPERATIONS OF FUEL STATION

		(Un-audited) Half year ended		(Un-audited) Quarter ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Note	------(Rupees)-----			
Income	16.1				
Sale of fuel		145,832,894	118,759,544	65,663,697	61,960,488
Cost of sales		(140,493,261)	(113,727,562)	(63,155,562)	(59,272,266)
		5,339,633	5,031,982	2,508,135	2,688,222
Rental income	16.2	746,700	651,000	420,200	325,500
		6,086,333	5,682,982	2,928,335	3,013,722
Expenses					
Salaries and allowances		1,376,896	1,092,168	721,931	544,163
Generator fuel		299,958	238,418	145,824	126,301
Depreciation		227,112	225,597	113,556	114,426
Electricity		109,363	79,763	68,492	53,981
Repairs and maintenance		258,478	205,535	104,555	98,185
Printing and stationery		10,600	9,065	7,750	6,550
Security guards		242,000	230,700	118,800	111,900
Insurance		52,800	45,984	26,400	22,992
Telephone		13,364	9,888	5,345	4,456
Rent, rates & taxes		135,486	142,156	70,023	70,743
Miscellaneous		79,975	84,479	41,103	45,162
		2,806,032	2,363,753	1,423,779	1,198,859
		<u>3,280,301</u>	<u>3,319,229</u>	<u>1,504,556</u>	<u>1,814,863</u>

16.1 Income relates to the operation of petrol and diesel filling / service station which was started from October 03, 2010 under a retailer agreement with an oil marketing company (the Company). In accordance with the agreement, the Company has granted the right to the Modaraba to operate the fuel station and deal exclusively in petroleum products of the Company on a predetermined margin.**16.2 Rent is received in respect of the plot of land used for fuel station under a lease agreement with the Company.**

17. ADMINISTRATIVE AND OPERATING EXPENSES	(Un-audited) Half year ended		(Un-audited) Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees)			
Salaries, allowances and other benefits	1,547,717	1,810,806	748,119	919,963
Rent, rates and taxes	73,006	71,586	36,391	37,652
Depreciation	152,659	378,480	28,443	193,679
Fuel and conveyance	132,794	130,227	47,786	66,500
Repairs and maintenance	176,573	173,047	78,267	96,393
Legal and professional	813,029	968,656	453,177	397,529
Electricity	287,883	236,667	120,898	95,521
Telephone	103,713	89,775	47,780	42,154
Entertainment	32,993	37,217	19,149	22,151
Insurance	67,367	64,890	34,829	32,435
Printing and stationery	257,117	214,280	106,651	114,739
Gratuity	15,505	24,644	7,479	512
Auditors' remuneration	301,800	423,798	150,900	299,898
Subscription	204,847	245,209	109,359	114,874
Registrar services	85,880	156,957	42,375	80,230
Postage	64,588	60,750	34,638	30,375
Advertisement	162,100	159,600	57,000	57,000
Others	244,915	49,199	164,424	38,011
	<u>4,724,486</u>	<u>5,295,788</u>	<u>2,287,665</u>	<u>2,639,616</u>

18. WORKERS' WELFARE FUND

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

19. TAXATION

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

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

20. EARNINGS PER CERTIFICATE

A diluted earnings per certificate has not been presented as the Modaraba did not have any convertible instruments in issue as at December 31, 2018 and 2017 which would have any effect on the earnings per certificate if the option to convert is exercised.

21. 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.

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

BankIslami Pakistan Limited (Holding company of the management company)	(Un-audited) Half year ended	
	December 31, 2018	December 31, 2017
	(Rupees)	
Profit on Islamic profit and loss sharing account	<u>414,167</u>	<u>244,422</u>
Rental income	<u>3,175,890</u>	<u>2,575,458</u>
Bank charges	<u>2,000</u>	<u>1,500</u>
Other transactions		
Contributions to staff provident fund	<u>108,896</u>	<u>59,748</u>
Contribution to staff gratuity fund	<u>18,240</u>	<u>26,746</u>

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

BankIslami Modaraba Investment Limited (Modaraba Management Company)		
Bank deposits	<u>32,463,600</u>	<u>29,503,524</u>
Amount receivable in respect of genset and premises rent income and others	<u>429,445</u>	<u>420,843</u>

22. GENERAL

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

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

23. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue by the Board of Directors of the Modaraba Management Company on February 12, 2019.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive

Director

Director