

Modaraba Al-Mali
Managed by:
BankIslami Modaraba Investments Ltd.



**First Quarter Report
September 30, 2016
(Un-audited)**

10th Floor, Progressive Square, Opposite Nursery, Sharea Faisal, Karachi.
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CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Hamid	Chairman
	Ms. Ayesha Ashraf Jangda	Director
	Mr. Muhammad Faisal Shaikh	Director
	Mr. Rehan Shuja Zaidi	Director
	Mr. Syed Mujtaba Hussain Kazmi	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. Syed Mujtaba Hussain Kazmi	Chairman
	Mr. Muhammad Faisal Shaikh	Member
	Mr. Aziz Adil	Member
Management Team	Mr. Aziz Adil	Chief Executive Officer
	Mr. Zafar Ahmed Khan	Chief Financial Officer
	Mr. Zeeshan Bin Farrukh	Head of I.T/Admin
	Mr. Shah Muhammad Abdullah	Head of CAD
Auditors	A.F. Fergusons & 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, Sharea Faisal, Karachi.	
	Phone: 34547521-25, Fax: 34547526	
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	URL: http://www.modarabaalmali.com	

Directors' Review

Directors' Review

We are pleased to present un-audited interim Financial Statements of Modaraba Al-Mali for the period ended September 30, 2016 as required under section 245 of the Companies Ordinance, 1984, presented in accordance with the requirements of the International Accounting Standard-34 "Interim financial Reporting" as applicable in Pakistan.

Operating Results

Performance of Modaraba remained consistent following 2015-16 results as Modaraba earned a net profit of Rs.0.818 million for the 1st quarter ended September 30, 2016. Gross revenue increased from Rs. 10.99 million in September 2015 to Rs. 14.39 million, showing a 31% increase during period under review. Financing activities remained the focus where the income earned (net of depreciation) by Modaraba registered a growth of 9% over the comparative period. Fuel station yet again posted an encouraging result with net income of Rs.0.886 million for the quarter as against Rs.0.656 million earned in comparative period showing an increase of 35%. Moreover, there has been an increase in other income from Rs.1.265 million to Rs. 1.429 million showing an increase of 13%, this has been due to the revision in rates of rent.

Future Prospects

Modaraba is focused on financing business. Our endeavor is to book good quality assets and we intend to continue booking more such transactions in future as well through controlled leveraging our balance sheet.

Acknowledgement

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

On behalf of the Board

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Aziz Adil

Chief Executive Officer

Karachi: October 24, 2016

BALANCE SHEET (UN-AUDITED)

As at September 30, 2016

		Un-Audited September 30, 2016	Audited June 30, 2016
ASSETS	Note	(Rupees)	
Current assets			
Cash and bank balances		8,272,294	5,935,865
Ijarah finance	4	3,755,007	3,755,007
Murabaha finance	5	-	-
Investments	6	-	-
Receivable against operating lease/ijarah rentals and maintenance service	7	1,999,021	1,061,324
Advances, deposits, prepayments and other receivables	8	31,866,201	33,353,269
Inventory		632,539	726,341
		46,525,062	44,831,806
Non-current assets			
Property and equipment	9	72,210,368	72,333,205
Property and equipment under ijarah arrangement	10	89,061,654	102,174,347
Total non-current assets		161,272,022	174,507,552
Total assets		207,797,084	219,339,358
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities		8,843,118	9,151,394
Current portion of musharaka finance		2,427,286	4,826,383
Current portion of security deposits		9,355,226	12,132,336
Unclaimed profit distribution		7,092,853	7,047,853
Dividend payable -2016		3,684,789	-
Total current liabilities		31,403,272	33,157,966
Non-current liabilities			
Longterm portion of Musharaka Finance	11	3,088,801	7,530,913
Security deposits		16,630,464	19,109,504
Total liabilities		51,122,537	59,798,383
NET ASSETS		156,674,547	159,540,975

