Modaraba Al-Mali

Managed by:

BankIslami Modaraba Investments Ltd.

BankIslami Modaraba
Investments

Half Yearly Report
December 31, 2016
(Un-audited)

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

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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. Hasan Marfani	Chief Financial Officer
	Mr. Zeeshan Bin Farrukh	Assistant General Manager
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 E-mail: info@modarabaalmali.com URL: http//www.modarabaalmali.com	

Directors' Review

Directors' Review

We are pleased to present un-audited Financial Statements of Modaraba Al-Mali for the half year ended December 31, 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

Modaraba earned a net profit after tax of Rs. 2.211 million for the half year ended December 31, 2016. Progress has been made during the period under review as "Income from Ijarah finance" (net of depreciation) increased by 1.41%, whereas "profit from fuel station operations" increased by 22.32%, over corresponding period. On the other hand, effective control over administrative expenses resulted in a reduction of 18% over corresponding period. Comparative reduction is, however, apparent in case of Profit on deposit with bank which is mainly due to reduction in bank profit rates.

Future Prospects

Modaraba is primarily focused on financing business. Our endeavor to optimize the utilization of our own resources as well as controlled leveraging of the balance sheet to book and gradually build good quality assets portfolio continues.

Acknowledgement

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

On behalf of the Board

-- sd --
Aziz Adil
Chief Executive Officer

Karachi: February 9, 2017

INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Modaraba Al-Mali (the 'Modaraba') as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as 'the condensed interim financial information') for the half year ended December 31, 2016. The Modaraba Management Company [BankIslami Modaraba Investment Limited] is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2016 and December 31, 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 241o, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The financial statements for the year ended June 30, 2016 and half year ended December 31, 2015 were audited and reviewed respectively by another auditor whose reports dated September 7, 2016 and February 18, 2016 expressed an unmodified opinion / conclusion thereon.

Chartered Accountants

-- Sd --
Engagement Partner
Syed Fahim ul Hasan

Karachi: February 9, 2017

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at December 31, 2016

ASSETS	Note	Unaudited December 31, 2016	Audited June 30, 2016
		----------(Rupees)----------	
Current assets			
Cash and bank balances	5	**7,323,069**	5,935,865
Ijarah finance	6	**3,755,007**	3,755,007
Murabaha finance	7	**-**	-
Diminishing musharaka		**1,484,958**	-
Investments	8	**-**	-
Receivable against ijarah rentals and maintenance service	9	**3,064,817**	1,061,324
Advances, deposits, prepayments, other assets and receivables	10	**4,678,619**	7,687,598
Tax refunds due from government		**26,100,532**	25,665,671
Inventory		**2,192,470**	726,341
		48,599,472	44,831,806
Non-current assets			
Property and equipment under Ijarah arrangements	11	**79,309,288**	102,174,347
Property and equipment	12	**71,928,295**	72,333,205
		151,237,583	174,507,552
Total assets		**199,837,055**	219,339,358
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	13	**8,691,218**	9,151,394
Current portion of musharaka finance	14	**-**	4,826,383
Current portion of security deposits		**13,992,568**	12,132,336
Unclaimed profit distribution		**7,092,853**	7,047,853
		29,776,639	33,157,966
Non-current liabilities			
Long term portion of musharaka finance	14	**-**	7,530,913
Security deposits		**11,993,125**	19,109,504
		11,993,125	26,640,417
Total liabilities		**41,769,764**	59,798,383
NET ASSETS		**158,067,291**	159,540,975
REPRESENTED BY: CAPITAL AND RESERVES			
Authorised certificate capital			
30,000,000 (June 30, 2016: 30,000,000) Modaraba certificates of Rs.10 each		**300,000,000**	300,000,000
Issued, subscribed and paid-up certificate capital		**184,239,450**	184,239,450
Premium on issue of certificates		**511,409**	511,409
Statutory reserve		**57,947,986**	57,947,986
Accumulated Loss		**(84,631,554)**	(83,157,870)
		158,067,291	159,540,975
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.

