

Modaraba Al-Mali

Managed by:

BankIslami Modaraba Investments Ltd.



**Half Yearly Report
December 31, 2017
(Un-audited)**

10th Floor, Progressive Square, Opposite Nursery, Sharea Faisal, Karachi.
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Modaraba Al-Mali

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CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Hamid	Chairman
	Ms. Ayesha Ashraf Jangda	Director
	Mr. Muhammad Faisal Shaikh	Director (resigned w.e.f. Nov. 3, 17)
	Mr. Kashif Nisar	Director (appointed w.e.f. Jan. 11, 18)
	Mr. Rehan Shuja Zaidi	Director
Audit Committee	Mr. Muhammad Farooq Anwar	Director
	Mr. Syed Akhtar Ausaf	Director
	Mr. Sohail Sikandar	Director
	Mr. Aziz Adil	Chief Executive Officer
	Mr. Rehan Shuja Zaidi	Chairman
HR & Remuneration Committee	Mr. Muhammad Hamid	Member
	Mr. Syed Akhtar Ausaf	Member
	Mr. Muhammad Farooq Anwar	Member
	Mr. Aziz Adil	Member
	Mr. Muhammad Hamid	Chairman
Management Team	Mr. Syed Akhtar Ausaf	Member
	Mr. Muhammad Farooq Anwar	Member
	Mr. Aziz Adil	Member
	Mr. Hasan Marfani	Chief Executive Officer
	Mr. Zeeshan Bin Farrukh	Chief Financial Officer & Company Secretary
Auditors	Mr. Saleem Ahmed	Head of I.T
	A.F. Fergusons & Co.	Head of CAD and Operations
	Chartered Accountants	
Credit Rating Appraiser	The Pakistan Credit Rating Agency Limited	
Shari'ah Advisor	Mufti Irshad Ahmad Aijaz	
Legal Advisor	Mohsin Tayebaly & Company, Advocate Bawany & Partners	
Bankers & Financiers	BankIslami Pakistan Limited Bank Alfalah Limited Dubai Islamic Bank Ltd. Meezan Bank Limited	
Registrar & Share Registration Office	JWAFFS Registrar Services (Pvt.) Ltd. 407, 408 Al-Ameera Centre, Shahrah-e-Iraq, 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	

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, 2017 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, 2017. 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, 2017 and December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "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, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

-- sd --

A.F. Fergusons & Co.
Chartered Accountants

Engagement Partner: **Syed Fahim ul Hasan**

Dated: February 23, 2018

Karachi

Directors' Review

We are pleased to present un-audited Financial Statements of Modaraba Al-Mali for the half year ended December 31, 2017 as required under section 237 of the Companies Act, 2017, presented in accordance with the requirements of the International Accounting Standard-34 "Interim financial Reporting" as applicable in Pakistan.

Operating Results

Modaraba earned profit after tax of Rs. 4.762 million for half year ended December 31, 2017 as against Rs. 2.211 million earned during corresponding period registering a growth of 115%. The triple digit growth in the profit after tax mainly came from growth in the "profit from fuel station operations" which increased by 129% over corresponding period. "Income from financing business" marginally decreased by 8% which was offset by increase in "profit on deposits" by 399% and decrease in "administrative expenses" by 3.4%.

Future Prospects

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

Acknowledgement

We wish to place on record our appreciation and sincere gratitude to the regulators for their guidance, customers for their confidence, certificate-holders for their continued support and to 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 12, 2018

