

Modaraba Al-Mali

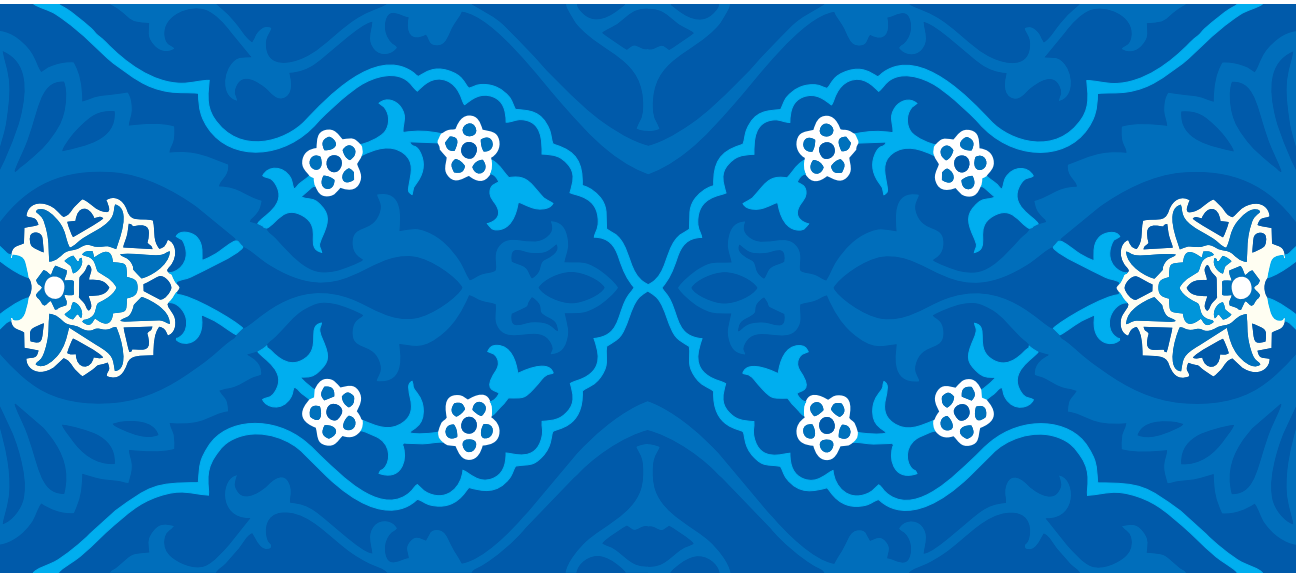
Managed by:

BankIslami Modaraba Investments Ltd.



BankIslami Modaraba
I n v e s t m e n t s

ANNUAL REPORT 2017



www.modarabaalmali.com

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Mission Statement

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

“But Allah hath permitted trade and forbidden usury”

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

Our Vision

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

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

CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Hamid	Chairman
	Ms. Ayesha Ashraf Jangda	Director
	Mr. Farooq Anwar	Director
	Mr. Muhammad Faisal Shaikh	Director
	Mr. Rehan Shuja Zaidi	Director
	Mr. Syed Akhtar Ausaf	Director
	Mr. Sohail Sikandar	Director
	Mr. Aziz Adil	Chief Executive Officer
Audit Committee	Mr. Rehan Shuja Zaidi	Chairman
	Mr. Muhammad Hamid	Member
	Mr. Muhammad Faisal Shaikh	Member
	Mr. Sohail Sikandar	Member
HR & Remuneration Committee	Mr. Muhammad Faisal Shaikh	Chairman
	Mr. Muhammad Hamid	Member
	Mr. Farooq Anwar	Member
	Mr. Aziz Adil	Member
Management Team	Mr. Aziz Adil	Chief Executive Officer
	Mr. Muhammad Hassan Marfani	Chief Financial Officer & Company Secretary
	Mr. Zeeshan Bin Farrukh	Head of I.T/Admin
	Mr. Sal em Ahmed	Head of CAD
Auditors	A.F.Ferguson & Co., Chartered Accountants	
Credit Rating Appraiser	The Pakistan Credit Rating Agency Limited	
Shari'ah Advisor	Mufti Irshad Ahmad Aijaz	
Legal Advisor	Mohsin Tayebaly & Company, Advocate	
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, Shahra-e-Faisal, Karachi. Phone: 34547521-25, Fax: 34547526 E-mail: info@modarabaalmali.com URL: http://www.modarabaalmali.com	

DIRECTORS' REPORT

On behalf of the Board of Directors of BankIslami Modaraba Investments Limited we are pleased to present 32nd Annual report of Modaraba Al-Mali together with audited accounts for the year ended June 30, 2017.

1. Operating results

A summary of operating results for the year ended June 30, 2017 is presented as under:

	Rupees in '000'	
	June 30, 2017	June 30, 2016
Total operating income	60,541	62,189
Depreciation	(38,245)	(38,461)
Operating income net of Ijarah depreciation	22,296	23,728
Musharaka Profit expense	(252)	(1,193)
Operating expenses	(14,781)	(18,291)
Net income from operations	7,264	4,244
Reversal of provision	-	1,024
	7,264	5,268
Taxation	(742)	(587)
Profit for the year	6,522	4,681
Earnings per certificate – continuing operations	0.35	0.25

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 @ 2.8% i.e. Rs. 0.28 per certificate for the year ended June 2017.

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 show positively growing results during the year under review and has earned profit after tax of Rs.6.52million showing 39%

increase in profitability as compared to previous year. The operating income stood at Rs. 60.54 million. Fuel station showed magnificent performance, registering an increase of 66.53% in net income from fuel station as compared to corresponding year and contributed Rs. 3.14 million towards profitability. Modaraba is now offering Diminishing Musharika product and have disbursed Rs.8.32million during the year. On the other hand, administrative expenses for the year stood at Rs.14.781 million as compared to Rs.18.291 million in corresponding period registering a reduction of 19.52%.

5. **Future prospects**

Modaraba focused on diversification within financing business and was able to book good quality ijarahs and diminishing Musharikas. MAM now intends to aggressively pursue booking good quality assets in future through controlled leveraging of balance sheet.

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.

7. **Pattern of certificate holding**

Pattern of certificate holding is annexed to this report.

Modaraba Al-Mali

8. Attendance of Board Meetings

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

Name of Directors	No. of Meetings attended	Leave of Absence	Remarks
Ms. Ayesha Ashraf Jangda	4	--	
Mr. Muhammad Faisal Shaikh	4	--	
Mr. Muhammad Hamid	4	--	
Mr. Rehan Shuja Zaidi	2	2	
Mr. Sohail Sikander	4	--	
Mr. Syed Mujtaba Hussain Kazmi	2	2	
Mr. Syed Akhtar Ausaf	1	3	
Mr. Aziz Adil	4	--	

9. Audit Committee

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

Name of Member

a.	Mr. Rehan Shuja Zaidi	Chairman
b.	Mr. Muhammad Hamid	Member
c.	Mr. Muhammad Faisal Shaikh	Member
d.	Mr. Sohail Sikandar	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;

a.	Mr. Muhammad Faisal Shaikh	Chairman
b.	Mr. Muhammad Hamid	Member
c.	Mr. Farooq Anwar	Member
d.	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:
August 09, 2017

Aziz Adil
Chief Executive Officer

Modaraba Al-Mali

ڈائریکٹر کی رپورٹ

بینک اسلامی مضاربہ انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب ۳۰ جون ۲۰۱۷ کو اختتام پذیر سال پر ہم مضاربہ المالہ کی ۳۲ ویں سالانہ رپورٹ جمع آؤینڈ کھاتے پیش کرتے ہوئے خوش محسوس کرتے ہیں۔

۱. آپریشن کے نتائج

۳۰ جون ۲۰۱۷ کو ختم ہونے والے سال ہر آپریشن کے نتائج کا خلاصہ درج ذیل ہے:

روپے ۰۰۰ میں

۲۰۱۶ جون ۳۰	۲۰۱۷ جون ۳۰	
62,18 9	60,54 1	کل آپریشن سے آمدنی
(38,461)	(38,245)	فرسودگی (Depreciation)
23,72 8	22,29 6	آپریشن سے خالص آمدنی بعد از اجارہ اثاثہ جات کی فرسودگی
(1,193)	(252)	مشارکہ منافع پر اخراجات
(18,291)	(14,78 1)	آپریشن کے اخراجات
4,24 4	7,26 4	آپریشن سے خالص آمدنی
1,024	-	مختصات کی واپسی
5,26 8	7,26 4	محصول
(587)	(742)	سال کا منافع
4,68 1	6,52 2	
0.25	0.35	آمدنی فی سرٹیفیکیٹ - آپریشن کا تسلسل

مضاربہ آرڈیننس ۱۹۸۰ کے تحت بینجمنٹ کمپنی مضاربہ کے منافع کا ۱۰ فیصد کے مساوی بطور فیس لینے کی حقدار ہے۔ تاہم مضاربہ کی کارکردگی کو مد نظر رکھتے ہوئے بینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز فیصلہ کیا ہے کہ زیر غور سال کی بینجمنٹ فیس وصول نہ کی جائے۔ اس طرح یہ مضاربہ کے لیے ممکن ہو سکے گا کہ وہ اپنے سرٹیفیکیٹ کنندگان کو کچھ منافع تقسیم کر سکے۔

۲. منافع کی تقسیم

۳۰ جون ۲۰۱۷ کو اختتام ہونے والے سال پر لیے ڈائریکٹرز نقد منقسمہ منافع @ ۲.۸ فیصد یعنی ۲.۸ روپے فی سرٹیفیکیٹ کا اعلان کرتے ہوئے خوش محسوس کرتے ہیں

۳. دستور ذی خائر

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ پروڈینشل ریگولیشن برائے مضاربہ کمپنی کے مطابق مضاربہ کمپنی کو اپنے منافع بعد از محصول کا کم سے کم ۱۰ فیصد اور زیادہ سے

زیادہ ۲۰ فیصد کو دستوری ذخائر میں منتقل کرنا ہوتا ہے۔ بورڈ آف ڈائریکٹرز نے ۲۰ فیصد دستوری ذخائر کے لیے مختص کر دیا ہے۔

آپریشن کا جائزہ

4.

اللہ تعالیٰ کی مہربانی سے مضاربہ زیر جائزہ سال میں مثبت نمود کھانے کے قابل ہوا تھا اور اس نے ۶.۵۳ ملین روپے منافع بعد از محصول حاصل کیا جس میں گزشتہ سال کے مقابلے میں ۳۹ فیصد کا اضافہ دکھایا ہے۔ آپریشن کی آمدنی ۶۰.۵۳ ملین روپے رہی۔ فیول اسٹیشن نے عظیم الشان کارکردگی دکھائی اور جس نے گزشتہ سال کے مقابلے میں ۶۶.۵۳ فیصد اضافے کے ساتھ ۱۳ ملین روپے کا منافع دکھایا۔ مضاربہ اب گھٹتا ہوا منافع پر مشتمل ہے اور سال کے دوران اس مد میں ۸.۳۳ ملین روپے کی ادائیگیاں کر چکا (قرضہ فراہم کر چکا ہے)۔ اور دوسری جانب گزشتہ سال کے انتظامی اخراجات ۱۸.۲۹ ملین روپے ہیں۔ ۱۹.۵۲ فیصد کمی کے ساتھ اس سال ان کی مالیت ۷.۷۸ ملین روپے رہی۔

مستقبل کے امکانات

5.

