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Modaraba Al-Mali

Mission Statement

The mission statement of the Management Company and Modaraba Al-Mali stems from its commitment to follow the Divine Commandment:

“But Allah hath permitted trade and forbidden usury”

Accordingly, the mandate it has set for itself is to seek investment, raise funds, trade and re-invest in accordance with Islamic principles and continuously endeavor to conduct business in conformity with Sharia to the maximum extent possible in the prevailing secular economic environment, which is not yet fully geared and ready to adopt Islamic financial set-up as a way of life.

Our Vision

Our vision is to become vibrant organization of choice for our customers and investors, contribute in the development of national economy, and maximize profitability for sharing halal profits to our certificate holders and partners. The Management Company is committed to continuous, sustainable and impressive growth in the sphere of its activities.

The cornerstone of investment management philosophy is to grow through consortium effort entering into investment and technical collaboration with interested organizations, sharing common objectives, who would like to invest and grow in Pakistan through their skills and equity. This approach is not a sideline at our organization. It is at the heart of our design for growth and in pursuit of excellence.

Modaraba Al-Mali

CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Hamid	Chairman
	<u>In Alphabetical Order</u>	
	Mr. Muhammad Faisal Shaikh	Director
	Mr. Rehan Shuja Zaidi	Director
	Mr. Syed Mujtaba Hussain Kazmi	Director
	Mr. Syed Akhtar Ausaf	Director
	Mr. Tariq Usman Bhatti	Director
	Mr. Zahid Ali H. Jamall	Director
	Mr. Aziz Adil	Chief Executive
Audit Committee	Mr. Zahid Ali H. Jamall	Chairman
	Mr. Muhammad Hamid	Member
	Mr. Muhammad Faisal Shaikh	Member
	Mr. Rehan Shuja Zaidi	Member
HR & Remuneration Committee	Mr. Syed Mujtaba Hussain Kazmi	Chairman
	Mr. Muhammad Faisal Shaikh	Member
	Mr. Aziz Adil	Member
Management Team	Mr. Aziz Adil	Chief Executive
	Mr. Zafar Ahmed Khan	CFO & Company Secretary
	Mr. Zeeshan Bin Farrukh	Head Of I.T / Admin
	Mr. Shah Muhammad Abdullah	Head Of CAD
Auditors	Ernst & Young Ford Rhodes Siddat Haider Chartered Accountants Progressive Plaza Beaumont Road Karachi.	
Bankers & Financiers	BankIslami Pakistan Limited Bank Alfalah Limited Dubai Islamic Bank Ltd. Meezan Bank Limited	
Registrar & Share Registration Office	Technology Trade (Pvt.) Limited Dagia House, 241-C, Block-2, P.E.C.H.S., Karachi.	
Registered Office	10th Floor, Progressive Square, Opposite Nursery, Sharea Faisal, Karachi. Phone: 34547521-25, Fax: 34547526 E-mail: info@modarabaalmali.com URL: http://www.modarabaalmali.com	

Modaraba Al-Mali

DIRECTORS' REPORT

On behalf of the Board of Directors of BankIslami Modaraba Investments Limited we are pleased to present 29th annual report of Modaraba Al-Mali together with Audited Accounts for the year ended June 30, 2015.

1. Operating Results

A summary of operating results for the year ended June 30, 2015 is presented as under:

	(Rs. in "000")	
	June 30, 2015	June 30, 2014
Total operating income	39,942	17,474
Depreciation	(19,228)	(7,871)
Operating income net of Ijara depreciation	20,714	9,603
Operating expenses	(16,050)	(19,235)
Net income from operations	4,664	(9,632)
Reversal of provision	6,981	371
	11,645	(9,261)
Settlement of law suit	(6,480)	-
	5,165	(9,261)
Taxation	(464)	(343)
Profit/(Loss) for the year from continuing operations	4,701	(9,604)
Earnings per certificate - continuing operations	0.26	(0.52)
Earnings per certificate - discontinued operations	-	(0.82)

Under the provision of Modaraba Ordinance, 1980, the management company is entitled to a fee equivalent to 10% of the profit of the Modaraba. However, keeping in view the performance of the Modaraba, the Board of Directors has decided to waive the management fee for the year under review. This will enable the Modaraba to distribute some profits to its certificate holders.

2. Profit distribution

The Directors are pleased to announce cash dividend @ 2% i.e. Rs. 0.2 per certificate for the year ended June 2015

3. Statutory reserve

As per Prudential Regulations issued by Securities & Exchange Commission of Pakistan, Modarabas are required to transfer a minimum 20% and maximum 50% post-tax profit to statutory reserves. The Board of Directors has appropriated 20% towards the Statutory Reserve.

4. Operational review

By the grace of Almighty Allah, Modaraba was able to maintain the momentum with which it started the year and earned profit after tax of Rs. 4.7 million registering a growth of 149% over 2014 when it reported a loss of Rs. 9.6 million. The only isolated negative event occurred during third quarter i.e., March 31, 2015, where a legal suit filed against Modaraba in 1994 ended in a settlement in front of Supreme Court of Pakistan wherein Modaraba has to pay to the plaintiff an amount of Rs. 6.480 million in full and final settlement of his claim. Till December 31, 2014 this was appearing in financial statements of Modaraba as a contingent liability. Other than that, all round improvements can be witnessed across the board. Operating income net of depreciation on Ijara rose from

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Rs. 9.6 million to Rs.20.7million registering an increase of 115% over 2014. On the other side administrative expenses registered a declining growth of over 16.55% for similar period. We remained focused to make recoveries against non performing receivables and investments and report that Rs.6.98 million have been recovered during the year under review and have been recognized in these statements. Our efforts will continue for more recoveries in coming periods.

5. Future prospects

We remained focused on financing business and are pleased to report that during the year under review, Modaraba was able to book good quality Ijara assets of Rs.67.43 million. The strategy will continue in future as well.

Our fuel station reported a net profit of Rs. 1.75 million for the period under review as compared to only Rs. 0.67 million for the comparative period of 2014, registering a growth of 161% over corresponding year. The second half of the year proved to be a turnaround for fuel station as it posted a profit of Rs.1.29 million during Jan-Jun 2015 period as compared to Rs 0.46.million recorded during Jul-Dec. 2014 period. This was due to start of development activities in the vicinity in relation to some residential projects. In view of the recent developments including betterment of law & order issues, the Board has revisited its earlier decision regarding fuel station business which shall continue. The Board is also closely monitoring the situation and the resultant performance of fuel station

6. Corporate governance

The modarabas are required to comply with various requirements of the Code of Corporate Governance (CCG) issued by the SECP and enforced through listing regulations of the Stock Exchanges in Pakistan. Your management has taken significant steps in line with the requirements formulating a vision and mission statement, over all corporate strategy, strengthened internal audit function, constituting an Audit Committee and adoption of Charter of Audit Committee.

The statutory auditors are also required to issue their review report over the compliance statement of the best practices, which is published with the financial statements

The Board of Directors has reviewed the CCG and confirms that:

Financial statements, prepared by the management, present fairly the state of affairs, the results of its operations, cash flows and change in equity;

Proper books of account have been maintained;

Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes explained in financial statements and accounting estimates are based on reasonable and prudent judgment;

International Financial Reporting Standards, as applicable to modarabas in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;

The system of internal control is sound in design and has been effectively implemented and monitored; and

There are no significant doubts upon the modaraba's ability to continue as a going concern.

Key operating and financial data of last six years is annexed.

Modaraba Al-Mali

7. Pattern of certificate holding

Pattern of certificate holding is annexed to this report.

8. Attendance of Board Meetings

In all, five Board meetings of the Modaraba Company were held during the year. Attendance of each director is appended hereunder:

Name of Directors	No. of Meetings attended	Leave of Absence	Remarks
In Alphabetic Order			
Mr. Asad Alim	3	--	Resigned w.e.f.15-12-2015
Mr. Hasan Aziz Bilgrami	5	--	Resigned w.e.f.28-07-2015
Mr. Muhammad Faisal Shaikh	5	--	
Mr. Muhammad Hamid	5	--	
Mr. Rehan Shuja Zaidi	5	--	
Mr. Syed Mujtaba Hussain Kazmi	--	--	Appointed w.e.f.21-05-2015
Mr. Syed Akhtar Ausaf	--	--	Appointed w.e.f.25-08-2015
Mr. Tariq Usman Bhatti	3	2	
Mr. Zahid Ali. H. Jamall	2	3	

9. Audit Committee

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

Name of Member

- | | |
|-------------------------------|----------|
| 1. Mr. Zahid Ali H. Jamall | Chairman |
| 2. Mr. Muhammad Hamid | Member |
| 3. Mr. Muhammad Faisal Shaikh | Member |
| 4. Mr. Rehan Shuja Zaidi | Member |

10. Human Resource & Remuneration Committee

In compliance of Code of Corporate Governance, the Modaraba has established Human Resource & Remuneration Committee, comprising the following members;

- | | |
|-----------------------------------|----------|
| 1. Mr. Syed Mujtaba Hussain Kazmi | Chairman |
| 2. Mr. Muhammad Faisal Shaikh | Member |
| 3. Mr. Aziz Adil | Member |

11. Credit Rating

Pakistan Credit Rating Agency (PACRA) has maintained long term entity rating of A- and short term rating of A2, of the Modaraba. These ratings denote a low expectation of credit risk.

On behalf of the Board

Karachi:
September 30, 2015

-- sd --
Aziz Adil
Chief Executive Officer

Modaraba Al-Mali



REPORT OF THE SHARIAH ADVISER

I have conducted the Shariah review of Modaraba Al-Mali managed by BankIslami Modaraba Investment Limited for the year ended June 30, 2015 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has introduced a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles;
- ii. The agreement(s) entered into by the Modaraba are Shariah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
- iii. To the best of my information and according to the explanations given to me, the business transaction undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements.
- iv. The earnings that have been realized from the sources or by means prohibited by Shariah have been credited to charity accounts.

Recommendation(s):

In order to enhance the Islamic Finance knowledge of employees, I recommend that some training session should be arranged for staff. This will help in capacity building of the staff.

