

Modaraba Al-Mali

Managed by:

BankIslami Modaraba Investments Ltd.



**Financial Statement (un-audited)
For the nine months period ended
March 31, 2019**

10th Floor, Progressive Square, Opposite Nursery, Shahrah-e-Faisal, Karachi.
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CORPORATE INFORMATION

Board of Directors	Mr.Muhammad Farooq Anwar	Chairman
	Ms.Ayesha Ashraf Jangda	Director
	Mr.Kashif Nisar	Director
	Mr.Muhammad Hamid	Director
	Mr.Khurram Jamil	Director
	Mr.Rizwan Qamar Lari	Director (appointed w.e.f 08-04-2019)
	Mr.Sohail Sikandar	Director
Audit Committee	Mr.Muhammad Sadiq Sheikh	Chief Executive Officer
	Mr.Muhammad Hamid	Chairman
	Mr.Kashif Nisar	Member
	Mr.Sohail Sikandar	Member
HR & Remuneration Committee	Mr.Khurram Jamil	Member
	Mr.Muhammad Hamid	Chairman
	Mr.Muhammad Farooq Anwar	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. Fergusons & Co. Chartered Accountants	
Credit Rating Appraiser	The Pakistan Credit Rating Agency Limited	
Shari'ah Advisor	Mufti Attaullah	
Legal Advisor	Bawany & Partners	
Bankers & Financiers	BankIslami Pakistan Limited	
	Bank Alfalah Limited	
	Dubai Islamic Bank Ltd.	
	Meezan Bank Limited	
Share Registrar	JWAFS Registrar Services (Pvt.) Ltd.	
Share Registration Office	407, 408 Al-Ameera Centre, Shahrah-e-Iraq, Karachi.	
Registered Office	10th Floor, Progressive Square, Opposite Nursery, Shahrah-e-Faisal, Karachi. Phone: 34547521-25, Fax: 34547526 E-mail: info@modarabaalmali.com URL: http://www.modarabaalmali.com	

Directors' Review

We are pleased to present the un-audited Financial Statements of Modaraba Al-Mali for nine months period ended March 31, 2019 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 has earned profit after tax of Rs. 5.434 million for the nine months period ended March 31, 2019 as against Rs.8.563 million earned during the corresponding period last year. The reduction of 36.5 % in profit after tax is mainly due the maturity of Ijarah finances and provision against overdue Ijarah rentals. Income of the Modaraba is expected to improve in due course through fresh financing activities and recovery of overdue rentals from delinquent customers. Modaraba has kept control on its Administrative and Operating expenses which have reduced by 21.9 % for the period under review.

Future Prospects

Modaraba is currently focusing on fresh financing business and expansion of fuel station capacity. Our endeavor is to optimize the utilization of our resources as well as continue leveraging the balance sheet and gradually build a 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 the management and staff for their dedication and hard work.

On behalf of the Board

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Mohammed Sadiq Sheikh
Chief Executive Officer

Karachi: April 17, 2019

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at March 31, 2019

		Unaudited March 31, 2019	Audited June 30, 2017
ASSETS			
	<i>Note</i>	----- (Rupees) -----	
Current assets			
Cash and bank balances	5	44,459,209	47,176,421
Ijarah finance	6	3,755,007	3,755,007
Murabaha finance	7	-	-
Current portion of Diminishing Musharaka	8	7,804,214	4,576,378
Receivable against Ijarah rentals and maintenance service	9	10,253,676	8,065,119
Advances, deposits, prepayments, other assets and receivables	10	4,043,898	6,879,346
Tax refunds due from government		29,092,367	28,049,759
Inventory		2,995,013	2,545,969
		102,403,384	101,047,999
Non-current assets			
Long-term portion of Diminishing Musharaka	8	12,756,814	10,401,689
Investment property	11	66,888,000	-
Property and equipment under Ijarah arrangements	12	6,882,106	13,898,802
Property and equipment	13	69,479,378	70,261,483
		156,006,298	94,561,974
Total assets		258,409,682	195,609,973
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	14	8,415,890	8,814,904
Current portion of security deposits		10,380,738	10,331,841
Unclaimed profit distribution		8,279,768	7,749,769
		27,076,396	26,896,514
Non-current liabilities			
Security deposits		100,000	234,797
Total liabilities		27,176,396	27,131,311
NET ASSETS		231,233,286	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		(81,620,877)	(77,843,272)
Surplus on revaluation of Investment Property		66,532,229	-
		231,233,286	168,478,662