مضاربہ کی توجہ مالیاتی کاروبار میں تنوع (diversification) پر رہی اور اجارہ دہ گھٹتے ہوئے مشارک کے معیاری اثاثہ جات حاصل کرنے میں کامیاب رہا۔ MAM کا ارادہ ہے کہ وہ مستقبل میں جارحانہ طور پر اپنی بیلنس شیٹ کو قابو رکھتے ہوئے معیاری اثاثہ جات حاصل کرے۔

اداراتی نظم و ضبط

6.

مضاربہ کے لیے ضروری ہے کہ وہ SECP کے جاری کردہ اور پاکستان اسٹاک ایکسچینج کے لسٹنگ کو تو اند کے ذریعے نافذ کردہ اداراتی نظم و ضبط سے متعلق متعدد ضرورتوں کی تعمیل کرے۔ آپ کی انتظامیہ نے ان ضرورتوں کی تعمیل کے لیے کئی اہم اقدامات کیے ہیں مثلاً نصب العین اور ہم: حصول نصب العین کا بیان، مجموعی ادارتی حکمت عملی، مضبوط اندرونی آڈٹ فنکشن اور آڈٹ کمیٹی کی تشکیل اور اس کے منشور پر عمل کرنا۔

دستوری محتسب کے لیے ضروری ہے کہ بہترین مشقوں (practices) کے بیان پر اپنی جائزہ رپورٹ جاری کرے جو مالیاتی دستاویز کے ساتھ شائع کی جاتی ہے۔

بورڈ آف ڈائریکٹرز CCG کا جائزہ لے چکے ہیں اور اس کی توثیق کر چکے ہیں کہ:

- انتظامیہ کی تیار کردہ مالیاتی دستاویزات اس کے آپریشن کے نتائج، کیش فلو اور ایکوٹی میں تبدیلی کی مناسب صورتحال پیش کرتی ہیں۔
- مناسب طور پر کاؤنٹس کی کتابوں کو رکھا گیا ہے۔
- مالیاتی دستاویزات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل سے نافذ کیا گیا ہے ماسوائے ان تبدیلیوں کے جن کی وضاحت مالیاتی دستاویزات میں کی گئی ہیں اور اکاؤنٹنگ کے تخمینوں کی بنیاد مناسب اور محتاط اندازے ہیں۔
- بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈز، جو پاکستان میں مضاربہ پر لاگو ہوتے ہیں، ان پر مالیاتی دستاویز کی تیاری میں عملدرآمد کیا گیا اور اس سے انحراف کو مناسب طور سے ظاہر کیا گیا ہے اور وضاحت کی گئی ہے؛
- اندرونی نگرانی کا نظام مستحکم ہے اور اس کو مؤثر طور پر نافذ کیا جا چکا ہے اور اس کی نگرانی کی جاتی ہے؛ اور

- گذشتہ چھ سالوں کا اہم آپریٹنگ اور مالیاتی اعداد و شمار اس رپورٹ کے ساتھ منسلک کیا گیا ہے

۷. سرٹیفکیٹ رکھنے کا رجحان

8. بورڈ اجلاس میں شرکت / حاضری

مجموعی طور پر سال میں چار مضاربہ کمیٹی کے اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی شرکت کی تفصیل درج ذیل ہے۔

ڈائریکٹر کے نام	اجلاس میں شرکت کی تعداد	غیر حاضری کی درخواست	تبرہ
جناب عائشہ اشرف جاوگڈا	4	--	--
جناب محمد فیصل شیخ	۴	--	--
جناب محمد حامد	۴	--	--
جناب ربیعان شجاع زیدی	۲	۲	۲
جناب سہیل سکندر	۴	--	--
جناب سید مجتبیٰ کاظمی	2	2	2
جناب سید اختر اوصاف	۱	۳	۳
جناب عزیز عادل	4	--	--

9. آڈٹ کمیٹی

بورڈ آڈٹ کمیٹی تشکیل دے چکا ہے جو مندرجہ ذیل ارکان پر مشتمل ہے

ارکان کے نام

a.	جناب ربیعان شجاع زیدی	چیئر مین
b.	جناب محمد حامد	رکن
c.	جناب محمد فیصل شیخ	رکن
d.	جناب سہیل سکندر	رکن

10. انسانی وسائل اور مشاہرہ کی کمیٹی

اداراتی کارکردگی کے ضابطے کی تعمیل کرتے ہوئے بورڈ انسانی وسائل اور مشاہرہ کی کمیٹی کی تشکیل کر چکا ہے جو مندرجہ ذیل ارکان پر مشتمل ہے؛

ارکان کے نام

a.	جناب محمد فیصل شیخ	چیئر مین
b.	جناب محمد حامد	رکن
c.	جناب فاروق انور	رکن
d.	جناب عزیز عادل	رکن

11. کریڈٹ ریٹنگ

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

بورڈ کی جانب سے

عزیز عادل
چیف ایگزیکٹو آفیسر

9 اگست ۲۰۱۷ء
کراچی

Modaraba Al-Mali



REPORT OF TEH SHARIAH ADVISER

I have conducted the Shariah review of Modaraba Al-Mali managed by BankIslami Modaraba Investment Limited for the year ended June 30, 2017 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

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

Observations:

During review it has been observed that;

- (i) No Shariah related trainings were conducted for employees.
- (ii) We have been made to understand that Ijarah policy manual is under finalization whereas DM manual is under preparation and shall be submitted for Board's review and approval in current year.

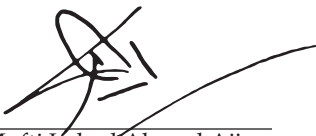
Recommendation(s):

Recommendations are as follow;

- (i) Training sessions on Islamic Finance products should be conducted for the staff.
- (ii) We recommend management to expedite the approval of policy manual.

Conclusion:

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



Mufti Irshad Ahmad Aijaz

Modaraba Al-Mali

KEY OPERATING AND FINANCIAL DATA

Balance Sheet Summary

(Rupees in Million)

Year Ended June 30,	2012	2013	2014	2015	2016	2017
EQUITY						
Issued, subscribed and paid up capital	184.24	184.24	184.24	184.24	184.24	184.24
Statutory Reserves	55.45	56.58	56.58	57.01	58.45	59.75
Revenue Reserves and unappropriated profit	(63.49)	(61.53)	(86.88)	(82.48)	(83.15)	(81.62)
Total Equity	176.20	179.29	153.94	158.77	159.54	162.37
LIABILITIES						
Liability against Ijarah finances	-	-	-	-	-	-
Musharak Finance	-	-	-	-	7.53	-
Customer Security Deposit	22.89	33.74	17.51	12.17	19.11	18.30
Others	-	-	-	-	-	-
	22.89	33.74	17.51	12.17	26.64	18.30
Current Liabilities						
Short term Morabaha and Musharika	-	-	-	-	4.83	-
Other Current Liabilities	28.03	26.28	34.49	34.77	28.32	15.61
Total Current Liabilities	28.03	26.28	34.49	34.77	33.15	15.61
Total Liabilities	227.12	239.31	205.94	205.71	219.33	196.28
ASSETS						
Assets Leased Out	14.52	18.96	34.85	82.18	102.17	53.11
Net investment in Ijarah	-	-	-	-	-	-
Assets in Own Use	123.44	115.46	77.40	73.56	72.33	71.43
Long Term Morabaha and Musharika	-	-	-	-	-	5.33
Long Term Investment	-	-	-	-	-	-
Other Long Term Assets	11.94	20.10	7.17	-	-	-
	149.90	154.52	119.42	155.74	174.50	129.87
Current Assets						
Short Term Morabaha and Musharika	-	-	-	-	-	2.36
Current maturity of Net investment in Ijarah	3.75	3.75	3.75	3.75	3.75	3.75
Short Term Investment	6.00	-	-	-	-	-
Other Current Assets	58.83	72.29	52.95	33.94	35.15	40.71
Cash and Bank Balance	8.64	8.75	29.82	12.28	5.93	19.59
Total Current Assts	77.22	84.79	86.52	49.97	44.83	66.41
Total Assets	227.12	239.31	205.94	205.71	219.33	196.28

Income Statement Highlights

(Rupees in Million)

Year Ended June 30,	2012	2013	2014	2015	2016	2017
INCOME						
Lease	29.30	23.46	29.08	26.40	47.33	46.33
Musharika and Morabaha	0.66	-	-	-	-	0.25
Capital Gain on Investments	-	7.20	-	-	-	-
Dividend	-	-	-	-	-	-
Certificate of Investment	-	-	-	-	-	-
Maintenance services	69.10	68.82	56.94	-	-	-
Other	6.69	7.96	9.73	13.54	14.85	13.95
Total Income	105.75	107.44	95.75	39.94	62.18	60.53
EXPENSES						
Operating	102.45	104.00	104.21	22.52	18.30	14.78
Financial	-	-	-	-	1.19	0.25
Amortization, depreciation	3.01	4.19	7.87	19.23	38.46	38.24
Provision for doubtful receivables	2.74	(4.19)	8.05	(6.98)	(1.02)	-
Management fee	-	-	-	-	-	-
Profit / (loss) before taxation	(2.43)	3.44	(24.38)	5.17	5.26	7.26
Taxation	0.25	0.35	0.34	0.46	0.58	0.74
Net profit / (loss)	(2.68)	3.09	(24.72)	4.71	4.68	6.52
APPROPRIATIONS						
Total Dividend	-	-	-	3.68	3.68	3.68
Statutory Reserves	-	-	-	0.94	0.93	1.30
VALUE OF INVESTMENT OF						
*Provident Fund	12.02					
*Gratuity Fund	4.20					

Note: Above figures are based on respective audited accounts for the year ended June 30, 2017 of the Provident Fund and June 30, 2015 for Gratuity Fund.

Modaraba Al-Mali

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Modaraba Al-Mali For the Year ended June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed modaraba is managed in compliance with the best practices of corporate governance.

The Board of Directors (the Board) of BankIslamiModaraba Investments Limited – theModaraba Management Company (here after referred to as the Company) is responsible for the management of affairs of Modaraba Al-Mali (the Modaraba).

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	Mr. Muhammad Hamid
Executive Director	Mr. Aziz Adil (Chief Executive Officer)
Non-Executive Directors	Mr. Muhammad Faisal Shaikh
	Mr.Syed RehanShuja Zaidi
	Mr. Farooq Anwar
	Mr. Syed Akhtar Ausaf
	Mr. Sohail Sikandar
	Ms. Ayesha Ashraf Jangda

The independent director meets the criteria of independence under clause 5.19. 1 (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 (excluding the listed subsidiaries of listed holding Companies where applicable).
3. All the resident 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 NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, no casual vacancy occurred on the Board of Directors of the Company.
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. The Modaraba has significant policies in respect of human resource, fixed assets and information technology. A complete record of particulars of these policies along with the dates on which they were approved or amended has been maintained. Currently, the Modaraba is in a process of developing policies for other relevant areas.
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 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.