For **BankIslami Modaraba Investment Limited**
Modaraba Management Company

Chief Executive | Director | Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the half year and quarter ended December 31, 2016

	Note	Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2015	December 31, 2016
		----------(Rupees)----------		----------(Rupees)----------	
Ijarah rentals - net		**23,818,268**	19,987,609	11,737,710	10,913,139
Income from operation of a fuel station	16	**3,716,551**	3,272,037	1,798,784	1,585,486
Income on deposits with bank		**99,631**	260,044	58,557	144,178
Income on diminishing musharaka transactions		**10,873**	-	10,873	-
		27,645,323	23,519,690	13,605,924	12,642,803
Depreciation on assets under Ijarah arrangements		**(19,722,103)**	(15,948,380)	(9,752,366)	(8,818,707)
Musharaka profit expense		**(251,716)**	(251,960)	(75,508)	(251,960)
Expenses on fuel station operations	16	**(2,264,461)**	(2,085,539)	(1,232,768)	(1,054,679)
		5,407,043	5,233,811	2,545,282	2,517,457
Reversal of impairment loss	17	**-**	1,024,082	-	24,082
Other income		**2,664,604**	3,060,775	1,276,237	1,911,593
Administrative and operating expenses	18	**(5,480,105)**	(6,690,949)	(2,231,161)	(3,347,131)
		2,591,542	2,627,719	1,590,358	1,106,001
Modaraba Management Company's remuneration	13.1	**-**	-	-	-
Provision for services sales tax on management company's remuneration	13.1	**(363)**	(368)	(363)	(368)
Provision for Workers' Welfare Fund	19	**(50,807)**	(51,517)	(30,783)	(21,083)
Profit for the period before taxation		**2,540,372**	2,575,834	1,559,212	1,084,550
Taxation		**329,267**	272,062	166,468	128,705
Profit for the period after taxation		**2,211,105**	2,303,772	1,392,744	955,845
Other comprehensive income for the period		**-**	-	-	-
Total comprehensive income for the period		**2,211,105**	2,303,772	1,392,744	955,845
Earnings per certificate - basic & diluted	21	**0.12**	0.13	0.08	0.05

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.

For **BankIslami Modaraba Investment Limited**
Modaraba Management Company

Chief Executive | Director | Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the half year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
		----------(Rupees)----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before taxation		**2,540,372**	2,575,834
Adjustments for non-cash charges and other items:			
Depreciation on assets under Ijarah arrangements		**19,722,103**	15,948,380
Depreciation on fixed assets in own use		**597,167**	701,445
Reversal of impairment loss		**-**	1,024,082
Gain on disposal of Ijarah assets		**-**	(19,366)
Loss on disposal of fixed assets in own use		**5,492**	-
		20,324,762	17,654,541
		22,865,134	20,230,375
(Increase) / decrease in assets			
Receivable against ijarah rentals and maintenance service		**(2,003,493)**	173,597
Ijarah Finance		**-**	24,082
Advances, deposits, prepayments and other receivable		**3,008,979**	(20,259,475)
Inventory		**(1,466,129)**	760,122
		(460,643)	(19,301,674)
Increase / (decrease) in current liabilities			
Creditors, accrued and other liabilities		**(1,028,839)**	1,679,236
Security deposits		**(5,256,147)**	5,226,482
		(6,284,986)	6,905,718
Cash generated from operations		**16,119,505**	7,834,419
Income taxes paid		**(764,128)**	(771,209)
Net cash generated from operating activities		**15,355,377**	7,063,210
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of ijarah assets		**(2,348,000)**	(43,148,000)
Purchase of fixed assets in own use		**(218,249)**	(259,382)
Proceeds from disposal of fixed assets in own use		**20,500**	-
Disposal of assets under Ijarah arrangements		**5,490,956**	596,018
Proceeds from disposal of long term investments		**-**	1,000,000
Diminishing musharaka finances		**(1,484,958)**	-
Net cash used in investing activities		**1,460,249**	(41,811,364)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to certificate holders		**(3,071,126)**	(2,856,004)
Musharaka finance repayment		**(12,357,296)**	31,304,182
Net cash (used in) / generated from financing activities		**(15,428,422)**	28,448,178
Net increase / (decrease) in cash and cash equivalents		**1,387,204**	(6,299,976)
Cash and cash equivalents at the beginning of the period		**5,935,865**	12,284,683
Cash and cash equivalents at the end of the period	5	**7,323,069**	5,984,707

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.