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at December 31, 2017

	Note	Unaudited December 31, 2017	Audited June 30, 2017
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances	5	32,524,980	19,591,033
Ijarah finance	6	3,755,007	3,755,007
Murabaha finance	7	-	-
Current portion of Diminishing Musharika	8	2,330,551	2,360,955
Receivable against ijarah rentals and maintenance service	9	10,455,562	6,060,187
Advances, deposits, prepayments, other assets and receivables	10	7,518,310	6,973,113
Tax refunds due from government		27,048,431	26,624,052
Inventory		2,569,339	1,037,446
		86,202,180	66,401,793
Non-current assets			
Long-term portion of Diminishing Musharika	8	4,185,508	5,332,161
Property and equipment under Ijarah arrangements	11	34,076,877	53,114,901
Property and equipment	12	70,841,775	71,434,852
		109,104,160	129,881,914
Total assets		195,306,340	196,283,707
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	13	10,133,274	8,279,324
Current portion of security deposits		15,628,020	10,725,562
Unclaimed profit distribution		7,327,071	7,312,673
		33,088,365	26,317,559
Non-current liabilities			
Security deposits		236,822	7,588,600
Total liabilities		33,325,187	33,906,159
NET ASSETS		161,981,153	162,377,548
REPRESENTED BY: CAPITAL AND RESERVES			
Authorised certificate capital			
30,000,000 (June 30, 2017: 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		59,252,298	59,252,298
Accumulated loss		(82,022,004)	(81,625,609)
		161,981,153	162,377,548

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 22 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, 2017

Note	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- (Rupees) -----		----- (Rupees) -----	
Ijarah rentals - net	19,695,945	23,818,268	9,592,837	11,737,710
Income from operation of a fuel station	15 5,682,982	3,716,551	3,013,722	1,798,784
Income on deposits with bank	497,299	99,631	279,984	58,557
Income on diminishing musharika transactions	437,335	10,873	166,759	10,873
	26,313,561	27,645,323	13,053,302	13,605,924
Depreciation on assets under Ijarah arrangements	(16,348,125)	(19,722,103)	(7,974,118)	(9,752,366)
Musharaka profit expense	-	(251,716)	-	(75,508)
Expenses on fuel station operations	15 (2,363,753)	(2,264,461)	(1,198,859)	(1,232,768)
	7,601,683	5,407,043	3,880,325	2,545,282
Other income	3,105,872	2,664,604	1,287,729	1,276,237
Administrative and operating expenses	16 (5,295,788)	(5,480,105)	(2,639,616)	(2,231,161)
	5,411,767	2,591,542	2,528,438	1,590,358
Modaraba Management Company's remuneration	13.1 -	-	-	-
Provision for services sales tax on management company's remuneration	13.1 (758)	(363)	(397)	(363)
Provision for Workers' Welfare Fund	17 (106,113)	(50,807)	(55,559)	(30,783)
Profit for the period before taxation	5,304,896	2,540,372	2,472,482	1,559,212
Taxation	18 542,586	329,267	270,089	166,468
Profit for the period after taxation	4,762,310	2,211,105	2,202,393	1,392,744
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	4,762,310	2,211,105	2,202,393	1,392,744
Earnings per certificate - basic & diluted	19 0.26	0.12	0.12	0.08

The annexed notes 1 to 22 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, 2017

Note	December 31, 2017	December 31, 2016
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	5,304,896	2,540,372
Adjustments for non-cash charges and other items:		
Depreciation on assets under Ijarah arrangements	16,348,125	19,722,103
Depreciation on fixed assets in own use	604,077	597,167
Gain on disposal of Ijarah assets	(38,903)	-
Loss on disposal of fixed assets in own use	-	5,492
	16,913,299	20,324,762
	22,218,195	22,865,134
(Increase) / decrease in assets		
Receivable against ijarah rentals and maintenance service	(4,395,375)	(2,003,493)
Advances, deposits, prepayments and other receivable	(545,197)	3,008,979
Inventory	(1,531,893)	(1,466,129)
	(6,472,465)	(460,643)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	525,742	(1,028,839)
Security deposits	(2,449,320)	(5,256,147)
	(1,923,578)	(6,284,986)
Cash generated from operations	13,822,152	16,119,505
Income taxes paid	(966,965)	(764,128)
Net cash generated from operating activities	12,855,187	15,355,377
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of ijarah assets	-	(2,348,000)
Purchase of fixed assets in own use	(11,000)	(218,249)
Proceeds from disposal of fixed assets in own use	-	20,500
Disposal of assets under Ijarah arrangements	2,728,802	5,490,956
Diminishing musharika finances	1,177,057	(1,484,958)
Net cash generated from investing activities	3,894,859	1,460,249
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	(3,816,099)	(3,071,126)
Musharika finance repayment	-	(12,357,296)
Net cash used in financing activities	(3,816,099)	(15,428,422)
Net increase in cash and cash equivalents	12,933,947	1,387,204
Cash and cash equivalents at the beginning of the period	19,591,033	5,935,865
Cash and cash equivalents at the end of the period	5 32,524,980	7,323,069