Modaraba Al-Mali

9. With respect to training of directors, the board was in compliance with the requirement of having fifty percent directors already trained as at June 30, 2017.
10. During the year, the board has approved appointment of CFO and Company Secretary including his remuneration and terms and conditions of employment. Since internal audit function has been outsourced. Therefore, there is no Head of Internal Audit in the employment of Modaraba.
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 of 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 of four 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 Modaraba 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 exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through the Stock Exchanges.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

For and on behalf of the Board

--sd--

Aziz Adil

Chief Executive Officer

Karachi

Dated: August 09, 2017

Modaraba Al-Mali

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of BankIslami Modaraba Investments Limited, the Modaraba Management Company of Modaraba Al-Mali (the Modaraba) for the year ended June 30, 2017 to comply with the requirements of Listing Regulation No. 5.19 of the Pakistan Stock Exchange Limited where the Modaraba is listed.

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

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

The Code requires the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee place before the Board of Directors for their review and approval the Modaraba's related party transactions 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 of Directors 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 of Compliance does not appropriately reflect the Modaraba Management Company's compliance for and on behalf of the Modaraba, in all material respects, with the best practices contained in the Code as applicable to the Modaraba for the year ended June 30, 2017.

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

Note reference	Description
----------------	-------------

- | | |
|----|---|
| 6. | The significant policies for some areas have been approved by the Board while for other relevant areas the Modaraba is in the process of developing the policies. |
|----|---|

Dated: September 18, 2017
Karachi

-- sd --
A.F Ferguson & Co.
Chartered Accountants

Engagement Partner
Syed Fahim ul Hasan

Modaraba Al-Mali

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Modaraba Al-Mali as at June 30, 2017 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Modaraba Management Company in respect of Modaraba Al-Mali as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i. the balance sheet and the related profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account 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 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 the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2017 and of the profit, its cash flows and changes in equity for the year then ended, and
- d) in our opinion, no Zakat is deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

-- sd --

A.F Ferguson & Co.
Chartered Accountants

Engagement Partner
Syed Fahim ul Hasan

Dated: September 18, 2017
Karachi

Modaraba Al-Mali

BALANCE SHEET

As at June 30, 2017

	Note	2017	2016	2015
ASSETS				
Current assets				
Cash and bank balances	4	19,591,033	5,935,865	12,284,683
Ijarah finance	5	3,755,007	3,755,007	3,755,007
Murabaha finance	6	-	-	-
Current portion of Diminishing Musharaka	7	2,360,955	-	-
Receivable against Ijarah rentals and maintenance service	8	6,060,187	1,061,324	676,379
Advances, deposits, prepayments, other assets and receivables	9	6,973,113	7,687,598	7,620,999
Tax refunds due from government	10	26,624,052	25,665,671	24,665,422
Inventory	11	1,037,446	726,341	964,102
		66,401,793	44,831,806	49,966,592
Non-current assets				
Long-term portion of Diminishing Musharaka	7	5,332,161	-	-
Property and equipment under Ijarah arrangements	12	53,114,901	102,174,347	82,184,500
Property and equipment	13	71,434,852	72,333,205	73,560,861
		129,881,914	174,507,552	155,745,361
Total assets		196,283,707	219,339,358	205,711,953
LIABILITIES				
Current liabilities				
Creditors, accrued and other liabilities	14	8,279,324	9,151,394	11,729,957
Current portion of Musharaka finance	15	-	4,826,383	-
Current portion of security deposits	16	10,725,562	12,132,336	16,205,406
Unclaimed profit distribution		7,312,673	7,047,853	6,841,858
		26,317,559	33,157,966	34,777,221
Non-current liabilities				
Long term portion of Musharaka finance	15	-	7,530,913	-
Long term portion of security deposits	16	7,588,600	19,109,504	12,168,025
		7,588,600	26,640,417	12,168,025
Total liabilities		33,906,159	59,798,383	46,945,246
NET ASSETS		162,377,548	159,540,975	158,766,707
REPRESENTED BY:				
CAPITAL AND RESERVES				
Authorised certificate capital 30,000,000 (June 30, 2016: 30,000,000)				
Modaraba certificates of Rs.10 each	17	300,000,000	300,000,000	300,000,000
Issued, subscribed and paid-up certificate capital	17	184,239,450	184,239,450	184,239,450
Premium on issue of certificates		511,409	511,409	511,409
Statutory reserve	18	59,252,298	57,947,986	57,011,854
Accumulated Loss		(81,625,609)	(83,157,870)	(82,996,006)
		162,377,548	159,540,975	158,766,707
CONTINGENCIES AND COMMITMENTS				
	19			

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Modaraba Al-Mali

PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2017

	Note	2017	2016
		-----Rupees-----	
Ijarah rentals - net		46,330,812	47,333,665
Income from operation of fuel station	20	8,398,919	6,742,555
Income on deposits with bank		289,623	312,618
Income on Diminishing Musharaka transactions		253,012	-
		55,272,366	54,388,838
Depreciation on assets under Ijarah arrangements	12	(38,244,962)	(38,460,870)
Musharaka profit expense		(251,716)	(1,193,028)
Expenses on fuel station operations	20	(4,517,568)	(4,270,561)
		12,258,120	10,464,379
Other income	21	5,268,362	7,799,673
Reversal of impairment loss	22	-	1,024,082
Administrative and operating expenses	23	(10,116,679)	(13,912,414)
		7,409,803	5,375,720
Modaraba Management Company's remuneration	14.3	-	-
Provision for services sales tax on management company's remuneration	14.3	(1,037)	(753)
Provision for Workers' Welfare Fund	24	(145,270)	(107,514)
Profit for the year before taxation		7,263,496	5,267,453
Taxation	20 & 25	741,936	586,791
Profit for the year after taxation		6,521,560	4,680,662
Other comprehensive income / (loss) for the year	9.1.6	(198)	(221,605)
Total comprehensive income for the year		6,521,362	4,459,057
Earnings per certificate - basic & diluted	26	0.35	0.25

The annexed notes 1 to 36 form an integral part of these financial statements.

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BankIslami Modaraba Investments Limited
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Modaraba Management Company

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Modaraba Management Company

Modaraba Al-Mali

CASH FLOW STATEMENT

For the year ended June 30, 2017

	Note	2017	2016
		-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation		7,263,496	5,267,453
Adjustments for non-cash charges and other items:			
Depreciation on assets under Ijarah arrangements		38,244,962	38,460,870
Depreciation on fixed assets in own use		1,197,177	1,306,306
Reversal of impairment loss		-	(1,024,082)
Gain on disposal of Ijarah assets		-	(34,107)
Gain on disposal of fixed assets in own use		(19,808)	(763,268)
		39,422,331	37,945,719
		46,685,827	43,213,172
(Increase) / decrease in assets			
Receivable against Ijarah rentals and maintenance service		(4,998,863)	(384,945)
Ijarah Finance		-	24,082
Advances, deposits, prepayments and other receivable		714,485	(288,098)
Inventory		(311,105)	237,761
		(4,595,483)	(411,200)
Increase / (decrease) in current liabilities			
Creditors, accrued and other liabilities		(872,070)	(2,578,563)
Security deposits		(12,927,678)	2,868,409
		(13,799,748)	289,846
Cash generated from operations		28,290,596	43,091,818
Income taxes paid		(1,700,317)	(1,587,040)
Net cash generated from operating activities		26,590,279	41,504,778
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Ijarah assets		(2,348,000)	(63,148,000)
Purchase of fixed assets in own use		(324,816)	(265,382)
Proceeds from disposal of fixed assets in own use		45,800	950,000
Disposal of assets under Ijarah arrangements		13,162,286	4,731,283
Proceeds from disposal of long term investments		-	1,000,000
Diminishing Musharaka		(7,693,116)	-
Net cash generated from / (used in) investing activities		2,842,154	(56,732,099)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to certificate holders		(3,419,969)	(3,478,793)
Musharaka Finance repayment		(12,357,296)	12,357,296
Net cash (used in) / generated from financing activities		(15,777,265)	8,878,503
Net increase / (decrease) in cash and cash equivalents		13,655,168	(6,348,818)
Cash and cash equivalents at beginning of the year		5,935,865	12,284,683
Cash and cash equivalents at end of the year	4	19,591,033	5,935,865

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Modaraba Al-Mali

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2017

	Paid-up certificate capital	Premium on issue of certificates	Statutory reserve	Accumulated Loss	Total Reserves	Total
	Rupees					
Balance as at June 30, 2015	184,239,450	511,409	57,011,854	(82,996,006)	(25,472,743)	158,766,707
Final cash dividend of Re. 0.2 per certificate for the year ended June 30, 2015	-	-	-	(3,684,789)	(3,684,789)	(3,684,789)
Profit for the year ended June 30, 2016	-	-	-	4,680,662	4,680,662	4,680,662
Other comprehensive loss for the year ended June 30, 2016	-	-	-	(221,605)	(221,605)	(221,605)
Transfer to statutory reserve	-	-	936,132	(936,132)	-	-
Balance as at June 30, 2016	184,239,450	511,409	57,947,986	(83,157,870)	(24,698,475)	159,540,975
Final cash dividend of Re. 0.2 per certificate for the year ended June 30, 2016	-	-	-	(3,684,789)	(3,684,789)	(3,684,789)
Profit for the year ended June 30, 2017	-	-	-	6,521,560	6,521,560	6,521,560
Other comprehensive loss for the year ended June 30, 2017	-	-	-	(198)	(198)	(198)
Transfer to statutory reserve	-	-	1,304,312	(1,304,312)	-	-
Balance as at June 30, 2017	184,239,450	511,409	59,252,298	(81,625,609)	(21,861,902)	162,377,548

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive Officer
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

2.3 Functional and presentation currency

These financial statements have been presented in Pakistan Rupees, which is the functional and presentational currency of the Modaraba.

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

2.4.1 SECP vide its circular No. 10 of 2004 dated February 13, 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on modarabas with effect from July 1, 2003 and advised the management companies of modarabas that they may continue to prepare the financial statements of the modarabas without applying the requirements of IAS 17 to the modarabas. However, the requirements of IAS 17 were considered for the purpose of leasing transactions (net investment in finance lease, assets given on finance lease, liabilities against assets subject to finance lease, and assets obtained on finance lease entered into by the Modaraba upto 30 June 2008. Currently, lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained in note 2.4.2.

2.4.2 Islamic Financial Accounting Standard (IFAS) 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the SECP vide SRO 431(1)/ 2007 dated May 22, 2007. Under the above IFAS 2, the Ijarah transactions are accounted for in the following manner:

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

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

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. The management makes estimates, judgments and assumptions that affect the reported amounts

of assets and liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on going basis.