CONTINGENCIES AND COMMITMENTS

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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 PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the nine months period ended March 31, 2019

		Nine Months period ended		Quarter ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Note	(Rupees)		(Rupees)	
Ijarah rentals - net		7,605,404	29,191,295	173,299	9,495,350
Income from operation of fuel station	16	8,621,526	8,797,051	2,535,193	3,114,069
Income on deposits with bank		1,162,327	833,270	383,046	335,97
Income on Diminishing Musharaka transactions		1,930,895	653,703	695,309	216,368
		19,320,152	39,475,319	3,786,847	13,161,758
Depreciation on assets under Ijarah arrangements		(6,910,797)	(24,260,008)	(176,100)	(7,911,883)
Expenses on fuel station operations		(4,041,688)	(3,682,600)	(1,235,656)	(1,318,847)
Provision against doubtful Ijarah rentals	16	(1,924,787)	-	(696,867)	-
		6,442,880	11,532,711	1,678,224	3,931,028
Other income		5,989,835	6,002,966	1,587,945	2,897,094
Administrative and operating expenses	17	(6,241,044)	(7,989,679)	(1,516,558)	(2,693,891)
		6,191,671	9,545,998	1,749,611	4,134,231
Modaraba Management Company's remuneration	14.1	-	-	-	-
Provision for services sales tax on management company's remuneration	14.1	(867)	(1,336)	(245)	(579)
Provision for Workers' Welfare Fund	18	(121,405)	(187,176)	(29,893)	(81,063)
Profit for the period before taxation		6,069,399	9,357,486	1,719,473	4,052,589
Taxation	19	635,031	794,096	178,302	251,510
Profit for the period after taxation		5,434,368	8,563,390	1,541,171	3,801,079
Earnings per certificate - basic & diluted	20	0.29	0.46	0.08	0.20
Other comprehensive income for the period					
Items that will not be reclassified to Profit and Loss account:					
Surplus on revaluation of Investment Property	11	66,532,229	-	66,532,229	-
Total comprehensive income for the period		71,966,597	8,563,390	68,073,400	3,801,079

CONTINGENCIES AND COMMITMENTS

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 nine months period ended March 31, 2019

Note	March 31, 2019	March 31, 2018
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	6,069,399	9,357,486
Adjustments for non-cash charges and other items:		
Depreciation on assets under Ijarah arrangements	6,910,797	24,260,008
Depreciation on fixed assets in own use	518,304	902,821
Gain on disposal on fixed assets in own use	(1,226,000)	(60,000)
Gain on disposal of Ijarah assets	-	(60,569)
	6,203,101	25,042,260
	12,272,500	34,399,746
(Increase) / decrease in assets		
Receivable against Ijarah rentals and maintenance service	(2,188,558)	(3,163,041)
Advances, deposits, prepayments and other receivable	2,835,448	(2,935,164)
Inventory	(449,044)	(1,643,927)
	197,846	(7,742,132)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(399,014)	1,069,966
Security deposits	(85,900)	(2,536,320)
	(484,914)	(1,466,354)
Cash generated from operations	11,985,432	25,191,260
Income taxes paid	(1,677,639)	(1,485,871)
Net cash generated from operating activities	10,307,793	23,705,389
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets in own use	(91,970)	(11,000)
Disposal of assets under Ijarah arrangements	105,900	2,947,345
Proceeds from disposal of fixed assets in own use	1,226,000	60,000
Diminishing Musharaka finances	(5,582,961)	192,230
Net cash (used in) / generated from investing activities	(4,343,031)	3,188,575
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	(8,681,974)	(4,521,670)
Net cash used in financing activities	(8,681,974)	(4,521,670)
Net (decrease) / increase in cash and cash equivalents	(2,717,212)	22,372,294
Cash and cash equivalents at beginning of the period	47,176,421	19,591,033
Cash and cash equivalents at end of the period	5 44,459,209	41,963,327

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 nine months period ended March 31, 2019

	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 nine months period ended March 31, 2018	-	-	-	8,563,390	8,563,390	-	8,563,390
Balance as at March 31, 2018	184,239,450	511,409	59,252,298	(78,220,924)	(18,457,217)	-	165,782,233
Total comprehensive income for period ended June 30, 2018	-	-	-	3,030,495	3,030,495	-	3,030,495
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 nine months period ended March 31, 2019	-	-	-	5,434,368	5,434,368	66,532,229	71,966,597
Balance as at March 31, 2019	184,239,450	511,409	61,571,075	(81,620,877)	(19,538,393)	66,532,229	231,233,286

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 nine months period ended March 31, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

Pakistan Credit Rating Agency (PACRA) has maintained long term entity rating of 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.