The annexed notes from 1 to 22 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, 2017

	Paid-up certificate capital	Premium on issue of certificates	Statutory reserve	Accumulated Losses	Total Reserves	Total
	------(Rupees)-----					
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
Total comprehensive income for the six months period ended June 30, 2017	-	-	-	4,310,257	4,310,257	4,310,257
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
Final cash dividend of Re. 0.28 per certificate for the year ended June 30, 2017	-	-	-	(5,158,705)	(5,158,705)	(5,158,705)
Total comprehensive income for the six months period ended December 31, 2017	-	-	-	4,762,310	4,762,310	4,762,310
Balance as at December 31, 2017	184,239,450	511,409	59,252,298	(82,022,004)	(22,258,297)	161,981,153

The annexed notes from 1 to 22 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, 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 Modaraba is listed on the Pakistan Stock Exchange Limited. Registered office is situated at 10th Floor, Progressive Square, Shahr-ae Faisal, Karachi, in the province of Sindh.

The Modaraba is engaged in the business of leasing, murabaha, musharika 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

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 repealed Companies Ordinance, 1984, now Companies Act, 2017, 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 Securities & Exchange Commission of Pakistan (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.

As per the requirements of circular no. CLD/CCD/PR(11)/2017 dated October 4, 2017 issued by the SECP, companies the financial year of which, including quarterly and other interim periods, closes on or before December 31, 2017, shall prepare their financial statements, including interim financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the requirements of the repealed Companies Ordinance, 1984 with respect to notification of IFRSs have been followed for the preparation of these condensed interim financial information.

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, 2017.

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 Rupee, 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.

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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, 2017.

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, 2017 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, 2017.

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, 2017.

	Note	Un-audited December 31, 2017	Audited June 30, 2017
5 CASH AND BANK BALANCES			
------(Rupees)-----			
Balances with banks in:			
- profit and loss sharing accounts	5.1	30,085,357	18,354,465
- current accounts		1,136,082	762,063
		31,221,439	19,116,528
Balances with State Bank of Pakistan		9,092	9,092
		31,230,531	19,125,620
Cash in hand		1,284,449	455,413
Stamp Paper		10,000	10,000
		32,524,980	19,591,033

5.1 These accounts carry profit at rates ranging from 1.07% to 4.02% (June 30, 2017: 1.69% to 4.77%) per annum.

6 IJARAH FINANCE

Ijarah contracts commencing up to June 30, 2008
- accounted for as finance leases

Minimum lease payments due		40,480,939	40,480,939
Residual value of leased assets		3,755,007	3,755,007
Total receivable		44,235,946	44,235,946
Suspended lease income		(7,491,364)	(7,491,364)
Provision for Impairment against potential lease losses	6.1	(32,989,575)	(32,989,575)
		(40,480,939)	(40,480,939)
		3,755,007	3,755,007

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

Modaraba Al-Mali

	Note	Un-audited December 31, 2017	Audited June 30, 2017
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 DIMINISHING MUSHARIKA			
Musharika Finance		6,516,059	7,693,116
Less: Current portion of Diminishing Musharika		(2,330,551)	(2,360,955)
		4,185,508	5,332,161
9 RECEIVABLE AGAINST OPERATING LEASE RENTALS AND MAINTENANCE SERVICE			
Considered good			
- Ijarah rentals receivable		10,455,562	6,060,187
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
		24,925,419	20,530,044
Less: Provision against potential ijarah losses		(14,469,857)	(14,469,857)
		10,455,562	6,060,187
9.1 This relates to discontinued operations.			
10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Considered Good			
Advances			
- to suppliers		138,395	2,457,505
- to employees against salary		140,750	216,875
Advance against property and equipment under Diminishing Musharika arrangement		2,187,000	-
Prepayments		708,398	332,093
Defined benefit plan - staff gratuity		1,865,370	1,865,370
Other deposits		43,899	43,899
		5,083,812	4,915,742
Other receivables			
- Receivable from BankIslami Pakistan Limited - Related Party		1,597,632	1,380,293
- Others		836,866	677,078
		2,434,498	2,057,371
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)
		7,518,310	6,973,113