The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) estimates of residual values, useful lives and depreciation methods of fixed assets in own use and Ijarah assets;
- ii) provision against non-performing Leasing / Ijarah portfolio, trade debts and other receivables; and
- iii) provision for staff retirement benefits.

2.6 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

There were certain new amendments to the approved accounting standards which became effective during the year ended June 30, 2017 but are considered not to be relevant or have any significant effect on the Modaraba's financial statements and are, therefore, not disclosed in these financial statements.

2.7 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain new standards and amendments to the approved accounting standards that will become effective for the Modaraba's annual accounting periods beginning on or after July 1, 2017. However, these amendments will not have a significant impact on the financial statements of the Modaraba and, therefore, have not been disclosed in these financial statements. Further, the new standards are yet to be adopted by the SECP.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 Ijarah Finance - prior to July 1, 2008

Lease transactions entered into by the Modaraba prior to July 1, 2008 are accounted for as finance leases whereby assets under Ijarah arrangements are presented as receivables at an amount equal to the present value of the minimum Ijarah payments, including estimated residual value, if any. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the Ijarah and is amortised over the term of the Ijarah so as to produce a constant rate of return on net investment in Ijarah. Allowances for non-performing leases are made in accordance with the Prudential Regulations for Modarabas.

3.3 Lease rentals - assets under Ijarah arrangements - after July 1, 2008

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

3.4 Property and equipment

3.4.1 Owned

Operating assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or 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.

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

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

3.4.2 Under Ijarah arrangements

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

Gains and losses on disposals are determined by comparing proceeds with the carrying

amount of the corresponding assets and are included in the profit and loss account, in the period in which these arise.

3.4.3 Impairment

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

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

3.5 Murabaha Transactions

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as 'advance for Murabaha'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the reporting date are recorded as inventories.

3.6 Receivable from terminated / matured contracts

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.

3.7 Inventory

3.7.1 Stores and consumables

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

3.7.2 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.

3.8 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be

made of the amount of obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.9 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 future.

3.10 Revenue recognition

3.10.1 Ijarah income / operating lease income

The Modaraba follows the finance method for recognizing income on Ijarah contracts commencing prior to 30 June 2008 and 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 July 1, 2008, Ijarah rentals are recognized as income on an accrual basis, as and when rentals become due on a systematic basis over the lease and Ijarah period.

Documentation charges, front-end fee and other Ijarah income are 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).

3.10.2 Income on sukuk securities and bank deposits

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

3.10.3 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.

3.10.4 Dividend income

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

3.10.5 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.

3.10.6 Income from maintenance services

Income from maintenance services is recognized on an accrual basis.

3.10.7 Income from operation of fuel station

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

3.10.8 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. Unrealized suspense income is recognized in profit and loss account on receipt basis.

3.10.9 Income from Diminishing Musharaka

Profit on Diminishing Musharakah financings is recognised on an accrual basis.

3.11 Financial Instruments

3.11.1 Financial Assets

All financial assets 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 financial assets at fair value through profit or loss, 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:

(i) Financial assets "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 the profit and loss account.

(ii) 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.

(iii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as, through the amortisation.

(iv) Available for sale

Available-for-sale financial assets are those non derivative financial assets that are designated as available for- sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains and losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid price at the close of business on the balance sheet date. For investments where there is no active market, value is determined using valuation techniques.

(v) Derecognition

Financial assets are de-recognized when the right to receive cash flows from the financial assets have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

(vi) Impairment

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.

Financial assets comprise of cash and bank balances, Ijarah rentals receivable, Investments, Diminishing Musharaka and Murabaha Finance, deposits, other assets and receivables, excluding taxation. Ijarah rentals receivable, Diminishing Musharaka, Murabaha finance and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

3.11.2 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.

3.11.3 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is 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.

3.12 Staff retirement benefits

3.12.1 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, 2017 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 other comprehensive income 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.

3.12.2 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.

3.12.3 Staff compensated absences

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

3.13 Taxation

3.13.1 Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. The income of non-trading Modarabas is exempt from tax provided that not less than 90% of their profits for the year as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders. The Modaraba intends to continue availing the tax exemption by distributing at least 90% of its profits to the certificate holders each year. Currently, the income of Modaraba from trading activities (from fuel station) is covered under presumptive tax regime. For items covered under presumptive tax regime, provision is made according to the presumptive tax rates provided in the Income Tax Ordinance, 2001.

3.13.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases and carrying amounts of assets and liabilities appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable profits will be available against which the temporary differences can be utilised. Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

However, the Modaraba has not recognised any amount in respect of deferred tax in these financial statements as the Modaraba intends to continue availing the tax exemption in future years by distributing at least 90% of its profits to its certificate holders every year.

3.14 Segment information

As per IFRS 8, "Operating Segments", segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a multiple operating segments. The Modaraba's asset allocation decisions are based on an integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

3.15 Proposed profit distribution to certificate holders and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.16 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. CASH AND BANK BALANCES	Note	2017	2016
		-----Rupees-----	
Balances with banks in:			
- profit and loss sharing accounts	4.1 & 4.2	18,354,465	4,903,813
- current accounts	4.1	762,063	542,243
		19,116,528	5,446,056
Balances with State Bank of Pakistan		9,092	11,516
		19,125,620	5,457,572
Cash in hand		455,413	456,593
Stamp paper		10,000	21,700
		19,591,033	5,935,865

4.1 Balances with banks include an amount of Rs. 10.70 million (2016: Rs. 4.22 million) held with BankIslami Pakistan Limited, (parent company of the Management Company).

4.2 These carry profit rates ranging from 1.69% to 4.77% (2016: 1.65% to 5.88%) per annum.

5. IJARAH FINANCE	Note	2017	2016
		-----Rupees-----	
Ijarah contracts commencing up to Junr 30, 2008 - accounted for as finance leases			
Minimum lease payments due		40,480,939	40,480,939
Residual value of leased assets		3,755,007	3,755,007
Total receivable		44,235,946	44,235,946
Suspended lease income		(7,491,364)	(7,491,364)
Provision for impairment against potential Ijarah losses	5.1 & 22	(32,989,575)	(32,989,575)
		(40,480,939)	(40,480,939)
		3,755,007	3,755,007

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

	Note	2017	2016
		-----Rupees-----	
6. MURABAHA			
Considered doubtful	6.1	2,517,068	2,517,068
Provision for impairment loss against doubtful recoveries	22	(2,517,068)	(2,517,068)
		-	-
		-	-

- 6.1 These represent amounts receivable against Murabaha transactions i.e. sale of goods on deferred payment basis at a specified profit margin ranging from 10% to 24% per annum. Since the finance is non-performing, no income is accrued on it in accordance with the Prudential Regulations for Modarabas.

	Note	2017	2016
		-----Rupees-----	
7. DIMINISHING MUSHARAKA			
Musharaka Finance		7,693,116	-
Less: Current portion of Diminishing Musharaka		(2,360,955)	-
Long term portion of Diminishing Musharaka		5,332,161	-
		5,332,161	-
8. RECEIVABLE AGAINST IJARAH RENTALS AND MAINTENANCE SERVICE			
Considered good			
- Ijarah rentals receivable		6,060,187	1,061,324
Considered doubtful			
- Maintenance fee	8.1	4,275,537	4,275,537
- Ijarah lease rentals of tower and allied equipments	8.1	10,194,320	10,194,320
		20,530,044	15,531,181
Less: Provision against potential Ijarah losses	22	(14,469,857)	(14,469,857)
		6,060,187	1,061,324
		6,060,187	1,061,324

- 8.1 This relates to discontinued operations.

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8.2 Minimum future Ijarah rentals from assets under IFAS-2

2017			
Rupees			
	Due within one year	Due after one year but within five years	Total
Minimum Ijarah payments receivable	36,338,870	10,121,024	46,459,894

2016			
Rupees			
	Due within one year	Due after one year but within five years	Total
Minimum Ijarah payments receivable	37,918,399	41,210,122	79,128,521

9. ADVANCES, DEPOSITS, PREPAYMENTS, OTHER ASSETS AND RECEIVABLES	Note	2017	2016
Rupees			
Considered Good			
Advances			
- to suppliers		2,457,505	1,678,727
- to employees against salary		216,875	134,769
Advance against property and equipment under Ijarah arrangement		-	2,348,000
Prepayments		332,093	259,385
Defined benefit plan - staff gratuity	9.1	1,865,370	1,865,568
Other deposits		43,899	57,899
		4,915,742	6,344,348
Other receivables			
- Receivable from BankIslami			
- Pakistan Limited - Related Party		1,380,293	641,926
- Others		677,078	701,324
		2,057,371	1,343,250
Considered doubtful			
Other receivables			
- Terminated leases		6,242,260	6,242,260
- Miscellaneous amount recoverable from the lessees		1,188,872	1,188,872
- Dividend receivable		16,275	16,275
- Receivable from brokers		22,422	22,422
- Receivable against sale of fuel		355,102	355,102
- Others		228,732	228,732
		8,053,663	8,053,663
Provision for impairment loss against doubtful recoveries	22	(8,053,663)	(8,053,663)
		6,973,113	7,687,598

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9.1	Defined benefit asset - staff gratuity	2017	2016
		-----Rupees-----	
9.1.1	Present value of defined benefit obligation and assets of the fund		
	Present value of defined benefit obligation	2,359,658	2,884,495
	Fair value of plan assets	(4,225,028)	(4,750,063)
	Net defined benefit asset recognized in the balance sheet	<u>(1,865,370)</u>	<u>(1,865,568)</u>
9.1.2	Movement in net defined benefit asset during the year		
	Opening net defined benefit asset	(1,865,568)	(2,087,176)
	Expense recognised in profit and loss account	157,652	63,894
	Contributions made during the year	(157,652)	(63,890)
	Remeasurement gain recognised in other comprehensive income	198	221,604
	Closing net defined benefit asset	<u>(1,865,370)</u>	<u>(1,865,568)</u>

9.1.3 Amount charged to the profit and loss account

Following amounts have been charged to the profit and loss account during the current year in respect of this scheme:

	Note	2017	2016
		-----Rupees-----	
Current service cost	9.1.4	318,472	272,375
Interest cost	9.1.4	272,081	248,348
Expected return on plan assets	9.1.5	(432,901)	(456,829)
		<u>157,652</u>	<u>63,894</u>
Actual return on plan assets	9.1.6	<u>235,722</u>	<u>391,465</u>

Out of total charges for the year Rs. 12,612 (2016 : Rs. 4,877) relates to the employees of fuel station operation.