For **BankIslami Modaraba Investment Limited**
Modaraba Management Company

Chief Executive | Director | Director

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

For the half year ended December 31, 2016

	Paid-up certificate capital	Premium on issue of certificates	Statutory reserve	Accumulated Losses	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)
Total comprehensive income for the six months period ended December 31, 2015	-	-	-	2,303,772	2,303,772	2,303,772
Balance as at December 31, 2015	184,239,450	511,409	57,011,854	(84,377,023)	(26,853,760)	157,385,690
Total comprehensive income for the six months period ended June 30, 2016	-	-	-	2,155,285	2,155,285	2,155,285
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)
Total comprehensive income for the six months period ended December 31, 2016	-	-	-	2,211,105	2,211,105	2,211,105
Balance as at December 31, 2016	184,239,450	511,409	57,947,986	(84,631,554)	(26,172,159)	158,067,291

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.

For **BankIslami Modaraba Investment Limited**
Modaraba Management Company

Chief Executive | Director | Director

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

For the half year ended December 31, 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

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

The Modaraba is engaged in the business of leasing, murabaha, musharaka financing, operation of petrol and diesel filling / service station. The Board of Directors in its meeting held on March 19, 2013 decided to dispose off non-financing business / segment i.e. 'Fuel Station'. The management is in process of identifying disposal avenues along with fair price determination of 'Fuel Station' business. 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

2.1.1 This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the 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.

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: ' Interim Financial Reporting'. This condensed interim financial information does not include all the information required for a full set of financial statements and should be read in conjunction with the annual published financial statements of the Modaraba for the year ended June 30, 2016.

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

2.2 Functional and presentation currency

This condensed interim financial information has been presented in Pakistani Rupees, which is the functional and presentational currency of the Modaraba.

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

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

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

- Muj`ir (lessor) presents assets subject to Ijarah 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.

3 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

3.1 The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Modaraba for the year ended June 30, 2016.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2016 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are therefore not detailed in this condensed interim financial information.

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

3.4 The significant judgments made by the management in applying the Modaraba's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the annual published financial statements for the year ended June 30, 2016.

4 RISK MANAGEMENT POLICIES

The financial risk management objectives and policies are consistent with those disclosed in the annual published financial statements of the Modaraba for the year ended June 30, 2016.

	Note	Unaudited December 31, 2016	Audited June 30, 2016
5 CASH AND BANK BALANCES		----------(Rupees)----------	
Balances with banks in:			
- profit and loss sharing accounts	5.1	5,196,180	4,903,813
- current accounts		1,621,326	542,243
		6,817,506	5,446,056
Balances with State Bank of Pakistan		11,516	11,516
		6,829,022	5,457,572
Cash in hand		480,547	456,593
Stamp Paper		13,500	21,700
		7,323,069	5,935,865

5.1 These accounts carry profit at rates ranging from 1.73% to 4.23% (June 30, 2016: 1.65% to 5.88%) per annum.

6 IJARAH FINANCE

Ijarah contracts commencing up to June 30, 2008			
- accounted for as finance leases			
Minimum lease payments due		40,480,939	40,480,939
Residual value of leased assets		3,755,007	3,755,007
Total receivable		44,235,946	44,235,946
Suspended lease income		(7,491,364)	(7,491,364)
Provision for Impairment against potential lease losses	6.1	(32,989,575)	(32,989,575)
		(40,480,939)	(40,480,939)
		3,755,007	3,755,007

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

	Note	Unaudited December 31, 2016	Audited June 30, 2016
7 MURABAHA		----------(Rupees)----------	
Considered doubtful	7.1	2,517,068	2,517,068
Provision for impairment loss against doubtful recoveries		(2,517,068)	(2,517,068)
		-	-

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

8 INVESTMENTS

Available-for-sale investments		
New Allied Electronics Industries (Private) Limited		
- Sukuk Certificates		
Cost	-	1,000,000
Disposed	-	(1,000,000)
	-	-