Conclusion:

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



Date: September 26, 2015

Mufti Irshad Ahmed Aijaz

Modaraba Al-Mali

KEY OPERATING AND FINANCIAL DATA

Balance Sheet Summary

(Rupees in Million)

Year Ended June 30,	2010	2011	2012	2013	2014	2015
EQUITY						
Issued, subscribed and paid up capital	184.24	184.24	184.24	184.24	184.24	184.24
Statutory Reserves	55.45	55.45	55.45	56.58	56.58	57.52
Revenue Reserves and unappropriated profit	(40.65)	(60.80)	(63.49)	(61.53)	(86.88)	(82.99)
Total Equity	199.04	178.89	176.20	179.29	153.94	158.77
LIABILITIES						
Liability against Ijarah finances	-	-	-	-	-	-
Customer Security Deposit	10.46	10.60	22.89	33.74	17.51	12.17
Others	-	-	-	-	-	-
	10.46	10.60	22.89	33.74	17.51	12.17
Current Liabilities						
Short term Morabaha and Musharika	-	-	-	-	-	-
Other Current Liabilities	39.35	23.56	28.03	26.28	34.49	34.77
Total Current Liabilities	39.35	23.56	28.03	26.28	52.00	34.77
Total Liabilities	248.85	213.05	227.12	239.31	205.94	205.71
ASSETS						
Assets Leased Out	6.63	6.47	14.52	18.96	34.85	82.18
Net investment in Ijarah	-	-	-	-	-	-
Assets in Own Use	131.25	132.72	123.44	115.46	77.40	73.56
Long Term Morabaha and Musharika	8.79	-	-	-	-	-
Long Term Investment	22.27	-	-	-	-	-
Other Long Term Assets	1.49	2.52	11.94	20.10	7.17	-
	170.43	141.71	149.90	154.52	119.42	155.74
Current Assets						
Short Term Morabaha and Musharika	21.63	8.22	-	-	-	-
Current maturity of Net investment in Ijarah	3.82	3.75	3.75	3.75	3.75	3.75
Short Term Investment	12.50	9.75	6.00	-	-	-
Other Current Assets	39.35	46.39	58.83	72.29	52.95	33.94
Cash and Bank Balance	1.12	3.23	8.64	8.75	29.82	12.28
Total Current Assets	78.42	71.34	77.22	84.79	86.52	49.97
Total Assets	248.85	213.05	227.12	239.31	205.94	205.71

Income Statement Highlights

(Rupees in Million)

Year Ended June 30,	2010	2011	2012	2013	2014	2015
INCOME						
Lease	21.25	30.36	29.30	23.46	29.08	26.40
Musharika and Morabaha	7.45	3.18	0.66	-	-	-
Capital Gain on Investments	-	-	-	7.20	-	-
Dividend	-	-	-	-	-	-
Certificate of Investment	-	-	-	-	-	-
Maintenance services	26.89	42.82	69.10	68.82	56.94	-
Other	5.91	9.12	6.69	7.96	9.73	13.54
Total Income	61.50	85.48	105.75	107.44	95.75	39.94
EXPENSES						
Operating	68.94	79.46	102.45	104.00	104.21	22.52
Financial	1.14	0.16	-	-	-	-
Amortization, depreciation	2.84	3.51	3.01	4.19	7.87	19.23
Provision for doubtful receivables	1.49	22.36	2.74	(4.19)	8.05	(6.98)
Management fee	-	-	-	-	-	-
Profit / (loss) before taxation	(12.91)	(20.01)	(2.43)	3.44	(24.38)	5.17
Taxation	-	0.14	0.25	0.35	0.34	0.46
Net profit / (loss)	(12.91)	(20.15)	(2.68)	3.09	(24.72)	4.71
APPROPRIATIONS						
Total Dividend	-	-	-	-	-	-
Statutory Reserves	-	-	-	-	-	0.94
VALUE OF INVESTMENT OF						
Provident Fund	6.28					
Gratuity Fund	4.53					

Note: Above figures are based on respective audited accounts for the year ended June 30, 2012 of the funds

Modaraba Al-Mali

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

MODARABA AL-MALI YEAR ENDED JUNE 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Board of Directors (the Board) of BankIslami Modaraba Investments Limited - the Modaraba Management Company (the Company) is responsible for the management of affairs of Modaraba Al-Mali (the Modaraba).

The Company has applied the principles contained in the CCG in the following manner:

1. ☐ The Company encourages representation of independent non-executive directors. At present ☐ the Board includes:

Category	Names
Independent Directors	Mr. Muhammad Hamid
Executive Directors	Mr. Aziz Adil (Chief Executive Officer)
Non-Executive Directors	Mr. Hasan Aziz Bilgrami
	Mr. Tariq Usman Bhatti
	Mr. Muhammad Faisal Shaikh
	Mr. Syed Rehan Shuja Zaidi
	Mr. Zahid Ali H. Jamall
	Mr. Syed Mujtaba Hussain Kazmi

The independent director meet the criteria of independence under clause i (b) of the CCG.

2. ☐ The directors have confirmed that none of them is serving as a director of more than seven listed companies, ☐ including this Company.
3. ☐ All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any ☐ loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a ☐ defaulter by that stock exchange.
4. ☐ During the year, one casual vacancy occurred on the Board of Directors of the Company which was filled after ☐ 90 days due to delay in approval process.
5. ☐ The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to ☐ disseminate it throughout the Company along with its supporting policies and procedures.
6. ☐ The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the ☐ Modaraba. A complete record of particulars of significant policies along with the dates on which they were ☐ approved or amended has been maintained.
7. ☐ All the powers of the Board have been duly exercised and decisions on material transactions, including ☐ appointment and determination of remuneration and terms and conditions of employment of the CEO and ☐ appointment of the non-executive directors, have been taken by the Board.
8. ☐ The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by ☐ the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board ☐ meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The ☐ minutes of the meetings were appropriately recorded and circulated.
9. ☐ Two of the directors are exempt from the directors' training program required under clause (xi) of the CCG. ☐ During the year ended June 30, 2015 Mr. Muhammad Faisal Shaikh and Mr. Syed Rehan Shuja Zaidi attended ☐ the CCG training program organized by Pakistan Institute of Corporate Governance (PICG).

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10. The Board has approved the appointment of CFO during the year, including his remuneration and terms and conditions of employment. He was also appointed as the Company Secretary. Due to the size of the Modaraba, there is no Head of Internal Audit in the employment of Modaraba; however a coordinator of the Board Audit Committee has been appointed by the Board who is performing the functions of Head of Internal Audit.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.

14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee comprising four members. One member is an independent director and all other members of the Committee are non-executive directors including the Chairman.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises three members, majority of whom are non-executive directors including the Chairman.

18. The Board of the Company has outsourced the internal audit function to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's certificates, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through the Stock Exchanges.

23. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with except that the mechanism for an annual evaluation of the Board's own performance was finalized and approved subsequent to year end by the resolution of Board of Directors dated August 28, 2015

Karachi:
September 30, 2015

On behalf of the Board
-- sd --
Aziz Adil
Chief Executive

Modaraba Al-Mali

REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2015 prepared by the Board of Directors of BankIslami Investment Limited (the Management Company) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges, where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company of the Modaraba. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Modaraba's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Modaraba's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Modaraba for the year ended 30 June 2015.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement:

Paragraph Reference	Description
04	One casual vacancy that occurred on the Board of Directors in the current year was filled after the period of 90 days.
23	A mechanism for annual evaluation of the Board's own performance was subsequently was approved by the Board of Directors by their resolution dated August 28, 2015.

Karachi:
September 30, 2015

- sd --
Omer Chughtai
Chartered Accountants
Engagement Partner

Modaraba Al-Mali

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Modaraba Al-Mali (the Modaraba) as at 30 June 2015 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements'), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Management Company's [Bank Islami Modaraba Investments Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Management Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) ☐ in our opinion, proper books of accounts have been kept by the Modaraba Management Company ☐ in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and the Modaraba Companies and Modaraba Rules, 1981;
- (b) ☐ in our opinion : ☐
 - (i) ☐ the balance sheet and profit and loss account together with the notes thereon have been ☐ drawn up in conformity with Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement ☐ with accounting policies consistently applied;
 - (ii) ☐ the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) ☐ the business conducted, investments made and the expenditure incurred during the year were in ☐ accordance with the objects, terms and conditions of the Modaraba;
- (c) ☐ in our opinion and to the best of our information and according to the explanations given to us, the ☐ balance sheet, profit and loss account, cash flow statement and statement of changes in equity ☐ together with the notes forming part thereof conform with approved accounting standards as ☐ applicable in Pakistan, and give the information required by the Modaraba Companies and ☐ Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies ☐ and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of ☐ the state of the Modaraba Management Company's affairs as at 30 June 2015 and of the profit and loss, ☐ its cash flows and changes in equity for the year then ended; and
- (d) ☐ in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was ☐ deducted by the Modaraba Management Company and deposited in the Central Zakat Fund ☐ established under section 7 of that Ordinance.

The financial statements of the Modaraba for the year ended 30 June 2014 were audited by another firm of Chartered Accountants, whose audit report dated 30 September 2014 expressed an unmodified opinion on the aforementioned financial statements.

- sd --

Omer Chughtai
Chartered Accountants

Karachi:
September 30, 2015

Engagement Partner

Modaraba Al-Mali

BALANCE SHEET

As at June 30, 2015

ASSETS	Note	2015	2014
		----- (Rupees) -----	
Current Assets			
Cash and bank balances□	6	12,284,683	29,820,913
Ijarah finance□	7	3,755,007	3,755,007
Murabaha finance□	8	-	-
Investment□	9	-	-
Receivable against rentals and maintenance services□	10	676,379	11,003,055
Advances, deposits, prepayments and other receivables□	11	32,286,421	42,986,557
Inventory	12	964,102	1,261,598
Total current assets		49,966,592	88,827,130
Non-Current Assets			
Property and equipment	13	73,560,861	77,405,085
Property and equipment under Ijarah arrangement	14	82,184,500	34,851,929
Long term deposits		-	7,171,900
Total assets		155,745,361	119,428,914
		205,711,953	208,256,044
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities□	15	11,729,957	19,301,776
Current portion of security deposits□	16	16,205,406	10,583,356
Unclaimed profit distribution		6,841,858	6,858,298
		34,777,221	36,743,430
Non-Current Liabilities			
Security deposits	16	12,168,025	17,569,980
Total liabilities		46,945,246	54,313,410
NET ASSETS		158,766,707	153,942,634
REPRESENTED BY			
CAPITAL AND RESERVES			
Issued, subscribed and paid-up	17	184,239,450	184,239,450
Reserves		57,523,263	56,582,879
Accumulated loss		(82,996,006)	(86,879,695)
		(25,472,743)	(30,296,816)
		158,766,707	153,942,634
Contingencies and Commitments	18		

The annexed notes from 1 to 37 form an integral part of these financial statements.

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Modaraba Al-Mali

PROFIT AND LOSS ACCOUNT

For The Year Ended June 30, 2015

		2015	2014
	Note	-----	-----
INCOME		(Rupees)	
Income from Ijarah finance - net		26,401,389	11,492,716
Profit from operation of fuel station	19	1,747,335	672,923
Profit on PLS Accounts		2,033,844	558,077
		<u>30,182,568</u>	<u>12,723,716</u>
EXPENDITURE			
Depreciation on property and equipment - Ijarah	14	19,228,183	7,871,146
Other expense	20	6,480,000	-
		<u>25,708,183</u>	<u>7,871,146</u>
		4,474,385	4,852,570
Other income	21	9,759,890	4,750,117
Operating expenses	22	(15,943,961)	(19,235,279)
Reversal of impairment loss	23	6,981,499	370,511
		<u>5,271,813</u>	<u>(9,262,081)</u>
Modaraba company's management fee	24	-	-
Services sales tax on management fee	24	(791)	-
Workers' welfare fund		(105,436)	-
Profit / (loss) for the year before taxation from continuing operations	25	5,165,586	(9,262,081)
Taxation		(463,666)	(342,527)
Profit / (loss) for the year after taxation from continuing operations		<u>4,701,920</u>	<u>(9,604,608)</u>
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	26	-	(15,116,924)
Profit / (loss) for the year		4,701,920	(24,721,532)
Other comprehensive income			
Items that will not be reclassified subsequently through profit and loss account			
Remeasurement of defined benefit liability - staff gratuity	11.16	122,153	1,673,117
Total comprehensive income / (loss) for the year		<u>4,824,073</u>	<u>(23,048,415)</u>
Earnings / (loss) per certificate - basic and diluted			
Continuing operations	27	0.26	(0.52)
Loss per certificate - basic and diluted			
Discontinued operations	27	-	(0.82)

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CASH FLOW STATEMENT For The Year Ended June 30, 2015