**REPRESENTED BY
CAPITAL AND RESERVES**

Authorized capital			
30,000,000 Modaraba certificates of Rs. 10 each		300,000,000	300,000,000
Issued, subscribed and paid-up			
18,423,945 Modaraba certificates of Rs. 10 each		184,239,450	184,239,450
Reserves		58,459,395	58,459,395
Accumulated loss		(86,024,298)	(83,157,870)
		(27,564,903)	(24,698,475)
Total capital and reserves		156,674,547	159,540,975
Contingencies and commitments	12		

The annexed notes form an integral part of these condensed interim financial information.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Executive

Director

Director

PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the quarter ended September 30, 2016

		September 30, 2016	September 30, 2015
INCOME	Note	(Rupees)	
Income from ijarah finance - net		12,080,558	9,074,470
Profit from operation of a fuel station - net	13	886,074	655,691
Other income - net		1,429,441	1,265,049
		14,396,073	10,995,210
EXPENDITURE			
Depreciation on property and equipment - ijarah		9,969,737	7,129,673
Musharaka profit expense		176,208	-
Operating expenses	14	3,248,944	3,343,818
		13,394,889	10,473,491
Reversal of impairment loss		1,001,184	521,719
		-	1,000,000
Provision for workers welfare fund		1,001,184	1,521,719
Modaraba company's management fee		(20,024)	(30,434)
Profit for the period before taxation		981,160	1,491,285
Taxation	15	(162,799)	(143,357)
Profit for the quarter		818,361	1,347,928
Other comprehensive income		-	-
Total comprehensive profit /for the period		818,361	1,347,928
Earning per certificate - basic and diluted		0.053	0.081

The annexed notes form an integral part of these condensed interim financial information.

For BankIslami Modaraba Investments Limited
Modaraba Management Company

Chief Executive

Director

Director

CASH FLOW STATEMENT (UN-AUDITED)

For the quarter ended September 30, 2016

	September 30, 2016	September 30, 2015
(A) CASH FLOWS FROM OPERATING ACTIVITIES		
	------(Rupees)-----	
Profit before taxation	981,160	1,491,285
Adjustments of non-cash and other items		
Depreciation - property and equipment- owned	186,155	274,977
Depreciation on property and equipment - fuel operations	110,433	108,706
Depreciation on property and equipment - ijarah	9,969,737	7,129,672
(Gain) /Loss on disposal property and equipment	(6,000)	-
Reversal of impairment loss	-	(1,000,000)
	10,260,325	6,513,355
	11,241,485	8,004,640
(Increase) / decrease in current assets		
Ijarah finance	-	-
Receivable against operating lease rentals and maintenance service	(937,697)	236,586
Advances, deposits, prepayments and other receivables	1,720,376	(19,322,539)
Inventory	93,802	475,127
	876,481	(18,610,826)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(263,263)	3,428,255
Security deposits received/(paid)	(5,256,150)	77,579
	(5,519,413)	3,505,834
	6,598,553	(7,100,352)
	(396,125)	(402,551)
Income taxes paid		
Net cash flows generated from operating activities	6,202,428	(7,502,903)
(B) CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment- ijarah	(2,348,000)	(1,059,000)
Purchase of property and equipment - own	(173,737)	(111,512)
Disposal of long term investmtns	-	1,000,000
Proceeds from disposal of property and equipment - Ijarah	5,490,950	-
Proceeds from disposal of property and equipment - own	6,000	-
Net cash flows used in investing activities	2,975,213	(170,512)
(C) CASH FLOWS FROM FINANCING ACTIVITIES		
Musharaka Finance -repayments	(6,841,212)	9,126,000
Long term deposits received	-	-
	2,336,429	1,452,585
Net decrease in cash and cash equivalents	5,935,865	12,284,683
Cash and cash equivalents at beginning of the period	8,272,294	13,737,268
Cash and cash equivalents at end of the period		