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	2017	2016
	-----Rupees-----	
9.1.4 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at beginning of the year	2,884,495	2,246,174
Current service cost	318,472	272,375
Interest cost	272,081	248,348
Benefits paid	(238,902)	-
Transferees	(679,507)	-
Remeasurement (gain) / loss for the year	(196,981)	117,598
Present value of defined benefit obligation at the end of the year	<u>2,359,658</u>	<u>2,884,495</u>
9.1.5 Movement in the fair value of plan assets		
Fair value of plan assets at beginning of the year	4,750,063	4,333,350
Expected return to plan assets	432,901	456,829
Contributions	157,652	63,890
Benefit paid	(238,902)	-
Transferees	(679,507)	-
Remeasurement gain / (loss) for the year	(197,179)	(104,006)
Fair value of plan assets at end of the year	<u>4,225,028</u>	<u>4,750,063</u>
9.1.6 Re-measurement gain recognised in other comprehensive income		
Re-measurement: Actuarial loss / (gain) on obligation		
Due to change in financial assumptions	2,701	(19,779)
Due to change in experience adjustments	(199,682)	137,377
Remeasurement: Actuarial loss / (gain) on plan assets	-	-
Actual return on plan assets	235,722	391,465
Interest income on plan assets	432,901	456,829
Opening difference	-	(38,643)
Re-measurement gain recognised in other comprehensive income	<u>198</u>	<u>221,605</u>

	2017	2016
	-----Rupees-----	
9.1.7 Composition of plan assets		
Debt instruments	2,906,090	3,543,202
Bank deposits	1,318,938	1,206,861
	<u>4,225,028</u>	<u>4,750,063</u>

9.1.8 Actuarial assumptions

The principal assumptions used in the actuarial valuation carried out as of June 30, 2017, using the 'Projected Unit Credit' method, are as follows:

	2017	2016
	%	%
Expected rate of increase in salary	9.25%	9.0%
Discount rate used to determine the actuarial present value of obligation	9.25%	9.0%
Expected rate of return on plan assets	9.25%	9.0%
Expected mortality rate	SLIC (2001-05)-1 with 1 year set back	SLIC (2001-05)-1 with 1 year set back
Expected withdrawal rate	Age dependent	Age dependent

Fair value of plan assets has been determined by the actuary based on the assumption that gratuity payable in respect of June 2017 amounting to Rs. 157,652 has been paid before June 30, 2017.

Expected accrual of expenses in respect of gratuity scheme in the next financial year on the advice of the actuary is Rs. 26,746.

9.1.9 Actuarial Risk

The scheme exposes the Modaraba to the following actuarial risks:

Salary risk

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

Mortality / withdrawal risk

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

Investment risk

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

In case of the funded plans, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the defined benefit plan. The Modaraba actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the defined benefit plan obligations. The Modaraba has not changed the process used to manage its risks from previous years. Investments are well diversified. A large portion of the plan assets in the year 2017 consists of debt instruments.

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.

9.1.10 Sensitivity analysis

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

	Defined benefit obligation	
	Effect of 1%	
	Increase	Decrease
	-----Rupees-----	
Discount rate	2,092,326	(2,669,195)
Expected rate of increase in salaries	2,678,350	(2,080,444)

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 asset as at June 30, 2017 is 12.16 years (2016: 13.36 years).

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Projected benefit payments from gratuity fund are as follows:

	Rupees
For the year 2017	27,662
For the year 2018	32,505
For the year 2019	39,457
For the year 2020	43,671
For the year 2021	47,911
For the year 2022- 26	1,528,049

9.1.11 Historical information (in respect of the gratuity scheme)	2017	2016	2015	2014	2013
	Rupees				
Defined benefit obligation	2,359,658	2,884,495	2,246,174	2,775,218	5,613,411
Fair value of plan assets	(4,225,028)	(4,750,063)	(4,333,350)	(4,738,058)	(5,323,150)
Unrecognized actuarial loss	-	-	-	-	(289,992)
(Surplus) / Deficit	<u>(1,865,370)</u>	<u>(1,865,568)</u>	<u>(2,087,176)</u>	<u>(1,962,840)</u>	<u>269</u>
Remeasurements of plan liabilities	<u>196,981</u>	<u>(117,598)</u>	<u>366,366</u>	<u>2,251,861</u>	<u>-</u>
Remeasurements of plan assets	<u>(197,179)</u>	<u>(104,007)</u>	<u>(244,213)</u>	<u>(288,752)</u>	<u>-</u>
Remeasurement loss of prior period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(289,992)</u>	<u>-</u>

10. TAX REFUNDS DUE FROM GOVERNMENT

This represents amounts withheld by various withholding agents on account of income earned in current and prior years. The income of the Modaraba is exempt from income tax provided it distributes 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves, in accordance with the Second Schedule to the Income Tax Ordinance, 2001. The Modaraba has either incurred loss in prior years on account of which no distribution was required to be made or has made the required distribution of 90% in current and prior years. Accordingly, no tax was required to be paid by the Modaraba and the entire amount has been recorded as recoverable.

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	2017	2016
	-----Rupees-----	
11. INVENTORY		
Consumables	200,538	200,538
Fuel and lubricants	1,037,446	726,341
	<u>1,237,984</u>	<u>926,879</u>
Provision for obsolete / slow moving inventory	(200,538)	(200,538)
	<u>1,037,446</u>	<u>726,341</u>

12. PROPERTY AND EQUIPMENT UNDER IJARAH ARRANGEMENTS

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

	2017		
	Machinery	Vehicles	Total
	-----Rupees-----		
At July 01, 2016			
Cost	63,611,683	99,606,941	163,218,624
Accumulated depreciation	<u>(27,731,290)</u>	<u>(33,312,987)</u>	<u>(61,044,277)</u>
Net book value	35,880,393	66,293,954	102,174,347
Additions	-	2,348,000	2,348,000
Disposals			
Cost	(17,917,853)	(27,749,531)	(45,667,384)
Depreciation	13,373,348	19,131,552	32,504,900
	(4,544,505)	(8,617,979)	(13,162,484)
Depreciation charge for the year	<u>(13,261,064)</u>	<u>(24,983,898)</u>	<u>(38,244,962)</u>
Closing net book value	<u>18,074,824</u>	<u>35,040,077</u>	<u>53,114,901</u>
At June 30, 2017			
Cost	45,693,830	74,205,410	119,899,240
Accumulated depreciation	<u>(27,619,006)</u>	<u>(39,165,333)</u>	<u>(66,784,339)</u>
Net book value	<u>18,074,824</u>	<u>35,040,077</u>	<u>53,114,901</u>
Life (years)	<u>3 to 4</u>	<u>3 to 5</u>	

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	2016		
	Machinery	Vehicles	Total
	-----Rupees-----		
At July 01, 2015			
Cost	63,611,683	48,530,801	112,142,484
Accumulated depreciation	(11,887,432)	(18,070,552)	(29,957,984)
Net book value	51,724,251	30,460,249	82,184,500
Additions	-	63,148,000	63,148,000
Disposals			
Cost	-	(12,071,860)	(12,071,860)
Depreciation	-	7,374,577	7,374,577
	-	(4,697,283)	(4,697,283)
Depreciation charge for the year	(15,843,858)	(22,617,012)	(38,460,870)
Closing net book value	35,880,393	66,293,954	102,174,347
At June 30, 2016			
Cost	63,611,683	99,606,941	163,218,624
Accumulated depreciation	(27,731,290)	(33,312,987)	(61,044,277)
Net book value	35,880,393	66,293,954	102,174,347
Life (years)	3 to 4	3 to 5	

Note 2017 2016
-----Rupees-----

13. PROPERTY AND EQUIPMENT

Property and equipment in own use	13.1	71,084,852	71,983,205
Towers and allied equipment	13.2	350,000	350,000
		71,434,852	72,333,205

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13.1.1 Depreciation charge for the year

Note	2017	2016
	-----Rupees-----	
Operating expenses	750,531	867,533
Fuel station business	446,646	438,773
	<u>1,197,177</u>	<u>1,306,306</u>

13.2 Towers and allied equipment

	2017		
	Towers with allied	Other allied	Total
	-----Rupees-----		
At July 01, 2016			
Cost	2,216,553	2,127,811	4,344,364
Accumulated depreciation	(762,539)	(2,127,811)	(2,890,350)
Provision for impairment losses	<u>(1,104,014)</u>	-	<u>(1,104,014)</u>
Net book value	350,000	-	350,000
Additions	-	-	-
Disposals			
Cost	-	-	-
Depreciation	-	-	-
Depreciation charge for the year	-	-	-
Closing net book value	<u>350,000</u>	<u>-</u>	<u>350,000</u>
At June 30, 2017			
Cost	2,216,553	2,127,811	4,344,364
Accumulated depreciation	(762,539)	(2,127,811)	(2,890,350)
Provision for impairment losses	<u>(1,104,014)</u>	-	<u>(1,104,014)</u>
Net book value	<u>350,000</u>	<u>-</u>	<u>350,000</u>
Life (Years)	<u>20</u>	<u>5</u>	
	2016		
	Towers with allied	Other allied	Total
	-----Rupees-----		
At July 01, 2015			
Cost	2,216,553	2,127,811	4,344,364
Accumulated depreciation	(762,539)	(2,127,811)	(2,890,350)
Provision for impairment losses	<u>(1,104,014)</u>	-	<u>(1,104,014)</u>
Net book value	350,000	-	350,000
Additions	-	-	-
Disposals			
Cost	-	-	-
Depreciation	-	-	-
Depreciation charge for the year	-	-	-
Closing net book value	<u>350,000</u>	<u>-</u>	<u>350,000</u>
At June 30, 2016			
Cost	2,216,553	2,127,811	4,344,364
Accumulated depreciation	(762,539)	(2,127,811)	(2,890,350)
Provision for impairment losses	<u>(1,104,014)</u>	-	<u>(1,104,014)</u>
Net book value	<u>350,000</u>	<u>-</u>	<u>350,000</u>
Life (Years)	<u>20</u>	<u>5</u>	

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

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13.3 Details of disposal of property and equipment are as under:

	Cost	Accumulated depreciation	Book value	Sale proceed	Gain/ (loss) on disposal	Mode of disposal	Particulars	Address
	Rupees							
Vehicle	68,400	(42,408)	25,992	14,500	(11,492)	Negotiation	Ijaz Ahmed Siddiqui	
- do -	44,900	(44,900)	-	11,000	11,000	Negotiation	Jehanzaib	E-50/6, Jehangir Road, New Town, Karachi
Office Equipment	180,000	(180,000)	-	6,000	6,000	Negotiation	Dynamic Business Equipment	Uni Centre, Show Room No. 36-40, I. I. Chundrigar Road, Karachi
- do -	7,000	(7,000)	-	1,617	1,617	Negotiation	Qadir Baloch	
Furniture & Fixture	23,020	(23,020)	-	5,316	5,316	Negotiation	Qadir Baloch	
Computers	31,900	(31,900)	-	7,367	7,367	Negotiation	Qadir Baloch	
2017	<u>355,220</u>	<u>(329,228)</u>	<u>25,992</u>	<u>45,800</u>	<u>19,808</u>			
2016	<u>869,435</u>	<u>(682,703)</u>	<u>186,732</u>	<u>950,000</u>	<u>763,268</u>			

14. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	2017	2016
		Rupees	
Accrued liabilities	14.1	6,546,271	6,452,153
Charity and donation	14.2	58,311	57,187
Payable to provincial government	14.3	2,581	1,544
Advance from customers		42,000	297,400
Others		1,455,902	1,806,219
Ijarah rental received in advance		174,259	536,891
		<u>8,279,324</u>	<u>9,151,394</u>

14.1 This includes amount payable in respect of staff compensated absences amounting to Rs. 316,605 (2016: Rs. 766,184).

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

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

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

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	Note	2017	2016
		-----Rupees-----	
15. MUSHARAKA FINANCE			
Musharaka Finance		-	12,357,296
Less: Current portion of Musharaka Finance		-	(4,826,383)
		<u>-</u>	<u>7,530,913</u>
16. SECURITY DEPOSITS			
Customers' security deposits	16.1	18,314,162	31,241,840
Less: Current portion of security deposits		(10,725,562)	(12,132,336)
		<u>7,588,600</u>	<u>19,109,504</u>

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

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

2017	2016		2017	2016
Number of certificates			-----Rupees-----	
<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 certificate capital				
2017	2016			
Number of certificates				
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	Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates	46,884,000	46,884,000
166,545	166,545	Modaraba Certificates of Rs. 10 each issued on merger	1,665,450	1,665,450
<u>18,423,945</u>	<u>18,423,945</u>		<u>184,239,450</u>	<u>184,239,450</u>

17.1 BankIslami Modaraba Investments Limited (Modaraba Management Company) held 2,342,490 certificates (2016: 2,342,490 certificates) of Rs. 10 each.