	2015	2014
	(Rupees)	
A CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	5,165,586	(24,379,005)
Adjustments of non-cash and other items		
Depreciation on:		
Property and equipment- own use	1,311,457	4,760,149
Property and equipment - fuel operations	485,208	446,107
Property and equipment - Ijarah	19,228,183	7,871,146
(Gain) / loss on:		
Disposal of property and equipment- own use	(3,829,091)	(2,525,823)
Disposal of property and equipment- Ijarah	5,646	(470,093)
Disposal of property and equipment - operating lease	-	(1,185,996)
Disposal of long term investment	(3,000,000)	(6,000,000)
(Reversal of) / provision for impairment loss	(3,981,499)	8,052,324
	10,219,904	10,947,814
Decrease / (Increase) in assets		
Ijarah finance	209,303	370,511
Receivable against rentals and maintenance service	14,078,872	17,990,181
Advances, deposits, prepayments and other receivables	12,499,464	(7,118,849)
Inventory	297,496	6,332,943
Long term deposits	7,171,900	12,932,870
	34,257,035	30,507,656
(Decrease) / Increase in liabilities		
Creditors, accrued and other liabilities	(7,571,819)	(1,049,179)
Security deposits	220,095	(5,586,357)
	(7,351,724)	(6,635,536)
	42,290,801	10,440,929
Income tax paid	(2,120,837)	(6,633,753)
Profit paid during the year	(16,440)	(2,012,005)
Net cash flows generated from operating activities	40,153,524	1,795,171
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment - own use	(614,997)	(2,105,863)
Proceeds from disposal of property and equipment - own use	6,491,647	14,680,500
Purchase of property and equipment- Ijarah	(67,431,404)	(24,665,280)
Proceeds from disposal of property and equipment- Ijarah	865,000	1,374,041
Addition to property and equipment - operating lease	-	(12,286)
Proceeds from disposal of property and equipment - operating lease	-	23,997,932
Disposal of long term investments	3,000,000	6,000,000
Net cash flows (used in) / generated from investing activities	(57,689,754)	19,269,044
Net (decrease) / increase in cash and cash equivalents	(17,536,230)	21,064,215
Cash and cash equivalents at beginning of the year	29,820,913	8,756,698
Cash and cash equivalents at end of the year	12,284,683	29,820,913

The annexed notes from 1 to 37 form an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY

For The Year Ended June 30, 2015

	Reserves					
	Certificate capital	Certificate premium	Statutory reserve *	Accumulated loss	Total reserves	Total
	-----Rupees-----					
Balance at June 30, 2013☐	184,239,450	511,409	56,071,470	(61,528,287)	(4,945,408)	179,294,042
Comprehensive income☐						
Loss for the year ended June 30, 2014☐	-	-	-	(24,721,532)	(24,721,532)	(24,721,532)
Other comprehensive income☐	-	-	-	1,673,117	1,673,117	1,673,117
	-	-	-	(23,048,415)	(23,048,415)	(23,048,415)
Profit distribution for the year ended☐						
June 30, 2013 @ Re. 0.125 per certificate☐	-	-	-	(2,302,993)	(2,302,993)	(2,302,993)
Balance at June 30, 2014☐	184,239,450	511,409	56,071,470	(86,879,695)	(30,296,816)	153,942,634
Comprehensive income☐						
Profit for the year ended June 30, 2015☐	-	-	-	4,701,920	4,701,920	4,701,920
Other comprehensive income☐	-	-	-	122,153	122,153	122,153
Transfer to statutory reserve☐	-	-	940,384	(940,384)	-	-
	-	-	940,384	3,883,689	4,824,073	4,824,073
Balance at June 30, 2015	184,239,450	511,409	57,011,854	(82,996,006)	(25,472,743)	158,766,707

* Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

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NOTES TO THE FINANCIAL STATEMENT

For The Year Ended June 30, 2015

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 Companies Ordinance, 1984. The Modaraba is listed on the Karachi, Lahore and Islamabad Stock Exchanges Limited. Registered office is situated at 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. The Board of Directors in its meeting held on March 19, 2013 decided to dispose off non-financing business / segment i.e. 'Fuel Station'. The management is in process of identifying disposal avenues along with fair price determination of 'Fuel Station' business.

2. ☐ BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention.

3. ☐ STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Ordinance, 1980, Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Ordinance, 1980, IFAS, Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Ordinance, 1980, IFAS, Modaraba Rules, 1981 or the directives issued by SECP prevail.

3.1 ☐ Adoption of New Standards, and Amendments and Interpretations to the published approved ☐ accounting standards:

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New Standards, Interpretations and Amendments

The Modaraba has adopted the following accounting standard, amendments and interpretations of IFRSs which became effective for the current year:

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions
IAS 32 – Financial Instruments : Presentation – (Amendment) - Offsetting Financial Assets and Financial Liabilities
IAS 36 – Impairment of Assets – (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)
- Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21 – Levies

Modaraba Al-Mali

Improvements to Accounting Standards Issued by the IASB

IFRS 2 Share-based Payment - Definitions of vesting conditions
 IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination
 - Scope exceptions for joint ventures
 IFRS 8 Operating Segments – Aggregation of operating segments
 - Reconciliation of the total of the reportable segments' assets to the entity's assets
 IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
 IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method
 - proportionate restatement of accumulated depreciation / amortisation
 IAS 24 Related Party Disclosures - Key management personnel
 IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)
 The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on the financial statements.

New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

	Effective from Annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	01 January 2015
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate IFRS 10 Consolidated Financial Statements, and IAS 28 Investment in Associates and Joint Ventures - Sale or	01 January 2015
IFRS 11 – Joint Arrangements	01 January 2016
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2015
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2016
IFRS 13 – Fair Value Measurement	01 January 2015
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2015
IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and	01 January 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

Modaraba Al-Mali

The above standards and amendments are not expected to have any material impact on the Modaraba's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Modaraba expects that such improvements to the standards will not have any material impact on the Modaraba's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

4.1 Property and equipment

4.1.1 Owned

Operating assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life after taking into account residual value, if any. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of use.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account currently.

Depreciation method, useful lives and residual values are reassessed at least at each balance sheet date and changes, if any, are recognized prospectively.

4.1.2 Under Ijarah arrangements

Modaraba adopted Islamic Financial Accounting Standard 2-Ijarah in the year ended June 30, 2009 for all Ijarah contracts commencing on or after 1 July 2008. The assets subject to Ijarah commencing on or after July 1, 2008 are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged on these assets using straight line method whereby the cost of an asset less salvage value is written off over the period of the Ijarah, which is considered to be the estimated useful life of the asset. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the corresponding assets and are included in the profit and loss account, in the period in which these arise.

Modaraba Al-Mali

Allowance for non-performing Ijarah is made in accordance with Prudential Regulations for Modarabas issued by the SECP and is charged to the profit and loss account currently.

4.1.3 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost (less impairment losses, if any) and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to relevant operating fixed assets category as and when the assets are available for intended use.

4.2 Investments

All investments are initially recognized at cost, being the fair value of the consideration given, including the transaction costs associated with the investment, except in case of held for trading investments, if any, in which case these transaction costs are charged off to the profit and loss account. All regular way purchases and sale of investments are recognized / derecognized on the trade date. At initial recognition, these are categorized and accounted for as follows:

4.2.1 Held for trading "at fair value through profit or loss"

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices are classified under 'financial assets at fair value through profit or loss' category. These investments are initially and subsequently measured at fair value. Gain or loss on revaluation of investment held for trading is to be included in profit and loss account.

4.2.2 Available for sale

Investment securities held by the Modaraba which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at fair value plus transaction cost and subsequently measured at fair value. The investments for which quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value are recognized in profit and loss as other comprehensive income.

4.2.3 Held to maturity

These are investments with fixed or determinable payments and fixed maturity, and which, the Modaraba has positive intent and ability to hold till maturity. Held to maturity investments are initially recognized at fair value plus transaction cost and are subsequently measured at amortized cost using effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

4.2.4 Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

4.3 Ijarah finance

Ijarah agreements commencing up to 30 June 2008 are accounted for as finance lease and are included in the financial statements as "Net investment in Ijarah finance" at an amount equal to the present value of the lease payments, including estimated residual value (Refer note 7). Modaraba also entered into sub-Ijarah / lease arrangements, where Modaraba takes certain assets on Ijarah and sub let it to its customers. Ijarah rentals expense and Ijarah rentals income is recognized on accrual basis on these assets. Since the assets are taken on sub-lease / Ijarah, therefore, no assets are recorded in the books.

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4.4□ Capital work-in-progress

These are stated net of impairment loss. Impairment loss is recognized for doubtful receivables on the basis of Prudential Regulations for Modarabas issued by the SECP or based on the judgment of management, whichever is higher. Bad debts are written off when identified.

4.5□ Inventory

4.5.1□ Stores and consumables

These are valued at the moving average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

4.5.2□ Fuel and lubricants

Fuel and lubricants are valued at the lower of moving average cost and net realizable value. Cost comprise invoice value and other charges like freight, franchise fee, excise duty and GST etc.

4.6□ Impairment

4.6.1□ Financial assets

Impairment is recognized by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modaraba and subjective evaluation carried out on an ongoing basis.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

4.6.2□ Available-for-sale investments

For available-for-sale financial investments, the Modaraba assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the profit and loss account - is removed from equity and recognized in the profit and loss account. Impairment losses on equity investments are not reversed through the profit and loss account; increases in their fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit and loss account, the impairment loss is reversed through the profit and loss account.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

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4.6.3□ Non-financial assets

The Modaraba assesses at each balance sheet date whether there is any indication that non-financial assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

4.7□ Revenue recognition

4.7.1□ Ijarah income / operating lease income

The Modaraba follows the finance method for recognizing income on Ijarah contracts commencing prior to 30 June 2008 and are accounted for as finance leases. Under this method, the unearned income i.e. the excess of aggregate Ijarah rentals (including residual value) over the cost of the asset under Ijarah facility is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah.

For Ijarah arrangements commencing on or after 1 July 2008, Ijarah rentals are recognized as income on accrual basis, as and when rentals become due on a systematic basis over the lease and Ijarah period.

Documentation charges, front-end fee and other Ijarah income are recognized as income on receipt basis. Unrealized lease income pertaining to non-performing leases is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations.

Leases in which a significant portion of the risk and reward is retained by the Modaraba are classified as operating lease. Rental income from operating leases is recognized on straight line under the time proportion basis (on an accrual basis).

4.7.2□ Income on sukuk securities and bank deposits

Income on above assets is recognized on a time proportion basis under the effective yield method.

4.7.3□ Murabaha and musharaka finances

Profit from musharaka transactions is recognized on the basis of pro rata accrual of the profit estimated for the transaction over the period.

Profit from murabaha finance is accounted for on culmination of murabaha transaction. However, the profit on that portion of murabaha finance not due for payment is deferred by accounting for "Deferred Murabaha Income" with a corresponding credit to "Unearned Murabaha Income" which is recorded as a liability. The same is then recognized on a time proportion basis.

4.7.4□ Dividend income

Dividend income is recognized when the Modaraba's right to receive dividend is established.

4.7.5□ Gains / losses on sale of investments

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

4.7.6□ Income from maintenance services

Income from maintenance services is recognized on accrual basis.

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4.7.7□ Income from operation of fuel station

Income from sale of oil and lubricants is recognized when it is delivered.