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

*For BankIslami Modaraba Investments Limited
Modaraba Management Company*

Chief Executive Officer

Director

Director

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the quarter ended September 30, 2016

	Reserves					
	Capital	reserves	Revenue reserves			
Certificate	Certificate	Statutory	Accumulated	Total	Total	
Capital	premium	reserve*	loss	Reserves		
	------(Rupees)-----					
Balance at July 01, 2015	184,239,450	511,409	57,011,854	(82,996,006)	(25,472,743)	158,766,707
Comprehensive income						
Profit for the period ended June 30,2016	-	-	-	4,680,662	4,680,662	4,680,662
Other comprehensive income	-	-	-	(221,605)	(221,605)	(221,605)
Transfer to statutory reserve	-	-	936,132	(936,132)	-	-
Total comprehensive income for the period	-	-	936,132	3,522,925	4,459,057	4,459,057
Final cash dividend of @ Re. 0.20 per certificate for the year ended June 30,2015.				(3,684,789)	(3,684,789)	(3,684,789)
Balance at June 30, 2016	184,239,450	511,409	57,947,986	(83,157,870)	(24,698,475)	159,540,975
Balance at July 01, 2016	184,239,450	511,409	57,947,986	(83,157,870)	(24,698,475)	159,540,975
Comprehensive income						
Profit for the quarter ended September 30, 2016	-	-	-	818,361	818,361	818,361
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	818,361	818,361	818,361
Transactions with owners:						
Final cash dividend of @ Re. 0.20 per certificate for the year ended June 30,2016.				(3,684,789)	(3,684,789)	(3,684,789)
Transfer to statutory reserve	-	-	-	-	-	-
Balance at September 30, 2016	184,239,450	511,409	57,947,986	(86,024,298)	(27,564,903)	156,674,547

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

*For BankIslami Modaraba Investments Limited
Modaraba Management Company*

Chief Executive

Director

Director

**SELECTED EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL INFORMATION**

For the quarter ended September 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 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, and Modaraba Companies and Modaraba Rules, 1981 and is managed by BankIslami Modaraba Investments Limited, a company registered under the Companies Ordinance, 1984. It is engaged in the business of leasing, murabaha, musharaka financing, operation of petrol and diesel filling / service station. The Modaraba is listed on the Pakistan Stock Exchange Limited. Registered office is situated at Progressive Square, Shahrae Faisal, Karachi, in the province of Sindh.

2. BASIS OF PREPARATION

- 2.1 This condensed interim financial information has been prepared under the historical cost convention except that staff retirement benefits are carried at present value.

- 2.2 The condensed interim financial information is presented in Pak Rupees, which is the Modaraba's functional and presentation currency and figures presented in this condensed interim financial information has been rounded off to the nearest rupee.

3. SIGNIFICAT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

- 3.1 The accounting policies, estimates, judgements and the methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2016.

4. IJARAH FINANCE

	Unaudited September 30, 2016	Audited June 30, 2016
	<i>Note</i>	
	------(Rupees)-----	
Ijarah contracts commencing up to June 30, 2008		
- accounted for as finance leases		
Minimum lease payments due	40,480,939	40,480,939
Residual value of leased assets	3,755,007	3,755,007
Total receivable	44,235,946	44,235,946
Suspended lease income	(7,491,364)	(7,491,364)
Provision for Impairment against potential lease losses	(32,989,575)	(32,989,575)
	(40,480,939)	(40,480,939)
	3,755,007	3,755,007

- 4.1 These ijarah finances are fully provided and the remaining amount represents amount of security deposits to be adjusted at the time of final settlement. Since the finance is non-performing and no income is accrued on it in accordance with the Prudential Regulations for Modarabas.