18. STATUTORY RESERVE

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

During the current year, the Modaraba has transferred an amount of Rs. 1,304,312 (2016: Rs. 936,132) which represents 20% (2016: 20%) of the profit after tax.

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

There were no contingencies as at June 30, 2017 other than as explained below.

The Additional Commissioner of Income Tax (ACIT) amended the assessment for the tax year 2007, dismissing the exemption claimed by the Modaraba on the contention of non distribution of profit as per the provisions of the respective tax laws and created tax demand of Rs. 1.93 million. The Modaraba filed an appeal against the said order with the Commissioner of Income Tax (CIT) who in his order maintained the treatment of the ACIT. The second appeal filed against the said order with the Appellate Tribunal Inland Revenue (the Tribunal) was also decided against the Modaraba. The Modaraba then filed an application to the Tribunal for a review of their decision, which has also been decided against the Modaraba during the year ended June 30, 2016. The Modaraba has again filed an application for review of their decision to the Tribunal and a reference in the High Court. The management is hopeful for a favourable outcome and therefore, no provision is made in these financial statements.

19.2 Commitments

There were no commitments outstanding as at June 30, 2017 and June 30, 2016.

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		2017	2016
	Note	-----Rupees-----	
20. PROFIT FROM OPERATIONS OF FUEL STATION			
Income	20.1		
Sale of fuel		157,226,627	124,109,668
Cost of sales		(150,070,958)	(118,549,113)
		7,155,669	5,560,555
Rental income	20.2	1,243,250	1,182,000
		8,398,919	6,742,555
Expenses			
Salaries and allowances		1,631,613	1,568,640
Generator fuel		399,444	438,496
Depreciation		446,646	438,773
Electricity		596,901	321,316
Repairs and maintenance		471,280	582,710
Printing and stationery		18,520	15,675
Security guards		396,000	343,200
Insurance		71,334	73,998
Telephone		21,080	21,516
Entertainment		19,010	16,980
Rent, rates & taxes		250,014	288,447
Transportation		5,500	1,000
Miscellaneous		190,226	159,810
		4,517,568	4,270,561
Profit before taxation		3,881,351	2,471,994
Taxation		(741,936)	(586,791)
Profit after taxation		3,139,415	1,885,203

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

20.2 The amount represents rent earned in respect of the plot of land used for fuel station under a lease deed dated August 13, 2009 with the Company. Initial term of the rent agreement is for fifteen years. The amount also includes rental income earned from operation of TUCK shop and Car wash.

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2017 2016

-----Rupees-----

21. OTHER INCOME

Rental income	21.1	5,103,554	4,676,528
Gain on disposal of property and equipment		19,808	763,268
Others		145,000	2,359,877
		<u>5,268,362</u>	<u>7,799,673</u>

21.1 This includes rental income earned from letting out of vacant office premises temporarily to BankIslami Pakistan Limited (parent company of the Modaraba Management Company and a related party).

22. PROVISION FOR / (REVERSAL OF) IMPAIRMENT LOSS

2017

	Property and equipment	Ijarah finance	Murabaha finance	Operating lease	Maintenance rentals	Other fee	receivables	Total
Opening balance	1,104,014	32,989,575	2,517,068	10,194,320	4,275,537	8,053,663		59,134,177
Closing balance	<u>1,104,014</u>	<u>32,989,575</u>	<u>2,517,068</u>	<u>10,194,320</u>	<u>4,275,537</u>	<u>8,053,663</u>		<u>59,134,177</u>

2016

	Investments	Property and equipment	Ijarah finance	Murabaha finance	Operating lease	Maintenance fee	Other receivables	Total
Opening balance	1,000,000	1,104,014	33,013,657	2,517,068	10,194,320	4,275,537	8,053,663	60,158,259
Reversal due to recoveries	(1,000,000)	-	(24,082)	-	-	-	-	(1,024,082)
Closing balance	<u>-</u>	<u>1,104,014</u>	<u>32,989,575</u>	<u>2,517,068</u>	<u>10,194,320</u>	<u>4,275,537</u>	<u>8,053,663</u>	<u>59,134,177</u>

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23. ADMINISTRATIVE AND OPERATING EXPENSES	Note	2017	2016
		-----Rupees-----	
Salaries, allowances and other benefits	23.1	4,147,525	6,629,637
Rent, rates and taxes		162,141	293,125
Depreciation		750,531	867,533
Fuel and conveyance		249,580	262,375
Repairs and maintenance		331,600	736,491
Legal and professional		1,316,643	1,426,655
Electricity		418,321	271,492
Telephone		176,091	211,021
Entertainment		67,184	95,138
Insurance		121,266	174,677
Printing and stationery		552,546	491,616
Auditors' remuneration	23.2	506,400	504,720
Subscription		429,704	411,816
Registrar services		295,466	332,627
Postage		174,775	162,643
Advertisement		272,879	392,503
Others		144,027	648,345
		<u>10,116,679</u>	<u>13,912,414</u>

23.1 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:

	2017			2016		
	Officers (key management personnel)	Other employees	Total	Officers (key management personnel)	Other employees	Total
	-----Rupees-----					
Salaries	548,778	1,603,943	2,152,721	2,133,518	1,503,430	3,636,948
Retirement benefits						
Defined contribution plan - provident fund	23,943	82,773	106,716	93,594	72,681	166,275
Defined benefit plan - gratuity fund	76,351	68,689	145,040	32,108	31,782	63,890
House rent allowance	246,950	723,124	970,074	960,083	676,543	1,636,626
Conveyance and other allowances	261,159	511,815	772,974	806,809	319,089	1,125,898
	<u>1,157,181</u>	<u>2,990,344</u>	<u>4,147,525</u>	<u>4,026,112</u>	<u>2,603,525</u>	<u>6,629,637</u>
Number of employees at the end of year	-	6	6	3	7	10

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23.1.1 One officer of the Modaraba is also provided with free use of vehicle owned and maintained by the Modaraba.

23.1.2 The information in respect of key management personnel represents their remuneration for the first three months of the year. With effect from October 1, 2016 these key management personnel were transferred to the payroll of the Modaraba Management Company. The remuneration charge of the key management personnel for the corresponding year is for the entire year.

	2017	2016
	-----Rupees-----	
23.2 Auditors' remuneration		
Statutory audit	340,200	340,200
Review report on statement of compliance with the Code of Corporate Governance	21,600	21,600
Review of the half yearly financial information	91,800	91,800
Other certifications	10,800	10,800
Out of pocket expenses	42,000	40,320
	<u>506,400</u>	<u>504,720</u>

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

25. TAXATION

25.1 As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation for statutory reserves. Accordingly, no provision in respect of current and deferred tax has been made in these financial statements. The tax charged represents tax on purchase of fuel for fuel station which is covered under presumptive tax regime. This tax has been treated as a full and final tax charge.

25.2 The income tax returns of the Modaraba have been filed upto the financial year ended June 30, 2016 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

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	Note	2017	2016
		-----Rupees-----	
26. EARNINGS PER CERTIFICATE			
- BASIC AND DILUTED			
Basic earnings per certificate is worked out as under:			
Profit for the year		<u>6,521,560</u>	<u>4,680,662</u>
Weighted average number of ordinary certificates outstanding during the year		<u>18,423,945</u>	<u>18,423,945</u>
Earnings per certificate - basic & diluted	26.1	<u>0.35</u>	<u>0.25</u>

- 26.1** No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instrument which would have an impact on basic earnings per certificate when exercised.

27. RELATED PARTY TRANSACTIONS

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

Remuneration to the key management personnel (executives), disclosed in note 23.1 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 actuary's advice respectively. Other transactions with related parties are in accordance with the agreed terms.

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

	2017	2016
	-----Rupees-----	
BankIslami Pakistan Limited (holding company of the Modaraba Management Company)		
Profit on Islamic profit and loss sharing account	<u>151,510</u>	<u>41,627</u>
Rental income	<u>5,103,554</u>	<u>4,676,528</u>
Bank charges	<u>1,932</u>	<u>1,038</u>
BankIslami Modaraba Investments Limited (Modaraba Management Company)		
Services sales tax on management fees	<u>1,037</u>	<u>753</u>
Musharaka profit expense	<u>251,716</u>	<u>1,193,028</u>
Disbursement of Musharaka Finance	<u>-</u>	<u>32,126,000</u>
Repayment of Musharaka Finance	<u>12,357,296</u>	<u>19,768,704</u>
Other related parties (key management personnel)		
Loan taken by the key management personnel	<u>-</u>	<u>100,000</u>
Other transactions		
Contributions to staff provident fund	<u>131,754</u>	<u>189,357</u>
Contribution to staff gratuity fund	<u>157,652</u>	<u>63,890</u>

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

	2017	2016
	-----Rupees-----	
BankIslami Modaraba Investments Limited (Modaraba Management Company)		
Musharaka Finance	<u>-</u>	<u>12,357,296</u>
BankIslami Pakistan Limited (holding company of the Modaraba Management Company)		
Bank deposits	<u>10,700,773</u>	<u>4,214,320</u>
Amount receivable in respect of genset and premises rent income and others	<u>1,380,293</u>	<u>641,926</u>
Other related parties (key management personnel)		
Loan taken by the key management personnel	<u>-</u>	<u>62,497</u>

28. FINANCIAL INSTRUMENTS BY CATEGORY

	2017	2016
	-----Rupees-----	
Financial assets as per balance sheet		
Loans and receivables		
Cash and bank balances	19,591,033	5,935,865
Ijarah Finance	3,755,007	3,755,007
Receivable against Ijarah rentals and maintenance services	6,060,187	1,061,324
Advances, deposits and other receivables	4,183,515	3,401,486
Diminishing Musharaka	7,693,116	-
Murabaha finance	-	-
	<u>41,282,858</u>	<u>14,153,682</u>
Financial liabilities as per balance sheet		
Other financial liabilities		
Creditors accrued and other liabilities	8,279,324	9,151,394
Musharaka Finance	-	12,357,296
Security deposits - Ijarah	18,314,162	31,241,840
Unclaimed profit distribution	7,312,673	7,047,853
	<u>33,906,159</u>	<u>59,798,383</u>

29. 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 Ijarah rentals and maintenance fee, Murabaha finance, Diminishing Musharaka finance and other receivables and cash and bank balances that arise directly from its operations.