4.7.8□ Unrealized income on non-performing assets

Unrealized income is suspended, where necessary, on non-performing assets (including non-performing net investment in Ijarah and murabaha and musharaka finances), in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP of Pakistan. Unrealized suspense income is recognized in income on receipt basis.

4.8□ Employee benefits

4.8.1□ Defined benefit plan - staff gratuity

The Modaraba participates in an approved group funded gratuity scheme for all its permanent employees, who have completed minimum qualifying period of service. The group comprises BankIslami Modaraba Investments Limited and Modaraba Al-Mali. Consolidated fund is being maintained for the employees of the group. Contributions to the fund are made on the basis of actuarial recommendation normally carried out on a yearly basis. The latest valuation was carried out as at June 30, 2015 under the 'Projected Unit Credit Actuarial Cost Method'.

Re-measurements, comprising of actuarial gains and losses, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Modaraba recognizes service costs comprising current service costs, past-service costs, and net interest expense or income in the profit and loss account.

4.8.2□ Defined contribution plan - staff provident fund

The Modaraba contributes to an approved group fund scheme covering all its employees who are eligible under the scheme. Equal monthly contributions are made by the Modaraba and the employees to the fund at 8.33% of the basic salary.

4.8.3□ Staff compensated absences

The Modaraba also makes provision in the financial statements for its liability towards compensated absences based on the leaves accumulated up to the balance sheet date in accordance with the service rules.

4.9□ Taxation

4.9.1□ Current

Provision for taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and exemptions available, if any. Under clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, the non-trading income of Modarabas is exempt from income tax, provided not less than 90% of its profits (after appropriation to statutory (mandatory) reserves as required under Modaraba Regulations) are distributed to the certificate holders. For items covered under presumptive tax regime, provision is made according to the presumptive tax rates provided in the Income Tax Ordinance, 2001.

4.9.2□ Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method. However, deferred tax liability has not been recognized in these financial statements as the management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption.

Modaraba Al-Mali

4.10 Financial assets

Financial assets comprise of cash and bank balances, lease rentals receivable, investments, musharaka and murabaha finances, deposits, other receivables, excluding taxation. Lease rentals receivable, musharaka, murabaha and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

4.11 Financial liabilities

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities are liabilities against Ijarah finance, deposit on lease contracts and accrued and other liabilities.

4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks on profit and loss sharing accounts, as well as balance held with the State Bank of Pakistan (SBP).

4.13 Provisions

Provisions are recognized when the Modaraba has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

4.14 Trade and other payables

Liabilities for trade and other amounts payable are recognized and carried at cost which is the fair value of the consideration to be paid in the future.

4.15 Segment information

Operating segments are reported in a manner consistent with the internal reporting (See note 31).

4.16 Profit distribution to the certificate holders

Profit distribution to the Modaraba's certificate holders is recognized as a liability in the financial statements in the period in which the dividends are approved by the board of Modaraba management company.

4.17 Liabilities against assets acquired under Ijarah arrangements

Lease obligations against assets acquired under Ijarah arrangements before 1 July 2008 are accounted for by recording the asset and corresponding liability there against determined on the basis of discounted value of total minimum lease payment. Financial charges are recognized in the profit and loss account using the effective mark-up method (refer note 4.1.2 also).

4.18 Lease rentals - assets under Ijarah arrangements - after 1 July 2008

Assets acquired under Ijarah arrangements after 1st July 2008 are treated as assets acquired under operating lease arrangements. Lease rentals are charged to profit and loss account on accrual basis.

4.19 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Modaraba has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the assets and charge on the liability is also off-set.

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4.20 Earnings per certificate

The Modaraba presents basic and diluted earnings per certificate data for its certificate holders. Basic earnings per certificate is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to certificate holders and the weighted average number of certificates outstanding for the effects of all dilutive potential certificates.

4.21 Non-current assets held for sale and discontinued operations

The Modaraba classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows: -

- i) classification of investments (Note 4.2 & 9)
- ii) provision for impairment loss (Note 23)
- iii) depreciation on property and equipment - own / Ijarah (Note 13 & 14)
- iv) provision against non-performing Ijarah portfolio, investments, musharaka and murabaha
- f) inances, maintenance fee and other receivables (Note 23)
- v) defined benefit plan - staff gratuity (Note 11.1)
- vi) contingencies (Note 18)

	Note	2015	2014
		-----	-----
6. CASH AND BANK BALANCES		(Rupees)	
With banks:			
- in profit and loss sharing accounts	6.1 & 6.2	11,474,921	29,208,553
- in current account	6.1	291,094	291,094
- balance with State Bank of Pakistan		11,516	11,516
		<u>11,777,531</u>	<u>29,511,163</u>
On hand:			
- cash balance		496,702	297,750
- security stationery		10,450	12,000
		<u>12,284,683</u>	<u>29,820,913</u>

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6.1 Balances with banks include an amount of Rs. 2.489 million (2014: Rs. 25.523 million) held with BankIslami Pakistan Ltd, (parent company of the Management Company).

6.2 These carry profit rates ranging from 3.00% to 7.02% (2014: 3.50% to 6.25%) per annum.

	Note	2015	2014
		-----	-----
		(Rupees)	(Rupees)
7. IJARAH FINANCE			
Ijarah contracts commenced up to June 30, 2008			
- accounted for as finance leases			
Minimum lease payments due		40,512,309	40,762,309
Residual value of leased assets		3,755,007	3,755,007
Total receivable		<u>44,267,316</u>	<u>44,517,316</u>
Suspended lease income		(7,498,652)	(7,539,349)
Provision for impairment loss against potential lease losses	23	(33,013,657)	(33,222,960)
		<u>(40,512,309)</u>	<u>(40,762,309)</u>
		<u>3,755,007</u>	<u>3,755,007</u>

7.1 These Ijarah finances are fully provided and the remaining amount represents amount of security deposit to be adjusted at the time of settlement with the defaulted parties. Since the finance is non-performing, no income is accrued on it in accordance with the Prudential Regulations for Modarabas.

8. MURABAHA FINANCE

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

8.1 These represent amounts receivable against murabaha transactions i.e. sale of goods on a deferred payment basis at a specified profit margin. Since the finance is non-performing, no income is accrued on it in accordance with the Prudential Regulations for Modarabas.

9. INVESTMENT

Available-for-sale investment

New Allied Electronics Industries (Private) Limited - Sukuk Certificates

Cost	9.1	4,000,000	4,000,000
Disposal		(3,000,000)	-
		<u>1,000,000</u>	<u>4,000,000</u>
Provision for impairment loss against doubtful recovery	23	(1,000,000)	(4,000,000)
		<u>-</u>	<u>-</u>

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- 9.1 The Modaraba held 200 Sukuk Certificates of Rs. 5,000/- each. These were repayable in six equal consecutive semi annual installments from May 29, 2010 to November 29, 2012. However, the Comapny defaulted in its payment and accordingly the Modaraba made a provision against this investment. During the year, the Modaraba has disposed off a portion of the outstanding sukuk. These certificates are secured against first pari passu charge over all present and future fixed assets of the company, first pari passu charge over all present and future current assets of the company and personal guarantee of the sponsoring directors.

	Note	2015	2014
		-----	-----
10. □ RECEIVABLES AGAINST RENTALS □ AND MAINTENANCE SERVICES		(Rupees)	(Rupees)
Unsecured □			
Considered good □			
- Maintenance fee □	10.1	233,740	10,886,043
- Ijarah rental receivables □		442,639	117,012
Considered doubtful □			
- Maintenance fee □		4,275,537	8,027,733
- Operating lease rentals of towers and allied equipment □		10,194,320	10,194,320
		14,469,857	18,222,053
		15,146,236	29,225,108
Provision for impairment loss against doubtful recoveries 23		(14,469,857)	(18,222,053)
		676,379	11,003,055

- 10.1 These receivables are related to discontinued operations.

10.2 □ Minimum future Ijarah rentals from assets under IFAS-2

	2015		
	Due within one year	Due after one year but within five years	Total

	(Rupees)		
Minimum Ijarah payments receivables	27,712,475	33,609,360	61,321,835

	2014		
	Due within one year	Due after one year but within five years	Total

	(Rupees)		
'Minimum Ijarah payments receivables	25,832,787	25,730,850	51,563,637

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	Note	2015	2014
		-----	-----
		(Rupees)	
11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Considered good			
Withholding tax refundable		24,665,422	23,008,251
Advance against property and equipment under Ijarah arrangement		1,059,000	7,513,000
Current portion of long term deposits		-	4,053,950
Advances to suppliers		1,972,381	989,458
Advances to employees		243,304	241,706
Prepayments		274,794	267,307
Defined benefit asset - staff gratuity	11.1	2,087,176	1,962,840
Other deposits		57,899	61,899
Other receivables			
- Premises rent receivable	11.2	354,746	1,457,738
- Receivable against common group expenses	11.2	140,952	905,895
- Receivable against sale of fuel		524,911	528,397
- Receivable against sale of scrap		-	849,090
- Receivable from Management company		-	26,060
- Others		905,836	1,120,966
		<u>32,286,421</u>	<u>42,986,557</u>
Considered doubtful			
Other receivables			
- Terminated leases		6,242,260	6,242,260
- Miscellaneous amount recoverable from the lessee		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	248,732
		8,053,663	8,073,663
Provision for impairment loss against doubtful recoveries	23	(8,053,663)	(8,073,663)
		<u>32,286,421</u>	<u>42,986,557</u>
11.1 Defined benefit asset - staff gratuity			
11.1.1 Present value of defined benefit obligation and assets of the fund			
Present value of defined benefit obligation		2,246,174	2,775,218
Fair value of allocated plan assets		(4,333,350)	(4,738,058)
Net defined benefit asset recognized in the balance sheet		<u>(2,087,176)</u>	<u>(1,962,840)</u>
11.1.2 Movement in net defined benefit (asset) / liability during the year			
Opening net defined benefit (asset) / liability		(1,962,840)	269
Expense recognised in profit and loss account		20,605	915,203
Contributions made during the year		(22,788)	(1,205,195)
Remeasurement gain recognised in other comprehensive income		(122,153)	(1,673,117)
Closing net defined benefit asset		<u>(2,087,176)</u>	<u>(1,962,840)</u>

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	Note	2015	2014
11.1.3 Present value of defined benefit obligation and assets of the fund		-----	-----
		(Rupees)	
Following amounts have been charged to the profit and loss account during the current year in respect of this scheme:			
Current service cost		269,331	884,897
Interest cost		389,848	660,287
Expected return on plan assets		(638,574)	(629,981)
		<u>20,605</u>	<u>915,203</u>
Actual return on plan assets		<u>394,361</u>	<u>341,229</u>
Out of total charges for the year Rs. 1,743 (2014: Rs. 20,916) relates to the employees of fuel station operation, and Rs. Nil (2014: 320,064) relates to discontinued operations.			
11.1.4 Movement in the present value of defined benefit obligation			
Present value of defined benefit obligation at the beginning of the year		2,775,218	5,613,411
Current service cost		269,331	884,897
Interest cost		389,848	660,287
Benefits paid		(821,857)	(2,131,516)
Remeasurement gain for the year		(366,366)	(2,251,861)
Present value of defined benefit obligation at the end of the year		<u>2,246,174</u>	<u>2,775,218</u>
11.1.5 Movement in the fair value of plan assets			
Fair value of plan assets at the beginning of the year		4,738,058	5,323,150
Expected return to plan assets		638,574	629,981
Contributions		22,788	1,205,195
Benefit paid		(821,857)	(2,131,516)
Remeasurement loss for the year		(244,213)	(288,752)
Fair value of plan assets at the end of the year		<u>4,333,350</u>	<u>4,738,058</u>
11.1.6 Re-measurement gain recognised in other comprehensive income			
Re-measurement: Actuarial loss / (gain) on obligation			
Gain due to change in financial assumptions		(30,287)	30,733
Gain due to change in experience adjustments		(336,079)	(2,282,594)
Loss due to re-measurement of return on plan assets		244,213	288,752
Remeasurement loss of prior period		-	289,992
Re-measurement gain recognised in other comprehensive income		<u>(122,153)</u>	<u>(1,673,117)</u>

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	Note	2015	2014
11.1.7 Composition of plan assets		-----	-----
		(Rupees)	
Debt instruments		3,526,745	3,719,478
Bank deposits		574,326	715,963
Others		232,279	302,617
		<u>4,333,350</u>	<u>4,738,058</u>

11.1.8 Actuarial assumptions

The principal assumptions used in the actuarial valuation carried out as of June 30, 2015, using the 'Projected Unit Credit' method, are as follows:

	2015 %	2014 %
Expected rate of increase in salary	10.5%	13.5%
Discount rate used to determine the actuarial present value of obligation	10.5%	13.5%
Expected rate of return on plan assets	10.5%	13.5%
Expected mortality rate	SLIC (2001-05) with 1 year set back Age dependent	SLIC (2001-05) with 1 year set back Age dependent
Expected withdrawal rate		

Fair value of plan assets has been determined by the actuarial valuer based on the assumption that gratuity payable in respect of June 2015 amounting to Rs. 20,605 has been paid before June 30, 2015.