5. MURABAHA

Considered doubtful	2,517,068	2,517,068
Provision for impairment loss against doubtful recoveries	(2,517,068)	(2,517,068)
	-	-

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

6. INVESTMENTS

	Unaudited September 30, 2016	Audited June 30, 2016
	<i>Note</i>	
	------(Rupees)-----	
New Allied Electronics Industries (Private) Limited		
- Sukuk Certificates		
Cost	-	1,000,000
Disposed	-	(1,000,000)
	-	-
Provision for impairment loss against doubtful recovery	-	-
	-	-

**7. RECEIVABLE AGAINST OPERATING LEASE RENTALS
AND MAINTENANCE SERVICE**

Unsecured		
Considered good		
- Maintenance & refuelling	-	-
- Operating lease rental from assets under IFAS-2	1,999,021	1,061,324
Considered doubtful		
- Maintenance fee	4,275,537	4,275,537
- Operating lease rentals	10,194,320	10,194,320
	16,468,878	15,531,181
Provision for impairment loss against doubtful recoveries	(14,469,857)	(14,469,857)
	1,999,021	1,061,324

**8. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Considered good		
Income tax refundable	25,898,996	25,665,671
Advance against property and equipment under Ijarah arrangement	-	2,348,000
Advances to suppliers	1,113,568	1,678,727
Advances to employees	337,244	134,769
Prepayments	1,073,222	259,385
Defined benefit assets-staff gratuity	1,865,568	1,865,568
Other deposits	57,899	57,899
Other receivables - considered good		
- Premises rent receivable	549,746	414,935
- Receivable against common group expenses	1,271	226,991
- Receivable against sale of fuel	34,812	10,669
- Others	933,875	690,655

Considered doubtful

Other receivables		
- Terminated leases	6,242,260	6,242,260
- Miscellaneous amount recoverable from the lessee	1,188,872	1,188,872
- Dividend receivable	16,275	16,275
- Receivable from brokers	22,422	22,422
Receivable against sale of fuel	355,102	355,102
- Others	228,732	228,732
	8,053,663	8,053,663
Provision for impairment loss against doubtful recoveries	(8,053,663)	(8,053,663)
	-	-
	31,866,201	33,353,269

Modaraba Al-Mali

	Unaudited September 30, 2016	Audited June 30, 2016
9. PROPERTY AND EQUIPMENT- OWN USE	------(Rupees)-----	
Operating property and equipment - in own use	71,860,368	71,983,205
Towers and allied equipment-held for operating lease/ijarah	350,000	350,000
	<u>72,210,368</u>	<u>72,333,205</u>

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

	<i>Additions / Transfers*</i>		<i>Disposals</i>	
	<i>Unaudited September 30, 2016</i>	<i>Audited June 30, 2016</i>	<i>Unaudited September 30, 2016</i>	<i>Audited June 30, 2016</i>
	------(Rupees)-----			
Office premises				
Building Fuel Station	130,937	147,870	-	-
Vehicles	-	-	-	869,435
Furniture and fixtures	7,800	-	-	-
Office and computer equipment	35,000	117,512	180,000	-
	<u>173,737</u>	<u>265,382</u>	<u>180,000</u>	<u>869,435</u>

10. PROPERTY AND EQUIPMENT UNDER IJARAH ARRANGEMENT

Following additions and disposals in ijarah leased out assets, at cost, were made during the period: -

	<i>Additions</i>		<i>Disposals</i>	
	<i>Unaudited September 30, 2016</i>	<i>Audited June 30, 2016</i>	<i>Unaudited September 30, 2016</i>	<i>Audited June 30, 2016</i>
	------(Rupees)-----			
Equipments	-	-	12,382,353	-
Vehicles	2,348,000	63,148,000	4,086,008	12,071,860
	<u>2,348,000</u>	<u>63,148,000</u>	<u>16,468,361</u>	<u>12,071,860</u>

11. MUSHARAKA FINANCE

This represents a musharika finance arrangement with the Management Company wherein the profit will be shared between modaraba and management company at a predetermined ratio and is due to mature in Dec-2018. The Modaraba has agreed to use the musharaka funds only for financing of ijarah customers. The Musharak has been secured against charge over moveable assets.