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29.1 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

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

	2017					
	Less than 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Total Contractual	Carrying Amount
	-----Rupees-----					
Creditors, accrued and other liabilities	8,279,324	-	-	-	8,279,324	8,279,324
Musharaka Finance	-	-	-	-	-	-
Security deposits	6,153,257	4,572,305	7,588,600	-	18,314,162	18,314,162
Unclaimed profit distribution	7,312,673	-	-	-	7,312,673	7,312,673
	<u>21,745,254</u>	<u>4,572,305</u>	<u>7,588,600</u>	<u>-</u>	<u>33,906,159</u>	<u>33,906,159</u>
	2016					
	Less than 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Total Contractual	Carrying Amount
	-----Rupees-----					
Creditors, accrued and other liabilities	9,151,394	-	-	-	9,151,394	9,151,394
Musharaka Finance	2,350,227	3,290,318	7,990,773	-	13,631,318	12,357,296
Security deposits	4,002,600	8,129,736	19,109,504	-	31,241,840	31,241,840
Unclaimed profit distribution	7,047,853	-	-	-	7,047,853	7,047,853
	<u>22,552,074</u>	<u>11,420,054</u>	<u>27,100,277</u>	<u>-</u>	<u>61,072,405</u>	<u>59,798,383</u>

29.2 Credit risk and concentration of credit

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

Modaraba Al-Mali

The Modaraba is exposed to credit risk mainly from its deposits with banks and financial institutions and receivable against Ijarah rentals and maintenance services, Murabaha finance, Diminshing Musharaka finance and other receivables.

The Modaraba's maximum exposure to credit risk related to receivable at June 30, 2017 and June 30, 2016 is the carrying amounts of following financial assets.

	2017	2016
	-----Rupees-----	
Ijarah Finance	3,755,007	3,755,007
Receivable against Ijarah rentals and maintenance services	6,060,187	1,061,324
Bank balances	19,125,620	5,457,572
Advances, deposits, and other receivables	4,183,515	3,401,486
Diminishing Musharaka	7,693,116	-
Murabaha finance	-	-
	<u>40,817,445</u>	<u>13,675,389</u>

The Ijarah finance is secured against customers' security deposit.

The Modaraba had adopted a policy of dealing with creditworthy counterparties only. These parties are 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 bank balances.

Banks	Short Term	Long Term	2017 Rupees	2016 Rupees
BankIslami Pakistan Limited	A1	A+	10,700,773	4,214,320
Bank Alfalah Limited	A1+	AA	8,363,606	1,180,680
Meezan Bank Limited	A1+	AA	47,439	46,421
Dubai Islamic Bank	A-1	A	4,710	4,635

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

Modaraba Al-Mali

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

Regulations of Modarabas is as under:

As at June 30, 2017					
	OAEM	Substan dard	Doubtful	Loss	Total
	----- Rupees -----				
Ijarah finance	-	-	-	44,235,946	44,235,946
Murabaha finance	-	-	-	2,517,068	2,517,068
Receivable against Ijarah rentals and maintenance services	-	-	-	14,469,857	14,469,857
Other receivables	-	-	-	8,053,663	8,053,663
As at June 30, 2016					
	OAEM	Substan dard	Doubtful	Loss	Total
	----- Rupees -----				
Ijarah finance	-	-	-	44,235,946	44,235,946
Murabaha finance	-	-	-	2,517,068	2,517,068
Receivable against Ijarah rentals and maintenance services	-	-	-	14,469,857	14,469,857
Other receivables	-	-	-	8,053,663	8,053,663

Total impairment against these assets as at June 30, 2017 is Rs. 58,030,163 (2016: Rs. 58,030,163).

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.

29.2.1 Concentration of credit risk

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

Sector	2017		2016	
	Rupees	%	Rupees	%
Financial Institutions	270,692	0.26%	270,692	0.19%
Distributors, Wholesalers and Retailers	26,448,264	25.38%	26,448,264	18.17%
Food, Tobacco and Beverages	11,040,945	10.59%	20,040,945	13.77%
Chemical, Fertilizer and Pharma	10,341,618	9.92%	25,685,364	17.64%
Textile and Garments	3,621,383	3.48%	3,621,383	2.49%
Steel, Engineering and Autos	2,612,229	2.51%	1,273,301	0.87%
Transport and Communication	3,761,563	3.61%	4,560,055	3.13%
Glass, Ceramics and Plastics	1,311,650	1.26%	1,311,650	0.90%
Misc. / Individuals	44,803,569	42.99%	62,359,003	42.84%
	<u>104,211,913</u>	<u>100%</u>	<u>145,570,657</u>	<u>100%</u>

29.3 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.

29.3.1 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:

	2017	2016
	-----Rupees-----	
Profit bearing financial instruments		
Bank balances	18,354,465	4,903,813
Musharaka finance	-	12,357,296

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.

	Impact on profit or loss	
	2017	2016
	-----Rupees-----	
Sensitivity analysis of profit rate		
100 Basis points	691,963	239,306
(100) Basis points	493,735	129,951

29.3.2 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 Pakistan Rupees.

29.3.3 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.

30. 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. Consequently, differences may arise between the carrying values and the fair value estimates.

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

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

Currently, the Modaraba does not hold any assets which are either being carried or disclosed at fair value.

31. 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 reportable operating segments:

Financing/ Investments Ijarah, Murabaha and investments

Fuel station Petrol and diesel filling / service station

The management is in process of identifying disposal avenues along with fair price determination of 'Fuel Station' business, however, as the management does not foresee the sale of the fuel station within next one year, it cannot be regarded as discontinued operation and hence has not been classified as 'held for sale'.

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

SEGMENT RESULTS

	2017		
	Financing / Investments	Fuel station	Total
	-----Rupees-----		
Income	46,583,824	157,226,627	203,810,451
Result			
Profit / (loss) for the year before taxation	7,010,454	3,881,351	10,891,805
Profit / (loss) for the year after taxation	7,010,454	3,139,415	10,149,869
	2016		
	Financing / Investments	Fuel station	Total
	-----Rupees-----		
Income	47,333,665	124,109,668	171,443,333
Result			
Profit / (loss) for the year before taxation	6,621,138	2,471,994	9,093,132
Profit / (loss) for the year after taxation	6,621,138	1,885,203	8,506,341
	2017	2016	
	-----Rupees-----		
Reconciliation of segment results			
Total results for reportable segments	10,149,869	8,506,341	
Rental income	5,103,554	4,676,528	
Other operating income	454,431	3,435,763	
Reversal of Provision	-	1,024,082	
Operating expenses:			
Salaries, allowances and other benefits	(3,502,159)	(6,068,637)	
Depreciation	(750,531)	(867,533)	
Workers' welfare fund	(145,270)	(107,514)	
Fuel and conveyance	(222,001)	(262,375)	
Other unallocated operating expenses	(4,894,625)	(5,877,598)	
Profit for the year	6,521,362	4,459,057	

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	2017		
	Financing / Investments	Fuel station	Total
	-----Rupees-----		
Assets and liabilities			
Total assets	56,869,908	72,990,584	129,860,492
Total liabilities	18,314,162	1,349,102	19,663,264

	2016		
	Financing / Investments	Fuel station	Total
	-----Rupees-----		
Assets and liabilities			
Total assets	108,277,354	72,193,586	180,470,940
Total liabilities	43,599,136	660,254	44,259,390

	Assets	
	2017	2016
	-----Rupees-----	
Reconciliation of segments' assets and liabilities		
Total for reportable segments	129,860,492	180,470,940
Advance income tax	26,624,052	25,665,671
Property and equipment	1,944,392	2,431,263
Cash and bank balance	19,591,033	5,935,865
Other unallocated assets	18,263,738	4,835,620
Total as per balance sheet	196,283,707	219,339,358

	Liabilities	
	2017	2016
	-----Rupees-----	
Total for reportable segments	19,663,264	44,259,390
Unclaimed profit distribution	7,312,673	7,047,853
Charity and donations payable	58,311	57,187
Other unallocated liabilities	6,871,911	8,433,953
Total as per balance sheet	33,906,159	59,798,383

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OTHER INFORMATION

	2017			
	Financing/ Investments	Fuel station	Unallocated	Consolidated
	Rupees			
Capital expenditure	-	130,949	193,867	324,816
Depreciation	38,244,962	446,646	750,531	39,442,139
Provision for / (reversal) of impairment loss	-	-	-	-
Salaries, allowances and other benefits	4,147,525	1,631,613	-	5,779,138
Rent, rates and taxes	-	250,014	162,141	412,155
Disposal of investments	-	-	-	-
Advertisement	-	-	272,879	272,879
Income tax	-	741,936	-	741,936

	2016			
	Financing/ Investments	Fuel station	Unallocated	Consolidated
	Rupees			
Capital expenditure	-	-	265,382	265,382
Depreciation	38,460,870	438,773	867,533	39,767,176
Provision for / (reversal) of impairment loss	(24,082)	-	-	(24,082)
Salaries, allowances and other benefits	6,629,637	1,568,640	-	8,198,277
Rent, rates and taxes	-	288,447	293,125	581,572
Disposal of investments	1,000,000	-	-	1,000,000
Advertisement	-	-	392,503	392,503
Income tax	-	586,791	-	586,791

32. 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.

The Modaraba manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. It is the Modaraba's practice to distribute at least 90% of the profit earned during the period to its certificate holders in order to avail tax exemption under clause 100 of Part I of the Second Schedule to Income Tax Ordinance 2001. However in order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit distributable to certificate holders or issue new certificates.

The Modaraba is not subject to externally imposed capital requirements.

33. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on August 09, 2017 has approved final cash dividend of 0.28 per certificate. The financial statements of the Modaraba for the year ended June 30, 2017 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, 2018.

34. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. No significant reclassifications have been made to the corresponding figures except the following:

Income tax refunds due from government amounting to Rs. 26,624,052 (2016: Rs. 25,665,671) which was classified under advances, deposits, prepayments and other receivables has now been reclassified and shown separately on the face of balance sheet. As a result of this reclassification, the balance as at June 30, 2015 in respect of "Tax refunds due from government" has been presented on the face of the balance sheet in accordance with the requirements of International Financial Reporting Standards.

35. GENERAL

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

36. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Modaraba Management Company on August 09, 2017.