Expected accrual of expenses in respect of gratuity scheme in the next financial year on the advice of the actuary is Rs. 63,894.

11.1.9 Actuarial Risk

The scheme exposes the Modaraba to the following actuarial risks:

Salary risk

This includes the risk that final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Mortality / withdrawal risk

This includes the risk that the actual mortality / withdrawal experience is different than assumed. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Investment risk

This includes the risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of the trustees of the fund.

In case of the funded plans, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the defined benefit plan. The Modaraba actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the defined benefit plan obligations. The Modaraba has not changed the process used to manage its risks from previous years. Investments are well diversified. A large portion of the plan assets in the year 2015 consists of Term Deposit Receipts.

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The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yield on fixed interest investments is based on gross redemption yield as at the balance sheet date.

11.1.10 Sensitivity analysis

The calculation of defined benefit obligation is sensitive to assumptions set out above. The following table summarises how the defined benefit obligation at the reporting period would have increased / (decreased) as a result of change in respective assumptions by one percent.

	Defined benefit obligation Effect of 1%	
	Increase -----(Rupees)-----	Decrease
Discount rate	1,959,714	(2,582,714)
Expected rate of increase in salaries	2,522,671	(2,001,607)

The sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the liability for gratuity recognised within the balance sheet.

The weighted average number of years of defined benefit obligation is 13.79 years (2014: 16.17 years) as at June 30, 2015.

Projected benefit payments from gratuity fund are as follows:

	Rupees
For the year 2016	28,192
For the year 2017	32,892
For the year 2018	37,651
For the year 2019	44,253
For the year 2020	54,819
For the year 2021- 25	440,903

11.2 These are receivable from BankIslami Pakistan Limited (parent company of the Management Company).

12. INVENTORY	Note	2015	2014
		----- (Rupees) -----	
Consumables		200,538	1,469,543
Fuel and lubricants		964,102	1,261,598
		<u>1,164,640</u>	<u>2,731,141</u>
Provision for obsolete / slow moving inventory		(200,538)	(1,469,543)
		<u>964,102</u>	<u>1,261,598</u>

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13. □ ROPERTY AND EQUIPMENT	Notes	2015 ------(Rupees)-----	2014
Operating property and equipment - in own use	13.1	73,210,861	77,055,085
Towers and allied equipment	13.2	350,000	350,000
		<u>73,560,861</u>	<u>77,405,085</u>

13.1 □ Operating property and equipment - in own use

	2015							
	Cost			Depreciation				
	At July 1, 2014	Additions/ (disposals) / (transfers)	At June 30, 2015	Accumulated at July 1, 2014	For the year / (on disposals) (transfers)	Accumulated at June 30, 2015	Carrying value at June 30, 2015	Annual rate of depreciation %
	------(Rupees)-----							
Lease hold land - fuel station	63,848,000	-	63,848,000	-	-	-	63,848,000	-
Building - fuel Station	8,120,655	-	8,120,655	1,521,684	406,032	1,927,716	6,192,939	5
Office premises - lease hold	12,546,257	330,000	12,876,257	9,940,181	628,668	10,568,849	2,307,408	5
				-		-		
Vehicles	9,080,027	- *	1,267,935		531,632	958,250	309,685	20
		(7,812,092)		5,576,164	(5,149,546)			
Furniture and fixtures	2,052,601	237,168 *	2,020,047		70,768	1,597,573	422,474	10
		(269,722)		1,796,523	(269,718)			
Office equipment	3,298,766	47,829	3,289,195		121,377	3,189,713	99,482	10 to 50
		(57,400)		3,125,733	(57,397)			
Computers	2,717,468	(297,080)	2,420,388		38,188	2,389,515	30,873	33
		-		2,648,404	(297,077)			
	101,663,774	614,997	93,842,477	24,608,689	1,796,665	20,631,616	73,210,861	
		(8,436,294)			(5,773,738)			
	------(Rupees)-----							
	2014							
	At July 1, 2012	Additions/ (disposals)	At June 30, 2014	Accumulated at July 1, 2012	For the year / (on disposals)	Accumulated at June 30, 2014	Carrying value at June 30, 2014	Annual rate of depreciation %
	------(Rupees)-----							
Lease hold land - fuel station □	63,848,000	-	63,848,000	-	-	-	63,848,000	-
Building - fuel Station □	8,120,655	-	8,120,655	1,115,652	406,032	1,521,684	6,598,971	5
Office premises - lease hold □	12,546,257	-	12,546,257	9,312,869	627,312	9,940,181	2,606,076	5
Vehicles - maintenance services □	22,614,154	-	-	7,588,423	2,350,228	-	-	20
		(16,903,951)			(7,130,555)			
		(5,710,203)			(2,808,096)			
Vehicles □	4,019,240	1,931,250	9,080,027	2,759,833	1,108,434	5,576,164	3,503,863	20
		(2,580,666)			(1,100,199)			
		5,710,203			2,808,096			
Furniture and fixtures □	2,903,857	111,613	2,052,601	2,049,763	135,105	1,796,523	256,078	10
		(962,869)			(388,345)			
Office equipment □	4,685,105	10,500	3,298,766	3,785,364	427,500	3,125,733	173,033	10 to 50
		(1,396,839)			(1,087,131)			
Computers	2,718,468	52,500	2,717,468	2,533,677	151,645	2,648,404	69,064	33
		(53,500)			(36,918)			
	121,455,736	2,105,863	101,663,774	29,145,581	5,206,256	24,608,689	77,055,085	
		(21,897,825)			(9,743,148)			

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13.1.1 Depreciation charged for the year includes depreciation related to fuel station on account of building and office premises amounting to Rs.485,208 (2014: 446,107)

13.1.2 Details of disposal of property and equipment related to the financing business are as under:

Particulars	Cost	Accumulated depreciation	Carrying value	Sale proceed	Gain / (loss) on disposal	Mode of disposal	Particulars	Address
----- (Rupees) -----								
Vehicles □	1,560,000	(920,400)	639,600	950,000	310,400	Negotiation	Younus Khan	House #MB-8/25-00 Baldia Town Karachi □
	1,560,000	(920,400)	639,600	950,000	310,400	Negotiation	Younus Khan	House #MB-8/25-00 Baldia Town Karachi □
	936,000	(936,000)	-	690,000	690,000	Negotiation	Honda Quaideen	233/A Block 2, PECHS, Karachi □
	880,110	(873,674)	6,436	995,000	988,564	Negotiation	Muhammad Javed	"House #B-11-1301 Bhutta Village Kemari, Karachi" □
	670,000	(145,740)	524,260	615,000	90,740	Negotiation	M/s Education Works	32/E, Block 6 PECHS, Karachi □
	545,500	(332,490)	213,010	465,000	251,990	Negotiation	Syed Shahzad	D-263 Sector 11-B, North, Karachi □
	474,000	(474,000)	-	545,000	545,000	Negotiation	Mr. Iqbal & Ayaz	Hajiani Zainab Manzail, Mottal Bai Street, Bheem Pura, Karachi □
	138,300	(78,462)	59,838	510,000	450,162	Negotiation	Rustum Khan	Frontier Colony , SITE Karachi □
	68,900	(44,777)	24,123	35,000	10,877	Negotiation	Aman Khan	House # R-294, Block-1, Scheme 33 metrovell III Gulzare-e-Hijri , Karachi. □
	98,000	(44,091)	53,909	57,000	3,091	Negotiation	M. Shafique	B-252 BLOCK D, North Nazimabad, Karachi □
Furniture and fixtures	157,608	(157,608)	-	20,000	20,000	Negotiation	Mr. Iqbal & Ayaz	Hajiani Zainab Manzail, Mottal Bai Street, Bheem Pura, Karachi □
	75,410	(75,410)	-	19,500	19,500	Negotiation	Mr. Iqbal & Ayaz	Hajiani Zainab Manzail, Mottal Bai Street, Bheem Pura, Karachi □
	36,709	(36,709)	-	2,035	2,035	Negotiation	Mr. Iqbal & Ayaz	Hajiani Zainab Manzail, Mottal Bai Street, Bheem Pura, Karachi □
			-					
Office equipment □	49,650 7,750	(49,650) (7,750)	-	51,700 400	51,700 400	Negotiation	Mr. Iqbal & Ayaz	Hajiani Zainab Manzail, Mottal Bai Street, Bheem Pura, Karachi □
Computers	297,086	(297,086)	-	36,000	36,000	Negotiation	Mr. Iqbal & Ayaz	Hajiani Zainab Manzail, Mottal Bai Street, Bheem Pura, Karachi
2015 Rupees	7,555,023	(5,394,247)	2,160,776	5,941,635	3,780,859			
2014 Rupees	21,897,825	(9,743,148)	12,154,677	14,680,500	2,525,823			

13.2□ Towers and allied equipment

Towers and allied equipment										
2015										
	Cost at July 1, 2014	Additions /(disposals)	Cost at June 30, 2015	Accumulated depreciation / impairment at July 1, 2014	Depreciation charge for the year	Impairment charge for the year	Disposal	Accumulated depreciation / impairment at June 30, 2015	Carrying value at June 30, 2015	Annual rate of depreciation %
----- (Rupees) -----										
Towers with allied equipment	2,216,553	-	2,216,553	1,866,553	-	-	-	1,866,553	350,000	5
Other allied equipment	2,127,811	-	2,127,811	2,127,811	-	-	-	2,127,811	-	20
	4,344,364		4,344,364	3,994,364	-	-	-	3,994,364	350,000	