12. CONTINGENCIES AND COMMITMENTS

The status of contingencies is same as stated in the financial statements of the Modaraba for the year ended June 30, 2016.

Modaraba Al-Mali

		------(Unaudited)----- Quarter ended	
	<i>Note</i>	September 30, 2016	September 30, 2015
		------(Rupees)-----	
13. FUEL STATION			
<i>Income</i>			
Sale of fuel	13.1	33,925,856	32,654,712
Cost of sales		(32,314,089)	(31,253,161)
		1,611,767	1,401,551
Rental income	13.2	306,000	285,000
		<u>1,917,767</u>	<u>1,686,551</u>
<i>Expenses</i>			
Salaries and allowances		398,622	385,935
Generator fuel		94,353	109,736
Depreciation		110,433	108,706
Electricity		65,929	108,927
Repairs and maintenance		121,866	89,179
Printing and stationery		6,025	6,930
Security guards		99,000	85,800
Insurance		20,028	24,048
Telephone		5,386	5,731
Miscellaneous		110,051	105,868
		<u>1,031,693</u>	<u>1,030,860</u>
Net Income		<u>886,074</u>	<u>655,691</u>

13.1 Income relates to the operation of petrol filling / service station 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 product of the company on a predetermined margin.

13.2 Rent is received in respect of the plot of land used for fuel station under an agreement dated August 13, 2009 with the oil marketing company. Initial term of the rent agreement is for fifteen years.

	Quarter ended	
	September 30, 2016	September 30, 2015
	------(Rupees)-----	
14. OPERATING EXPENSES		
Salaries, allowances and other benefits	1,721,519	1,550,683
Rent, rates and taxes	36,318	75,073
Depreciation	186,155	274,977
Fuel and conveyance	88,907	61,259
Repairs and maintenance	17,106	322,093
Legal and professional	304,665	271,923
Electricity	133,180	88,626
Telephone	51,996	51,144
Entertainment	25,145	20,942
Insurance	15,188	43,794
Printing and stationery	135,403	130,491
Gratuity	37,248	15,974
Auditors' remuneration	130,400	106,314
Subscription	107,431	108,606
Registrar services	63,579	73,917
Postage	28,500	17,487
Advertisement	102,600	45,600
Others	63,604	84,915
	<u>3,248,944</u>	<u>3,343,818</u>

15. TAXATION

Non-trading income of Modaraba is exempt from tax provided that not less than 90% of the profits are distributed to the certificate-holders. Current tax charge represents tax on income under presumptive tax regime.

16. TRANSACTIONS WITH RELATED PARTIES

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

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

Details of transactions with related parties and balances with them as at the period / year end, if not mentioned elsewhere, are as follows:

		Unaudited September 30, 2016	Audited June 30, 2016
<i>Relationship</i>	<i>Nature of transaction</i>	<i>------(Rupees)-----</i>	
BankIslami Modaraba Investments Limited the management company)	Dividend Payable	468,435	-
	Musharaka finance	5,516,087	12,357,296
BankIslami Pakistan Limited (parent company of the management company)	Bank deposits	4,475,700	4,214,320
	Amount receivable in respect of genset and premises rent income and others	558,140	641,926
Key management personnel	Loan taken by the key management personnel	49,996	62,497

16.2 Transactions during the quarter

BankIslami Pakistan Limited (holding company of the management company)

Profit on Islamic profit and loss sharing account	26,467	30,422
Rental income	1,240,367	1,149,183
Bank charges	400	406

Key management personnel remunerations

Salaries and allowances	949,776	776,280
Contributions to staff provident fund	48,549	43,710
Contribution to staff gratuity fund	39,350	15,974

17. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue by the board of directors of the management company in their meeting held on October 24, 2016.

*For BankIslami Modaraba Investments Limited
Modaraba Management Company*

Chief Executive Officer

Director

Director