9 RECEIVABLE AGAINST OPERATING LEASE RENTALS AND MAINTENANCE SERVICE

Considered good			
- Ijarah rentals receivable		3,064,817	1,061,324
Considered doubtful			
- Maintenance Fee	9.1	4,275,537	4,275,537
- Ijarah lease rentals of tower and allied equipments		10,194,320	10,194,320
		17,534,674	15,531,181
Less: Provision against potential ijarah losses		(14,469,857)	(14,469,857)
		3,064,817	1,061,324

9.1 This relates to discontinued operations.

10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances		
- to suppliers	202,712	1,678,727
- to employees against salary	229,072	134,769
Advance against property and equipment under Ijarah arrangement	-	2,348,000
Prepayments	712,218	259,385
Defined benefit plan - staff gratuity	1,865,568	1,865,568
Other deposits	57,900	57,899
	3,067,470	6,344,348
Other receivables		
- Receivable from BankIslami Pakistan Limited - Related Party	799,709	641,926
- Others	811,440	701,324
	1,611,149	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	(8,053,663)	(8,053,663)
	4,678,619	7,687,598

11 PROPERTY AND EQUIPMENT UNDER IJARAH ARRANGEMENTS

11.1 Following additions and disposals in ijarah leased out assets, at cost, were made during the period: -	Note	Unaudited December 31, 2016	Audited June 30, 2016
		(Rupees)	
Additions at cost during the period		-	-
- Machinery and Equipment		**2,348,000**	63,148,000
- Vehicles		**2,348,000**	63,148,000
Disposals at cost during the period			
- Machinery and Equipment		**12,382,353**	-
- Vehicles		**4,086,008**	12,071,860
		16,468,361	12,071,860

12 PROPERTY AND EQUIPMENT

Property and equipment in own use	12.1	**71,578,295**	71,983,205
Towers and allied equipment		**350,000**	350,000
		71,928,295	72,333,205

12.1 Following additions and disposals, at cost, were made during the period / year:			
Additions at cost during the period			
- Building fuel station		**130,937**	147,870
- Furniture and fixtures		**7,800**	-
- Office and computer equipment		**79,500**	117,512
		218,237	265,382
Disposals at cost during the period			
- Vehicles		**68,400**	7,812,092
- Furniture and fixtures		**-**	269,722
- Office and computer equipment			354,480
		68,400	8,436,294

13 CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued liabilities		**6,223,026**	6,452,153
Charity and donation		**57,748**	57,187
Payable to provincial government	13.1	**1,907**	1,544
Advance from customers		**42,000**	297,400
Others		**1,512,964**	1,806,219
Ijarah rental received in advance		**284,910**	536,891
Dividend payable		**568,663**	-
		8,691,218	9,151,394

13.1 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 fees 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 fees calculated at 0.1% of the net annual profit.

14 MUSHARAKA FINANCE

	Unaudited December 31, 2016	Audited June 30, 2016
	(Rupees)	
Musharaka finance	-	12,357,296
Less: Current portion of musharaka finance	-	(4,826,383)
	-	7,530,913

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 There were no contingencies as at December 31, 2016 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 favorable outcome and therefore, no provision is made in this condensed interim financial information.

15.1.2 There were no commitments outstanding as at December 31, 2016 and June 30, 2016.

		Half year ended (Un-audited)		Quarter ended (Un-audited)	
16 PROFIT FROM OPERATIONS OF FUEL STATION	Note	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		(Rupees)			
Income	16.1				
Sale of fuel		**64,943,928**	61,830,700	**31,018,072**	29,175,988
Cost of sales		**(61,814,377)**	(59,128,663)	**(29,500,288)**	(27,875,502)
		3,129,551	2,702,037	**1,517,784**	1,300,486
Rental income	16.2	**587,000**	570,000	**281,000**	285,000
		3,716,551	3,272,037	**1,798,784**	1,585,486
Expenses					
Salaries and allowances		**787,243**	787,923	**388,621**	401,988
Generator fuel		**194,215**	227,654	**99,862**	117,918
Depreciation		**222,504**	217,907	**112,071**	109,201
Electricity		**298,997**	180,251	**233,068**	71,324
Repairs and maintenance		**290,599**	216,834	**168,733**	127,655
Printing and stationery		**8,350**	9,180	**2,325**	2,250
Security guards		**198,000**	171,600	**99,000**	85,800
Insurance		**36,636**	40,698	**16,608**	16,650
Telephone		**10,704**	10,951	**5,318**	5,220
Rent, rates & taxes		**130,580**	147,393	**60,017**	73,911
Miscellaneous		**86,633**	75,148	**47,145**	42,762
		2,264,461	2,085,539	**1,232,768**	1,054,679
		1,452,090	1,186,498	**566,016**	530,807