2014										
	Cost at July 01, 2013	Disposal	Cost at June 30, 2014	Accumulated depreciation / impairment at July 1, 2013	Depreciation charge for the year	Impairment charge for the year	Disposal	Accumulated depreciation / impairment at June 30, 2014	Carrying value at June 30, 2014	Annual rate of depreciation %
----- (Rupees) -----										
Towers with allied equipment	49,400,678	(47,184,125)	2,216,553	26,726,639	-	-	(24,860,086)	1,866,553	350,000	5
Other allied equipment	24,741,087	12,286	2,127,811	24,265,476	-	-	(22,137,665)	2,127,811	-	20
	(22,625,562)									
	74,141,765	12,286	4,344,364	50,992,115	-	-	(46,997,751)	3,994,364	350,000	
		(69,809,687)								

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

13.3	Depreciation charge for the year	Notes	2015 ----- <i>(Rupees)</i> -----	2014
	Operating expenses	22	1,311,457	1,207,353
	Fuel station business	19	485,208	446,107
	Discontinued operations:			
	- Maintenance services		-	3,552,796
			1,796,665	5,206,256

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14. PROPERTY & EQUIPMENT UNDER IJARAH ARRANGEMENT

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

2015

	Cost			Accumulated Depreciation			Life (Years)	
	At July 1, 2014	Additions/ disposals	At June 30, 2015	At July 1, 2014	Charge for the year / (on disposal)	At June 30, 2015 Carrying value at June 30, 2015		
	----- (Rupees) -----							
Machinery	19,108,080	44,503,603	63,611,683	4,050,550	7,836,882	11,887,432	51,724,251	3 to 4
Vehicles	27,276,000	22,927,801 (1,673,000)	48,530,801	7,481,601	11,391,301 (802,350)	18,070,552	30,460,249	3
	46,384,080	67,431,404 (1,673,000)	112,142,484	11,532,151	19,228,183 (802,350)	29,957,984	82,184,500	

2014

	Cost			Accumulated Depreciation			Life (Years)	
	At July 01, 2013	Additions/ disposals	At June 30, 2014	At July 01, 2013	Charge for the year / (on disposal)	At June 30, 2014 Carrying value at June 30, 2014		
	------(Rupees)-----							
Generators	10,819,800	8,288,280	19,108,080	946,768	3,103,782	4,050,550	15,057,530	3 to 4
Vehicles	12,270,000	16,377,000 (1,371,000)	27,276,000	3,181,289	4,767,364 (467,052)	7,481,601	19,794,399	3
	23,089,800	24,665,280 (1,371,000)	46,384,080	4,128,057	7,871,146 (467,052)	11,532,151	34,851,929	

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15. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Notes	2015	2014
Accrued liabilities	15.1	9,075,237	12,667,026
Ijarah rentals		-	2,283,123
Charity and donation	15.2	55,006	1,809,345
Ijarah rental received in advance		568,878	348,658
Service and sales tax payable		791	-
Advance from customers		125,179	250,520
Others		1,904,866	1,943,104
		<u>11,729,957</u>	<u>19,301,776</u>

15.1 This includes amount payable in respect of staff compensated absences amounting Rs. 848,151 (2014: Rs. 1,348,912).

15.2 This represents late payment charges on rentals recovered from the customers.

16. SECURITY DEPOSITS

Customers' security deposits	16.1	28,373,431	28,153,336
Current portion		(16,205,406)	(10,583,356)
		<u>12,168,025</u>	<u>17,569,980</u>

16.1 These represent amounts received under Ijarah finance, repayable/adjustable on the expiry of the lease period.

17. CERTIFICATE CAPITAL

Authorized capital			2015	2014
No. of Certificates			(Rupees)	
2015	2014			
<u>30,000,000</u>	<u>30,000,000</u>	Modaraba certificates of Rs. 10/- each	<u>300,000,000</u>	<u>300,000,000</u>
Issued, subscribed and paid up capital				
No of Certificates				
2015	2014			
13,569,000	13,569,000	Modaraba certificates of Rs 10/- each		
		Fully paid in cash	135,690,000	135,690,000
4,688,400	4,688,400	Issued as fully paid bonus certificates	46,884,000	46,884,000
<u>166,545</u>	<u>166,545</u>	Issued on merger	<u>1,665,450</u>	<u>1,665,450</u>
<u>18,423,945</u>	<u>18,423,945</u>		<u>184,239,450</u>	<u>184,239,450</u>

17.1 2,342,490 certificates (2014: 2,342,490) of Rs. 10 each are held by the Modaraba's Management Company.

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18. CONTINGENCIES AND COMMITMENTS

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 to the Commissioner of Income Tax (CIT) who in his order maintained the treatment of the ACIT. The second appeal filed against the said order with the Appellate Tribunal Inland Revenue (the Tribunal) was also decided against the Modaraba. The Modaraba has filed a reference in the High Court and application for review to (the Tribunal) against the said order. The management is hopeful for a favorable outcome and therefore, no provision is made in these financial statements.

	Notes	2015	2014
		----- (Rupees) -----	
Commitments			
Future rentals of Ijarah finance under IFAS 2 "Ijarah Finance"		-	13,168,909

19. PROFIT FROM OPERATION OF FUEL STATION

Income	19.1		
Sale of fuel		129,887,741	150,198,115
Cost of sales		(125,109,945)	(146,409,768)
		4,777,796	3,788,347
Rental income	19.2	1,140,000	1,105,000
Other income		48,232	-
		5,966,028	4,893,347
Expenses			
Salaries and allowances		1,398,463	1,502,872
Rent, rates and taxes		272,080	210,360
Depreciation	13.3	485,208	446,107
Generator fuel		488,195	599,730
Professional fees		-	2,550
Provision for doubtful receivable		-	355,102
Electricity		265,393	191,451
Repairs and maintenance		310,060	350,827
Security guard		600,600	313,200
Insurance		66,593	26,641
Telephone		21,177	45,688
Entertainment		15,265	25,375
Printing and stationery		20,769	5,605
Transportation		146,600	12,800
Advertisement		-	14,550
Miscellaneous		128,290	117,566
		4,218,693	4,220,424
Net income		1,747,335	672,923

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19.1 Income relates to the operation of petrol and diesel filling / service station 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.

19.2 Rent is received in respect of the plot of land used for fuel station under a lease deed dated August 13, 2009 with the company. Initial term of the rent agreement is for fifteen years.

20. OTHER EXPENSE

This represents settlement of a law suit filed against the Modaraba in 1994 being a claim for refund of security deposit in respect of a lease finance.

21. OTHER INCOME	Notes	2015	2014
		----- (Rupees) -----	
Rental income	21.1	4,245,399	3,846,569
Gain on disposal of property and equipment		3,780,859	470,093
Others		1,733,632	433,455
		<u>9,759,890</u>	<u>4,750,117</u>

21.1 This includes rental income earned from letting out of vacant office premises temporarily to BankIslami Pakistan Limited.

22. OPERATING EXPENSES

Salaries, allowances and other benefits	22.1	6,970,781	10,200,876
Rent, rates and taxes		237,710	258,300
Depreciation on property and equipment in own use	13.3	1,311,457	1,207,353
Fuel and conveyance□		458,652	1,188,927
Repairs and maintenance		932,680	688,080
Ijarah lease rentals□		-	119,416
Legal and professional		1,618,671	1,825,196
Electricity		717,000	611,507
Telephone		285,057	520,070
Travelling and accommodation		161,741	-
Entertainment		78,551	218,641
Insurance		194,999	207,114
Printing and stationery		723,499	641,827
Auditors' remuneration	22.2	536,900	463,400
Subscription□		398,310	370,046
Share registrar services□		276,708	202,670
Postage		156,296	96,151
Advertisement		315,737	239,985
Others		569,212	175,720
		<u>15,943,961</u>	<u>19,235,279</u>

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22.1 The aggregate amount charged in the financial statements for remuneration, including all benefits, to the executive staff and other employees of the Modaraba were as follows:

	2015			2014		
	Officers (key management personnel)	Other employees	Total	Officers (key management personnel)	Other employees	Total
	----- (Rupees) -----					
Salaries	1,941,398	2,226,259	4,167,657	3,484,767	2,148,523	5,633,290
Retirement benefits						
Defined contribution plan -						
provident fund	79,806	65,178	144,984	14,511	84,204	98,715
Defined benefit plan -	20,605	-	20,605	-	-	
gratuity fund			-	384,840	189,384	574,224
House rent allowance	794,209	910,032	1,704,241	1,568,155	966,827	2,534,982
Conveyance and other allowances	516,841	416,453	933,294	650,695	708,970	1,359,665
	<u>3,352,859</u>	<u>3,617,922</u>	<u>6,970,781</u>	<u>6,102,968</u>	<u>4,097,908</u>	<u>10,200,876</u>
Number of employees at the end of year	<u>3</u>	<u>7</u>	<u>10</u>	<u>3</u>	<u>12</u>	<u>15</u>

22.1.1 Three executives and two officers of the Modaraba are also provided with free use of vehicles owned and maintained by the Modaraba.

	2015	2014
	----- (Rupees) -----	
22.2 Auditors' remuneration		
Statutory audit	318,000	300,000
Review report on statement of compliance with the Code of Corporate Governance	21,200	20,000
Review of the half yearly financial information	79,500	75,000
Other certifications	10,600	10,000
Out of pocket expenses	107,600	58,400
	<u>536,900</u>	<u>463,400</u>

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23. PROVISION FOR / (REVERSAL OF) IMPAIRMENT LOSS

	2015							
	<i>Investments</i>	<i>Property and equipment</i>	<i>Ijarah finance</i>	<i>Morabaha finance</i>	<i>Operating lease rentals</i>	<i>Maintenance fee</i>	<i>Other receivables</i>	<i>Total</i>
	------(Rupees)-----							
Opening balance	4,000,000	1,104,012	33,222,960	2,517,068	10,194,320	8,027,733	8,073,663	67,139,756
Reversal due to recoveries	(3,000,000)	-	(209,303)	-	-	(3,752,196)	(20,000)	(6,981,499)
Closing balance	1,000,000	1,104,012	33,013,657	2,517,068	10,194,320	4,275,537	8,053,663	60,158,257

	2014							
	<i>Investments</i>	<i>Property and equipment</i>	<i>Ijarah finance</i>	<i>Morabaha finance</i>	<i>Operating lease rentals</i>	<i>Maintenance fee</i>	<i>Other receivables</i>	<i>Total</i>
	------(Rupees)-----							
Opening balance	4,000,000	8,714,638	33,593,471	2,517,068	10,194,320	-	7,678,561	66,698,058
Provision made during the year	-	-	-	-	-	8,027,733	395,102	8,422,835
Reversal due to recoveries during the year	-	-	(370,511)	-	-	-	-	(370,511)
Provision written off during the year	-	(7,610,626)	-	-	-	-	-	(7,610,626)
Closing balance	4,000,000	1,104,012	33,222,960	2,517,068	10,194,320	8,027,733	8,073,663	67,139,756

24. □ MODARABA COMPANY'S MANAGEMENT FEE

The Management Company is entitled to remuneration for services rendered to the Modaraba under the provisions of the Modaraba Ordinance 1980, up to a maximum of 10% per annum of the net annual profit of the Modaraba. The Management Company has waived the management fees for the current year. Accordingly, no provision for the same has been made in these financial statements. However, the Modaraba has accrued Services Sales Tax on a notional amount of management fees calculated as 0.1% of the net annual profit.

25. □ TAXATION

Current tax charge represents tax on income under Presumptive Tax Regime (PTR). Non-trading income of Modaraba is exempt from tax when the Board of Directors of the Management Company decides to distribute not less than 90% of the profit after tax to the certificate-holders.