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

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.

	Note	Un-audited March 31, 2019	Audited June 30, 2018
----- (Rupees) -----			
5. CASH AND BANK BALANCES			
Balances with banks in:			
- profit and loss sharing accounts	5.2	41,504,346	45,187,636
- current accounts		1,471,069	1,115,682
		42,975,415	46,303,318
Balances with State Bank of Pakistan		24,092	9,092
		42,999,507	46,312,410
Cash in hand		1,443,647	858,511
Stamp Paper		16,055	5,500
		44,459,209	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	6.1	(32,989,575)	(32,989,575)
		(40,480,939)	(40,480,939)
		3,755,007	3,755,007
6.1			
These Ijarah finances are fully provided and the remaining amount represents amount of security deposits to be adjusted at the time of final settlement.			

Modaraba Al-Mali

	Note	Un-audited March 31, 2019	Audited June 30, 2018
7. MURABAHA FINANCE			
----- (Rupees) -----			
Considered doubtful	7.1	2,517,068	2,517,068
Provision for impairment loss against doubtful recoveries		(2,517,068)	(2,517,068)
		<u>-</u>	<u>-</u>
7.1 These represent amounts receivable against Murabaha transactions i.e. sale of goods on deferred payment basis at a specified profit margin ranging from 10% to 24% per annum. Since the finance is non-performing, no income is accrued on it in accordance with the Prudential Regulations for Modarabas.			
8. DIMINISHING MUSHARIKA			
Musharika Finance		20,561,028	14,978,067
Less: Current portion of Diminishing Musharika		(7,804,214)	(4,576,378)
		<u>12,756,814</u>	<u>10,401,689</u>
9. RECEIVABLE AGAINST IJARAH RENTALS AND MAINTENANCE SERVICES			
Considered good			
- Ijarah rentals receivable		10,253,676	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		2,604,473	-
		<u>27,328,006</u>	<u>22,534,976</u>
Less: Provision against potential ijarah losses		(16,335,446)	(14,469,857)
		<u>10,253,676</u>	<u>8,065,119</u>
9.1 This relates to discontinued operations.			
10. ADVANCES, DEPOSITS, PREPAYMENTS, OTHER ASSETS AND RECEIVABLES			
Considered Good			
Advances			
- to suppliers		144,145	145,196
- to employees against salary		-	72,625
Advance against Diminishing Musharaka arrangement		-	2,949,999
Prepayments		840,760	424,018
Defined benefit plan - staff gratuity		1,531,304	1,531,304
Other deposits		43,899	43,899
		<u>2,560,108</u>	<u>5,167,041</u>
Other receivables			
- Receivable from BankIslami Pakistan Limited - Related Party		353,392	420,843
- Others		1,130,398	1,291,462
		<u>1,483,790</u>	<u>1,712,305</u>
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		(8,053,663)	(8,053,663)
		<u>4,043,898</u>	<u>6,879,346</u>

Modaraba Al-Mali

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 March 31, 2019	Audited June 30, 2018
----- (Rupees) -----			
12.1 Following additions and disposals in Ijarah / leased out assets, at cost, were made during the period:			
Additions at cost during the period			
- Machinery and Equipment		-	-
- Vehicles		-	-
		<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	69,129,378	69,911,483
Towers and allied equipment		350,000	350,000
		<u>69,479,378</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 March 31, 2019, 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		6,450,711	6,286,527
Charity and donation		59,622	59,513
Payable to provincial government	14.1	4,656	4,266
Advance from customers		50,000	657,194
Others		1,692,697	1,646,628
Ijarah rental received in advance		158,204	160,776
		<u>8,415,890</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 March 31, 2019 other than as explained below.