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

16.2 Rent is received in respect of the plot of land used for fuel station under a lease agreement with the Company.

	Half year ended (Un-audited)		Quarter ended (Un-audited)	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees)			

17 REVERSAL OF IMPAIRMENT LOSS

Reversal of provision in respect of Ijarah finances	-	24,082	-	24,082
Reversal of provision in respect of Sukuk certificates	-	1,000,000	-	-
	-	1,024,082	-	24,082

18 ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and other benefits	**2,433,583**	3,094,945	**712,064**	1,544,262
Rent, rates and taxes	**78,083**	116,965	**41,765**	41,892
Depreciation	**374,663**	483,538	**188,508**	208,561
Fuel and conveyance	**160,686**	128,049	**71,779**	66,790
Repairs and maintenance	**133,878**	519,534	**116,772**	197,441
Legal and professional	**608,442**	578,307	**303,777**	306,384
Electricity	**238,971**	151,287	**105,791**	62,661
Telephone	**92,305**	102,577	**40,309**	51,433
Entertainment	**46,649**	43,681	**21,504**	22,739
Insurance	**57,392**	87,588	**42,204**	43,794
Printing and stationery	**250,554**	223,568	**115,151**	93,077
Gratuity	**72,395**	31,946	**35,147**	15,972
Auditors' remuneration	**259,800**	222,603	**129,400**	116,289
Subscription	**215,560**	214,451	**108,129**	105,845
Registrar services	**133,271**	151,539	**69,692**	77,622
Postage	**60,560**	51,796	**32,060**	34,309
Advertisement	**178,229**	261,901	**75,629**	216,301
Others	**85,084**	226,674	**21,480**	141,759
	5,480,105	6,690,949	**2,231,161**	3,347,131

19 WORKERS' WELFARE FUND

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

20 TAXATION

20.1 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 this condensed interim financial information except for minimum tax deducted on certain items which has been treated as a full and final tax charge.

20.2 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.

21 EARNINGS PER CERTIFICATE

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.

22 RELATED PARTY TRANSACTIONS

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

The remuneration of key management employees (executives) are determined in accordance with their terms of appointment. Contribution to the provident and gratuity funds are made in accordance with the 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.

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

	Half year ended (Un-audited)	
	December 31, 2016	December 31, 2015
	(Rupees)	
BankIslami Pakistan Limited (Holding company of the management company)		
Profit on Islamic profit and loss sharing account	54,067	30,420
Rental income	2,528,096	2,319,864
Bank charges	900	406
BankIslami Modaraba Investment Limited (Modaraba Management Company)		
Musharaka profit expense	251,716	251,960
Disbursement of musharaka finance	-	32,126,000
Other related parties (key management personnel)		
Salaries and benefits	949,776	1,626,888
Other transactions		
Contributions to staff provident fund	75,204	92,259
Contribution to staff gratuity fund	78,701	31,946

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

BankIslami Modaraba Investment Limited (Modaraba Management Company)		
Musharaka finance	-	12,357,296
BankIslami Pakistan Limited (Holding company of the management company)		
Bank deposits	5,073,448	4,214,320
Amount receivable in respect of genset and premises rent income and others	799,709	641,926
Other related parties (key management personnel)		
Loan taken by the key management personnel	-	62,497

23 GENERAL

23.1 The figures in this condensed interim financial information have been rounded off to the nearest Rupee.

23.2 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. 26,100,532 (2015: 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.

24 DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue by the Board of Directors of the Modaraba Management Company on February 9, 2017.

For **BankIslami Modaraba Investment Limited**
Modaraba Management Company