Reconciliation between tax expense and accounting profit is not required due to the fact that Modaraba's current tax charge represents tax on income under PTR.

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26. □ DISCONTINUED OPERATIONS

The non-financing businesses / segments of the Modaraba i.e. a) mobile towers b) maintenance services and c) fuel station were resolved to be disposed off by the Board of Directors in their meeting held on March 19, 2013. During the year ended June 30, 2014, mobile towers and maintenance service business were discontinued by the Modaraba. The management is in process of identifying disposal avenues along with fair price determination of 'Fuel Station' business, however, in view of the conditions mentioned in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", it cannot be regarded as a discontinued operation and hence has not been classified as 'held for sale'.

27. □ EARNINGS / (LOSS) PER CERTIFICATE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per certificate of the Modaraba which is based on the following:

		2015	2014
Continuing operations		----- (Rupees) -----	
Profit / (loss) after tax for the year □	Rupees	4,701,920	(9,604,608)
Weighted average number of certificates outstanding during the year □	Number	18,423,945	18,423,945
Earnings / (loss) per certificate □	Rupees	0.26	(0.52)
Discontinued operations □			
Loss for the year □	Rupees	-	(15,116,924)
Weighted average number of certificates □ outstanding during the year □	Number	-	18,423,945
Loss per certificate	Rupees	-	(0.82)

28. □ TRANSACTIONS WITH RELATED PARTIES

The related parties comprise BankIslami Modaraba Investments Limited being the Modaraba Management Company, BankIslami Pakistan Limited (being the parent company of the Management Company / the Bank), 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 Modaraba Management Company and their close family members, the provident and gratuity funds and entities with common directors or under common management.

Remuneration to the key management personnel (executives), disclosed in note 22.1 to these financial statements, are determined in accordance with their terms of employment. Contribution to the provident and gratuity funds are made in accordance with the services rules and actuarial advice respectively. Other transactions with related parties are in accordance with the agreed terms.

Details of balances and transactions with related parties are as follows:

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28.1 Balances outstanding at year end

<i>Relationship</i>	<i>Nature of Transaction</i>	<i>Notes</i>	2015 ------(Rupees)-----	2014
BankIslami Modaraba Investments Limited (the management company)	Amount receivable in respect of fuel insurance premium		-	26,060
BankIslami Pakistan Limited (parent company of the management company)	Bank deposits		2,489,424	25,523,703
	Amount payable in respect of ijarah arrangement		-	2,283,123
	Amount receivable in respect of maintenance services		233,740	10,886,043
	Amount receivable in respect of genset and premises rent income and others		495,698	2,363,633
	Security deposit in respect of ijarah arrangement		-	11,225,850

28.2 Transactions during the year

<i>Relationship</i>	<i>Nature of Transaction</i>			
BankIslami Pakistan Limited (parent company of the management company)	Maintenance services provided		-	26,172,002
	Transfer of Ijarah assets		15,054,364	-
	Profit on profit & loss sharing account		1,089,094	523,247
	Rental income		4,245,399	3,846,569
	Bank charges		3,017	16,287
	Lease rentals - ijarah paid		5,046,266	18,117,901
BankIslami Modaraba Investments Limited (management company)	Management fee	24	-	-
Other Related Parties	Contribution to staff provident fund		165,586	248,911
	Contribution to staff gratuity fund		22,788	1,205,195

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29. □ FINANCIAL INSTRUMENTS BY CATEGORY

2015 2014

----- (Rupees) -----

Financial assets as per balance sheet

Available for sale

Loans and receivables

Cash and bank balances	12,284,683	29,820,913
Ijarah finance	3,755,007	3,755,007
Receivable against rentals and maintenance services	676,379	10,654,397
Advances, deposits and other receivables	4,314,824	11,208,541
Long term deposits	-	7,171,900
	<u>21,030,893</u>	<u>62,610,758</u>

Financial liabilities as per balance sheet

Amortized cost

Creditors accrued and other liabilities	11,729,957	18,953,118
Security deposits - Ijarah	28,373,431	28,153,336
Unclaimed profit distribution	6,841,858	6,858,298
	<u>46,945,246</u>	<u>53,964,752</u>

30. □ FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, fair value profit rate risk and price risk), credit risk and liquidity risk. The board of directors' of the Management Company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The Modaraba's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Modaraba's financial performance.

The Modaraba's principal financial liabilities comprise Ijarah deposits, creditor, accrued, unclaimed dividends and other liabilities. The Modaraba's principal financial assets comprise of Ijarah finance, receivables against operating lease rentals and maintenance fee and other receivables and cash and bank balances that arise directly from its operations.

30.1 □ Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. Currently Modaraba do not have any short term or long term borrowing of any nature. Only major short term liability relates to creditors and accrued expenses.

The table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

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	2015				
	Less than 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Total Contractual Cashflows
	----- (Rupees) -----				
Creditors, accrued and other liabilities	11,729,957	-	-	-	11,729,957
Security deposits	4,002,600	12,202,806	12,168,025	-	28,373,431
Unclaimed profit distribution	6,841,858	-	-	-	6,841,858
	<u>22,574,415</u>	<u>12,202,806</u>	<u>12,168,025</u>	<u>-</u>	<u>46,945,246</u>
	2014				
	Less than 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Total Contractual Cashflows
	----- (Rupees) -----				
Creditors, accrued and other liabilities	18,953,118	-	-	-	18,953,118
Security deposits	9,208,356	1,375,000	17,569,980	-	28,153,336
Unclaimed profit distribution	6,858,298	-	-	-	6,858,298
	<u>35,019,772</u>	<u>1,375,000</u>	<u>17,569,980</u>	<u>-</u>	<u>53,964,752</u>

30.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba controls credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the creditworthiness of counter parties.

The Modaraba is exposed to credit risk mainly from its deposits with banks and financial institutions and receivable against operating lease rentals and maintenance services and other receivables.

The Modaraba's maximum exposure to credit risk related to receivable at June 30, 2015 and June 30, 2014 is the carrying amounts of following financial assets.

	2015	2014
	----- (Rupees) -----	
Ijarah finance	3,755,007	3,755,007
Receivable against rentals and maintenance services	676,379	10,654,397
Bank balances	11,777,531	29,511,163
Advances, deposits, and other receivables	4,314,824	11,208,541
	<u>20,523,741</u>	<u>55,129,108</u>

The Ijarah finance is secured against customers' security deposit.

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'With respect to operating lease rentals and maintenance services mainly, being related to discontinued operations, the Modaraba had adopted a policy of dealing with creditworthy counterparties only. These parties were analyzed based on the publicly available information i.e. credit ratings, financial statements and financial performance.

Credit risk from balances with banks and financial institutions is managed by finance department in accordance with the Modaraba's policy. Investments of surplus funds are made with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

'The analysis below summarizes the credit quality of the Modaraba's financial assets.

<i>Banks</i>	<i>Short Term</i>	<i>Long Term</i>	2015	2014
			----- <i>(Rupees)</i> -----	
BankIslami Pakistan Limited	A1	A+	2,489,424	25,523,703
Bank Alfalah Limited	A1+	AA	8,940,114	2,177,844
Meezan Bank Limited	A-1+	AA-	45,327	1,798,100
Dubai Islamic Bank	A-1	A	291,150	-

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

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

As at June 30, 2015					
	OAEM	Substandard	Doubtful	Loss	Total
	----- <i>(Rupees)</i> -----				
Ijarah finance	-	-	-	44,267,316	44,267,316
Murabaha finance	-	-	-	2,517,068	2,517,068
Receivable against rentals and maintenance services	-	-	-	14,469,857	14,469,857
Other receivables	-	-	-	8,053,663	8,053,663
As at June 30, 2014					
	OAEM	Substandard	Doubtful	Loss	Total
	----- <i>(Rupees)</i> -----				
Ijarah finance	-	-	-	44,517,316	44,517,316
Murabaha finance	-	-	-	2,517,068	2,517,068
Receivable against rentals and maintenance services	-	-	-	18,222,053	18,222,053
Other receivables	-	-	-	8,073,663	8,073,663

Total impairment against these assets as at June 30, 2015 is Rs. 57,962,267 (2014: Rs. 62,035,744).

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Other than this, Modaraba has investments in unlisted securities against which impairment of Rs. 1,000,000 has been booked in prior years.

The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments.

30.2.1 Concentration of credit risk

Detail of industrial sector analysis of Ijarah and Murabaha investment portfolio is as under:

Sector	2015		2014	
	Rupees	%	Rupees	%
Financial Institutions □	270,692	0.22%	270,692	0.34%
Distributors, Wholesalers and Retailers □	26,448,264	21.05%	26,448,264	33.68%
Food, Tobacco and Beverages □	29,040,945	23.12%	540,945	0.69%
Chemical, Fertilizer and Pharma □	28,733,906	22.87%	18,796,091	23.93%
Textile and Garments □	3,621,385	2.88%	3,621,385	4.61%
Steel, Engineering and Autos □	8,945,905	7.12%	10,681,725	13.60%
Transport and Communication □	6,717,947	5.35%	3,315,733	4.22%
Glass, Ceramics and Plastics	1,311,650	1.04%	1,311,650	1.67%
Misc. / Individuals	20,529,962	16.34%	13,551,874	17.26%
	<u>125,620,656</u>	<u>100%</u>	<u>78,538,359</u>	<u>100%</u>

30.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market profit rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Modaraba is exposed to profit rate risk.

30.3.1 Profit rate risk

The profit rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Majority of the profit rate exposure arises from short and long term borrowings from banks and short term deposits with banks. At the balance sheet date, the profit rate risk profile of the Modaraba's profit bearing financial instruments is:

	2015	2014
<i>Profit bearing financial instruments</i>	----- (Rupees) -----	
Bank balances	11,474,921	29,499,647
Net investment in ijarah finance / assets under ijarah arrangements	3,755,007	3,755,007

Fair value sensitivity analysis for profit bearing financial instruments

The Modaraba does not hold any of the above financial assets at fair value through profit and loss.

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Sensitivity analysis of profit rate	Impact on profit or loss	
	2015	2014
	----- (Rupees) -----	
100 Basis points	689,643	1,716,002
(100) Basis points	460,144	1,131,831

30.3.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

30.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently Modaraba does not face any risk as none of the financial assets or liabilities are listed on stock exchange or face the risk of change in market price.

31. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of the financial assets and financial liabilities approximate their fair values.