Modaraba Al-Mali

PATTERN OF CERTIFICATE HOLDING

As at June 30, 2017

Number of Certificate Holding	Certificate Holding		To Certificate Held	Percentage %
	From	To		
1990	1	100	41,103	0.22
623	101	500	175,718	0.95
305	501	1000	238,891	1.30
483	1001	5000	1,083,736	5.88
119	5001	10000	873,400	4.74
41	10001	15000	527,425	2.86
17	15001	20000	292,170	1.59
8	20001	25000	180,341	0.98
6	25001	30000	160,425	0.87
7	30001	35000	226,674	1.23
2	35001	40000	75,479	0.41
6	40001	45000	259,682	1.41
5	45001	50000	241,783	1.31
1	55001	60000	55,786	0.30
5	60001	65000	313,620	1.70
1	65001	70000	66,999	0.36
2	70001	75000	148,338	0.81
1	80001	85000	83,324	0.45
2	90001	95000	185,500	1.01
1	95001	100000	96,250	0.52
1	100001	105000	102,047	0.55
1	110001	115000	114,660	0.62
2	120001	125000	243,432	1.32
1	135001	140000	135,716	0.74
1	140001	145000	144,500	0.78
1	155001	160000	158,500	0.86
1	160001	165000	162,000	0.88
1	165001	170000	166,000	0.90
1	225001	230000	227,500	1.23
2	250001	255000	500,988	2.72
1	300001	305000	303,515	1.65
1	375001	380000	379,500	2.06
1	475001	480000	478,500	2.60
2	495001	500000	999,782	5.43
1	500001	505000	500,029	2.71
1	910001	915000	910,487	4.94
1	1420001	1425000	1,421,250	7.71
1	1770001	1775000	1,775,000	9.63
1	1840001	1845000	1,842,395	10.00
1	2530001	2535000	2,531,500	13.74
3648			18,423,945	100

CATEGORIES OF CERTIFICATE HOLDERS

As at June 30, 2017

Categories of Certificate Holders	Number	Ceartificates Held	Prcentage %
Associated Companies, Undeartakings, and Related Parties.			
Bankislami Modaraba Investments Ltd.,	1	2,342,490	12.714
Sub Total	1	2,342,490	12.714
N.I.T. & I.C.P.			
Invesment Corporation of Pakistan	1	794	0.004
National Bank of Pakistan Trustee Department	1	12,305	0.067
IDBP (ICP Unit)	1	498	0.003
Directors,Chief Executive Officer and their Spouse and Minor Children			
Muhammad Hamid	1	34,000	0.185
Sub Total	4	47,597	0.258
Public Sestor Company & Corporation			
Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modaraba's and Mutul Funds	16	1,440,000	7.816
Joint Stock Companies & Others	32	589,817	3.201
Individuals	3,595	14,004,041	76.010
Sub Total	3,643	16,033,858	87.027
Total	3,648	18,423,945	100.000

Modaraba Al-Mali

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 18th Annual Review Meeting of certificate holders of Modaraba Al-Mali will be held on Wednesday, the 25th October 2017 at 5:00 p.m. at 602, 6th Floor, Progressive Centre, PECHS, Sharae Faisal, Karachi to review the performance of the Modaraba for the year ended June 30, 2017 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular number 4/2004 by Registrar Modaraba Companies and Modarabas.

Company Secretary

Date: August 09.2017

Note:

1. The Modaraba Certificate transfer book shall remain closed from Wednesday, 18th October 2017 to Wednesday, 25th October 2017 (both days inclusive) to determine the names of Certificate Holders entitled to receive dividend and to attend the Annual Review Meeting. Transfers received in order at the registrar's office of the Modaraba up to the close of the business on Tuesday, 17th October 2017 will be treated in time for the entitlement of profit distribution and to attend Annual Review Meeting.
2. The certificate holders are advised to notify to the registrar of Modaraba Al-Mali, any change in their addresses.
3. CDC certificate holders desiring to attend the meeting are requested to bring their original NIC, Account, and Participant's ID number, for identification purpose.

اطلاع برائے سالانہ جائزہ اجلاس

بزرگوار اطلاع دی جاتی ہے کہ مضاربہ المالی کے سرٹیفکیٹ ہولڈرز کا اٹھارواں سالانہ جائزہ اجلاس ۲۵ اکتوبر ۲۰۱۷ء کو سہ پہر ۵:۰۰ بجے کمرہ نمبر ۶۰۲، چھٹی منزل، پروگریسیو سینٹر، ۳۰-اے، بلاک نمبر ۶، شارع فیصل، کراچی میں منعقد ہوگا جس میں رجسٹرڈ مضاربہ کے سرکلر نمبر ۴/۲۰۰۳ اور پروڈینشل ریگولیشن کے شق ۲۰ کے تحت، ۳۰ جون ۲۰۱۷ء کو ختم ہونے والے سال میں مضاربہ کی کارکردگی کا جائزہ لیا جائے گا۔

محمد حسن معارفانی

کمپنی سیکریٹری

۱۹ اگست ۲۰۱۷

کراچی

نوٹس:

۱. سرٹیفکیٹس ٹرانسفر بکس ۱۸، اکتوبر ۲۰۱۷ء سے ۲۵، اکتوبر ۲۰۱۷ء تک (بشمول دونوں ایام) بند رہیں گی تاکہ اجلاس میں شرکت اور ڈویڈنڈ کے حقدار کا تعین ہو سکے۔ سرٹیفکیٹ منتقلی کیلئے بروز منگل ۱۷، اکتوبر ۲۰۱۷ء کو کاروباری اوقات ختم ہونے سے پہلے تک المالی مضاربہ کے رجسٹرڈ آفس میں موصول ہونے والی تمام درخواست سالانہ جائزہ اجلاس میں شرکت اور ڈویڈنڈ کی تقسیم کیلئے بروقت تصور کی جائیں گی۔

۲. سرٹیفکیٹ ہولڈرز سے درخواست ہے کہ اگر ان کے پتوں میں کوئی تبدیلی ہو تو رجسٹرڈ آفیس کو آگاہ کریں۔

۳. سی ڈی سی سرٹیفکیٹ ہولڈرز جو اجلاس میں شرکت کرنا چاہتے ہیں، اپنے ساتھ اصل شناختی کارڈ، اکاؤنٹ اور پارٹنیشنسٹ آئی ڈی نمبر لازمی لائیں۔

Modaraba Al-Mali

M/s, _____

Bank Mandate Form/s.,

I Mr. / Ms./Mrs. _____ S/o, D/o, w/o, _____
hereby authorize Allied Bank Limited to send /directly credit cash dividends declared by it,
in my bank account as detailed below:

(i) Certificate holder's details	
Name of the Certificate holder	
Folio # / Participant & Account # CDC Investor #	
CNIC NO. / NTN	
Passport No. (in case of foreign shareholder)	
Landline / Cell Number of the Shareholder	
(ii) Certificate holder's Bank detail	
Bank's Name	
Branch Name and Address	
Branch Code Number.	
Title of Bank Account	
Account Number	
IBAN	

It is stated that the above particulars given by me are correct to the best of my knowledge and I shall keep the Company/ Share Registrar informed in case of any changes in the said particulars in future.

Signature of the Certificate holder

Modaraba Al-Mali

Dear Certificate holder,

ELECTRONIC PAYMENT OF CASH DIVIDENDS INSTEAD OF PHYSICAL DIVIDEND WARRANTS

Pursuant to Section 242 of the Companies Act-2017 and notification issued by the Security Exchange Commission of Pakistan (SECP) that all listed companies / Modaraba's must pay future cash dividends through electronic mode into the bank accounts of the certificate holders instead of issuing physical dividend warrants.

In this connection, it is necessary to provide complete bank mandate detail including IBAN number to credit the proceeds of the future dividends either RTGS or through direct instruction to the bank for credit of proceed into your bank account. You are therefore required to provide complete bank mandate details with IBANs otherwise future dividend could be withheld as per the section 242 and directives of SECP.

Certificate holders holding physical shares are requested to submit bank mandate by filling the attached format and send it to Company's Share Registrar at the following address:

M/s. Technology Trade (Pvt.) Ltd,

Shares Registrar,

Dagia House, 241-C,

Block -2, P.E.C.H.S, Karachi

Tel: 021-34391316-17 & 19, 021-34387960-61

Fax: 021-34391318

e-mail: mail@tpl.com.pk

The CDC shareholders must submit their bank mandate details to their investor account services or to their brokers where shares are placed electronically.

Your information should reach us on or before October 31, 2017.

For any query/ problem/information, the investors may contact the company's Share Registrar at the above phone Numbers, email address.

Yours faithfully,

Shares Registrar,








For Modaraba Al Mali



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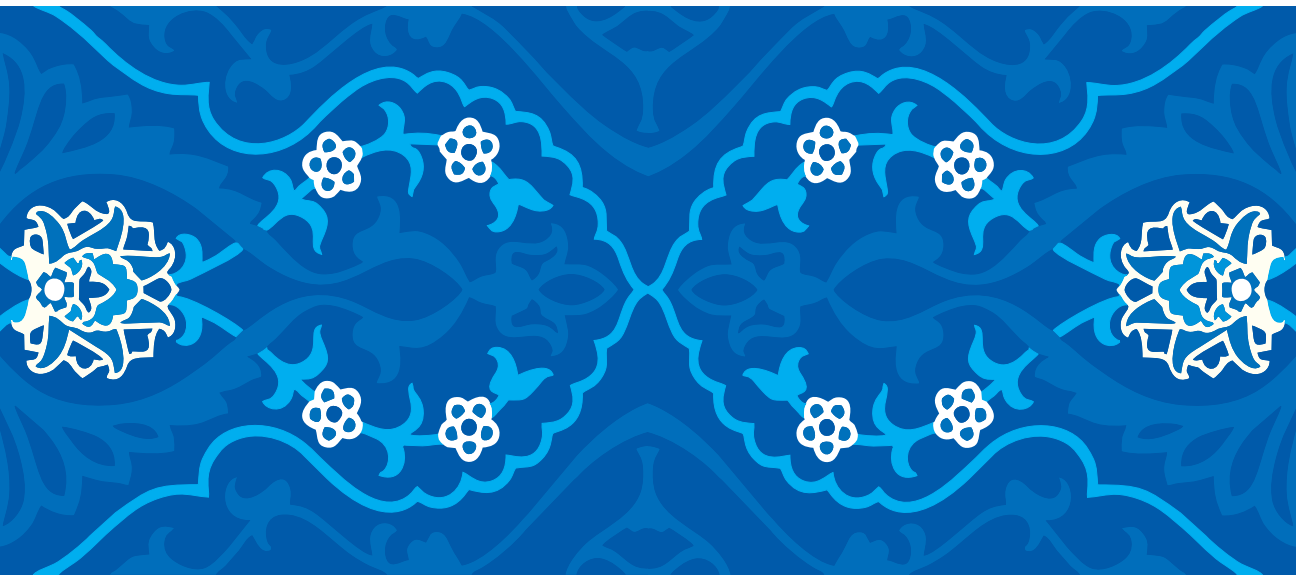


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*Mobile application is available for download for android and ios devices



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