The Additional Commissioner of Income Tax (ACIT) amended the assessment for the tax year 2007, dismissing the exemption claimed by the Modaraba on the contention of non distribution of profit as per the provisions of the respective tax laws and created tax demand of Rs. 1.93 million. The Modaraba filed an appeal against the said order with the Commissioner of Income Tax (CIT) who in his order maintained the treatment of ACIT. The second appeal filed against the said order with the Appellate Tribunal Inland Revenue (the Tribunal) was also decided against Modaraba. The Modaraba filed an application with the Tribunal for a review, which has also been decided against the Modaraba during the year ended June 30, 2017. The Modaraba has filed a second review application with the Tribunal and a reference in the High Court of Sindh. 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 March 31, 2019 and June 30, 2018.

16. PROFIT FROM OPERATIONS OF FUEL STATION

	Note	(Un-audited)		(Un-audited)	
		Nine Months period ended		Quarter ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
		(Rupees)			
Income	16.1				
Sale of fuel		199,773,376	182,476,267	53,940,482	63,716,723
Cost of sales		(192,327,550)	(174,655,466)	(51,834,289)	(60,927,904)
		7,445,826	7,820,801	2,106,193	2,788,819
Rental income	16.2	1,175,700	976,250	429,000	325,500
		8,621,526	8,797,051	2,535,193	3,114,319
Expenses					
Salaries and allowances		2,011,048	1,634,250	634,152	542,082
Generator fuel		315,457	332,108	15,499	93,690
Depreciation		340,668	339,153	113,556	113,556
Electricity		195,919	218,664	86,556	138,901
Repairs and maintenance		374,319	374,632	115,841	169,097
Printing and stationery		17,300	9,065	6,700	-
Security guards		367,400	349,500	125,400	118,800
Insurance		79,200	68,976	26,400	22,992
Telephone		18,617	17,300	5,253	7,412
Rent, rates & taxes		203,769	206,119	68,283	63,963
Miscellaneous		117,991	132,833	38,016	48,354
		4,041,688	3,682,600	1,235,656	1,318,847
		4,579,838	5,114,451	1,299,537	1,795,472

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)		(Un-audited)	
	Nine Months period ended		Quarter ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	(Rupees)			
Salaries, allowances and other benefits	1,947,058	2,641,519	399,341	830,713
Rent, rates and taxes	109,285	105,367	36,279	33,781
Depreciation	177,636	563,668	24,977	185,188
Fuel and conveyance	166,100	192,462	33,306	62,235
Repairs and maintenance	247,350	302,200	70,777	129,153
Legal and professional	1,065,590	1,554,319	252,561	585,663
Electricity	315,855	293,352	27,972	56,685
Telephone	143,134	164,278	39,421	74,503
Entertainment	42,746	50,295	9,753	13,078
Insurance	90,246	97,335	22,879	32,445
Printing and stationery	384,749	335,259	127,632	120,979
Gratuity	22,984	24,644	7,479	-
Auditors' remuneration	452,700	607,298	150,900	183,500
Subscription	314,206	354,912	109,359	109,703
Registrar services	189,908	352,604	104,028	195,647
Postage	102,010	90,125	37,422	29,375
Advertisement	196,300	193,800	34,200	34,200
Others	273,187	66,242	28,272	17,043
	6,241,044	7,989,679	1,516,558	2,693,891

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 March 31, 2019 and 2018 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.

Modaraba Al-Mali

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

	(Un-audited) Half year ended	
	March 31, 2019	March 31, 2018
	------(Rupees)-----	
BankIslami Pakistan Limited (Holding company of the management company)		
Profit on Islamic profit and loss sharing account	<u>690,891</u>	<u>409,021</u>
Rental income	<u>4,763,835</u>	<u>4,482,552</u>
Bank charges	<u>4,833</u>	<u>1,964</u>
BankIslami Modaraba Investment Limited (Modaraba Management Company)		
Dividend paid	<u>1,171,245</u>	<u>655,897</u>
Other transactions		
Contributions to staff provident fund	<u>75,982</u>	<u>91,221</u>
Contribution to staff gratuity fund	<u>27,907</u>	<u>26,746</u>

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

BankIslami Pakistan Limited (Holding company of the management company)		
Receivable towards retainer ship Fee	<u>114,124</u>	<u>-</u>
BankIslami Modaraba Investment Limited (Modaraba Management Company)		
Bank deposits	<u>33,614,816</u>	<u>29,503,524</u>
Amount receivable in respect of genset and premises rent income and others	<u>353,392</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 April 17, 2019.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive

Director

Director