32. INFORMATION ABOUT BUSINESS SEGMENTS

Management has determined the operating segments based on the information presented to the Chief Executive Officer of the Modaraba Management Company for allocation of resources and assessment of performance. Reporting structure of the Modaraba is based on this internal management reporting structure. The Modaraba is organized into the following four reportable operating segments:

Continuing operations

<i>Financing / Investments</i>	Ijarah, Murabaha and investments
<i>Fuel station</i>	Petrol and diesel filling / service station

Discontinued operations

<i>Maintenance services</i>	Refueling and maintaining gensets, air cons, fire alarm system, self supported towers, and other equipment under the brand name "The Energixers"
<i>Mobile towers</i>	Radio link tower renting services to multiple telecommunication operators

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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SEGMENT RESULTS

	2015				
	Continuing operations		Discontinued operations		
	Financing / Investments	Fuel station	Maintenance services	Mobile towers	Total
	(Rupees)				
Revenue	26,401,389	129,887,741	-	-	156,289,130
Result					
Profit / (loss) for the year before taxation	4,725,878	1,747,335	-	-	6,473,213
Profit / (loss) for the year after taxation	4,725,878	1,283,669	-	-	6,009,547

	2014				
	Financing / Investments	Fuel station	Maintenance services	Mobile towers	Total
	Financing / Investments	Fuel station	Maintenance services	Mobile towers	Total
	(Rupees)				
Revenue	11,492,716	150,198,115	53,833,232	15,929,818	231,453,881
Result					
Profit / (loss) for the year before taxation	3,138,059	672,923	(17,703,621)	2,586,697	(11,305,942)
Profit / (loss) for the year after taxation	3,138,059	330,396	(17,703,621)	2,586,697	(11,648,469)

Reconciliation of segment results

Reconciliation of segment results

	2015	2014
	(Rupees)	
Total results for reportable segments□	6,009,547	(11,648,469)
Rental income	4,245,399	3,846,569
Other operating income	9,240,224	991,532
Reversal of Provision	6,771,596	-
Operating expenses:		
Salaries, allowances and other benefits□	(6,402,474)	(9,291,515)
Depreciation□	(1,311,457)	(1,207,353)
Workers' welfare fund□	(105,436)	-
Fuel and conveyance□	(398,643)	(1,024,908)
Other unallocated operating expenses□	(13,346,836)	(6,387,388)
Profit for the year	<u>4,701,920</u>	<u>(24,721,532)</u>

Modaraba Al-Mali

	2015				
	Continuing operations		Discontinued operations		
	Financing / Investments	Fuel station	Maintenance services	Mobile towers	Total
<i>Assets and liabilities</i>	----- (Rupees) -----				
Total assets	87,080,507	73,623,361	-	350,000	161,053,868
Total liabilities	28,848,245	660,254	-	-	29,508,499

	2014				
	Financing / Investments	Fuel station	Maintenance services	Mobile towers	Total
	----- (Rupees) -----				
<i>Assets and liabilities</i>					
Total assets	57,255,541	74,292,884	-	350,000	131,898,425
Total liabilities	30,992,447	445,311	-	-	31,437,758

Reconciliation of segments' assets and liabilities

	Assets	
	2015	2014
	----- (Rupees) -----	
Total for reportable segments□	161,053,868	131,898,425
Advance income tax□	24,665,422	23,008,251
Property and equipment□	3,134,410	5,998,645
Cash and bank balance□	12,284,683	29,820,913
Other unallocated assets□	4,573,570	17,529,810
Total as per balance sheet	205,711,953	208,256,044

	Liabilities	
	2015	2014
	----- (Rupees) -----	
Total for reportable segments□	29,508,499	31,437,758
Unclaimed profit distribution□	6,841,858	6,858,298
Charity and donations payable□	55,006	1,809,345
Other unallocated liabilities□	10,539,883	14,208,009
Total as per balance sheet	46,945,246	54,313,410

Modaraba Al-Mali

OTHER INFORMATION

2015

	Continuing operations				Discontinued operations	
	<i>Financing / Investments</i>	<i>Fuel station</i>	<i>Maintenance services</i>	<i>Mobile towers</i>	<i>Unallocated</i>	<i>Consolidated</i>
	------(Rupees)-----					
Capital expenditure	-	-	-	-	614,997	614,997
Depreciation	19,228,183	485,208	-	-	1,311,457	21,024,848
Provision for / (reversal of) impairment loss	(209,903)	-	-	-	-	(209,903)
Salaries, allowances and other benefits	6,970,781	1,398,463	-	-	-	8,369,244
Rent, rates and taxes	-	272,080	-	-	237,710	509,790
Ijarah lease rentals	5,046,266	-	-	-	-	5,046,266
Advertisement	-	-	-	-	315,737	315,737
Income tax	-	463,666	-	-	-	463,666

2014

	Continuing operations				Discontinued operations	
	<i>Financing / Investments</i>	<i>Fuel station</i>	<i>Maintenance services</i>	<i>Mobile towers</i>	<i>Unallocated</i>	<i>Consolidated</i>
	------(Rupees)-----					
Capital expenditure	-	-	-	-	2,105,863	2,105,863
Depreciation	7,871,146	446,107	3,552,796	-	1,207,353	13,077,402
Reversal of impairment loss	(370,511)	355,102	8,067,733	-	-	8,052,324
Salaries, allowances and other benefits	909,361	1,502,872	17,741,071	-	9,291,515	29,444,819
Rent, rates and taxes	54,201	210,360	860,733	7,548,507	204,099	8,877,900
Expenditure on maintenance services	-	-	18,873,670	-	-	18,873,670
Provision for obsolete / slow moving inventory	-	-	1,469,543	-	-	1,469,543
Ijarah lease rentals	17,971,769	-	26,716	-	119,416	18,117,901
Advertisement	-	14,550	36,352	-	239,985	290,887
Income tax	-	342,527	-	-	-	342,527

Modaraba Al-Mali

33. □ CAPITAL RISK MANAGEMENT

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Currently the Modaraba is fully financed by equity capital and do not have any debt capital. The Modaraba manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. It is the Modaraba's practice to distribute at least 90% of the profit earned during the period to its certificate holders in order to avail tax exemption under clause 100 of Part I of the Second Schedule to Income Tax Ordinance 2001. However in order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit distributable to certificate holders or issue new certificates.

During the year ended June 30, 2014, the Modaraba has disposed of 'Maintenance Services and 'Mobile Tower' businesses / segments in order to divert its focus and resources more on financing operations. The management is in process of identifying disposal avenues along with fair price determination of 'Fuel Station' business.

The Modaraba is not subject to externally imposed capital requirements.

34. □ NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on September 30, 2015 has approved final cash dividend of 0.2 per certificate. The financial statements of the Modaraba for the year ended June 30, 2015 do not include the effect of the final dividend which will be accounted for in the financial statements of the Modaraba for the year ending June 30, 2016.

35. □ CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary, for the purpose of appropriate presentation. There have been no significant reclassification in these financial statements.

36. □ DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on September 30, 2015

37. □ GENERAL

Figures have been rounded off to the nearest Rupee.

Chief Executive
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Modaraba Al-Mali

PATTERN OF CERTIFICATE HOLDING

As at June 30, 2015

Number of Certificate Holding	Certificate Holding		To Certificate Held	Percentage %
	From	To		
2007	1	100	42,510	0.23
628	101	500	172,116	0.93
304	501	1000	235,517	1.28
486	1001	5000	1,091,765	5.93
127	5001	10000	964,282	5.23
44	10001	15000	567,734	3.08
18	15001	20000	307,170	1.67
9	20001	25000	197,563	1.07
6	25001	30000	161,925	0.88
8	30001	35000	265,176	1.44
4	35001	40000	149,993	0.81
6	40001	45000	259,182	1.41
5	45001	50000	236,394	1.28
2	50001	55000	106,500	0.58
3	55001	60000	175,786	0.95
4	60001	65000	249,120	1.35
3	65001	70000	203,499	1.10
3	70001	75000	223,338	1.21
1	80001	85000	83,324	0.45
2	95001	100000	196,250	1.07
1	100001	105000	102,047	0.55
1	110001	115000	114,660	0.62
3	120001	125000	368,432	2.00
2	135001	140000	275,216	1.49
1	155001	160000	158,500	0.86
1	165001	170000	166,000	0.90
1	180001	185000	182,000	0.99
1	195001	200000	200,000	1.09
1	225001	230000	227,500	1.23
1	235001	240000	235,029	1.28
2	250001	255000	500,988	2.72
1	300001	305000	303,515	1.65
1	375001	380000	379,500	2.06
1	395001	400000	400,000	2.17
1	475001	480000	478,500	2.60
1	495001	500000	499,782	2.71
1	975001	980000	979,487	5.32
1	1195001	1200000	1,200,000	6.51
1	1420001	1425000	1,421,250	7.71
1	1840001	1845000	1,842,395	10.00
1	2495001	2500000	2,500,000	13.57
3,695			18,423,945	100

Modaraba Al-Mali

PATTERN OF CERTIFICATE HOLDING

As at June 30, 2015

Categories of Certificate Holders	Number	Certificates Held	Percentage %
Associated Companies, Undertakings, and Related Parties.			
BankIslami Modaraba Investments Ltd.,	1	2,342,490	12.714
Sub Total	1	2,342,490	12.714
N.I.T. & I.C.P.			
Investment Corporation of Pakistan	1	794	0.004
National Bank of Pakistan Trustee Department	1	13,656	0.074
IDBP (ICP Unit)	1	498	0.003
Sub Total	3	14,948	0.081
Public Sector Company & Corporation			
Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modaraba's and Mutual Funds	20	1,487,305	8.073
Joint Stock Companies & Others	32	677,699	3.678
Individuals	3,639	13,901,503	75.453
Sub Total	3,691	16,066,507	87.204
Total	3,695	18,423,945	100.000

Modaraba Al-Mali

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that 16th Annual Review Meeting of Modaraba Al Mali will be held on 29th October 2015 at 6:30 p.m. at the 602, 6th Floor, Progressive Centre, P.E.C.H.S., Shara e Faisal, Karachi

On behalf of the Board

-- sd --

Date: September 30, 2015

Zafar Ahmed Khan
Company Secretary

Note:

1. CLOSURE OF SHARE TRANSFER BOOK

The Share Transfer Book of the Modaraba will remain closed from 22nd October 2015 to 29th October 2015 (both days inclusive) and no transfer will be accepted during this period. The certificate holders whose names appear in the Register of certificate holders as at the close of business on 21st October 2015 will be considered in time for the purpose of determination of their respective entitlement(s), if any, and eligibility to attend the Annual Review Meeting.

2. SUBMISSION OF CNIC

The Securities & Exchange Commission of Pakistan (SECP) through its notification SRO 831 (1) 2012 of July 5, 2012, has directed all listed companies to issue dividend warrant only crossed as "A/c Payee only" and should bear the valid CNIC Number of the registered certificate holders. Certificate holders who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Modaraba's Share Registrar, M/s Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S. Karachi (Tel: 021 34391316; Fax: 021 34391318)

Certificate holders may also provide by mail or fax, photocopy of their CNIC and in case of foreigner, copy of passport, unless it has already been provided and email address to enable the Modaraba to comply with relevant laws.

3. DEDUCTION OF INCOME TAX FROM DIVIDEND

Pursuant to the provision of finance act 2015, the rate of income tax from dividend payment under section 150 of the Income Tax Ordinance, 2001 have been revised as under;

For Filers:-	12.5 %
For Non:-	17.5 %

All Certificate holders are requested to make it sure that copy of their valid CNIC / NTN should be available with the Shares Registrar. Please also note that in case of non-availability of CNIC / NTN, the Share Registrar could not check their status and would be constrained to apply tax rate prescribed for non-filers.

4. DIVIDEND MANDATE OPTION

As directed by the Securities and Exchange Commission of Pakistan through its circular No. 18 of 2012 dated June 5, 2012, we give the certificate holders the opportunity to authorise the Modaraba to directly credit the cash dividend in their bank account declared by the Modaraba in future. If you wish that the cash dividend if declared by the Modaraba be directly credited into your bank

Modaraba Al-Mali

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On behalf of the Board

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Modaraba Al-Mali

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Details for Bank Mandate	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Contact of Certificate Holder/Transferee	
CNIC Number	

5. CHANGE IN ADDRESS

Certificate holders are requested to promptly notify the Modaraba of any change in their address, if applicable.

6. In case of individuals, the account holder(s) shall authenticate their identity by showing original Computerized National Identity Card (CNIC).
7. In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.