11 PROPERTY AND EQUIPMENT UNDER IJARAH ARRANGEMENTS

	Note	Un-audited December 31, 2017	Audited June 30, 2017
(Rupees)			
11.1 Following additions and disposals in ijarah leased out assets, at cost, were made during the period: -			
Additions at cost during the period			
- Machinery and Equipment		-	-
- Vehicles		-	2,348,000
		-	2,348,000
Disposals at cost during the period			
- Machinery and Equipment		9,457,000	17,917,853
- Vehicles		2,059,200	27,749,531
		11,516,200	45,667,384

12 PROPERTY AND EQUIPMENT

Property and equipment in own use	12.1	70,491,775	71,084,852
Towers and allied equipment		350,000	350,000
		70,841,775	71,434,852

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

Additions at cost during the period			
- Building fuel station		-	130,949
- Vehicle		-	42,500
- Furniture and fixtures		-	7,800
- Office and computer equipment		11,000	143,567
		11,000	324,816
Disposals at cost during the period			
- Vehicles		-	(113,300)
- Furniture and fixtures		-	(23,020)
- Office and computer equipment		-	(218,900)
		-	(355,220)

13 CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued liabilities		6,184,562	6,546,271
Charity and donation		58,857	58,311
Payable to provincial government	13.1	3,339	2,581
Advance from customers		630,150	42,000
Others		1,705,953	1,455,902
Ijarah rental received in advance		222,205	174,259
Dividend payable		1,328,208	-
		10,133,274	8,279,324

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

The Management Company has waived the management fees for the current period. Accordingly, no provision for the same has been made in this condensed interim financial information. However, the Modaraba has accrued Sindh Services Sales Tax on a notional amount of management fees calculated at 0.1% of the net profit for the period.

14 CONTINGENCIES AND COMMITMENTS**14.1 Contingencies**

14.1.1 There were no contingencies as at December 31, 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 ACIT. The second appeal filed against the said order with the Appellate Tribunal Inland Revenue (the Tribunal) was also decided against Modaraba. The Modaraba filed an application with the Tribunal for a review, which has also been decided against the Modaraba during the year ended June 30, 2017. The Modaraba has filed a second review application with the Tribunal and a reference in the High Court of Sindh. The management is hopeful for a favourable outcome and therefore, no provision is made in this condensed interim financial information.

14.2 Commitments

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

15 PROFIT FROM OPERATIONS OF FUEL STATION

		(Un-audited) Half year ended		(Un-audited) Quarter ended	
	Note	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
(Rupees)					
Income	15.1				
Sale of fuel		118,759,544	64,943,928	61,960,488	31,018,072
Cost of sales		(113,727,562)	(61,814,377)	(59,272,266)	(29,500,288)
		5,031,982	3,129,551	2,688,222	1,517,784
Rental income	15.2	651,000	587,000	325,500	281,000
		5,682,982	3,716,551	3,013,722	1,798,784
Expenses					
Salaries and allowances		1,092,168	787,243	544,163	388,621
Generator fuel		238,418	194,215	126,301	99,862
Depreciation		225,597	222,504	114,426	112,071
Electricity		79,763	298,997	53,981	233,068
Repairs and maintenance		205,535	290,599	98,185	168,733
Printing and stationery		9,065	8,350	6,550	2,325
Security guards		230,700	198,000	111,900	99,000
Insurance		45,984	36,636	22,992	16,608
Telephone		9,888	10,704	4,456	5,318
Rent, rates & taxes		142,156	130,580	70,743	60,017
Miscellaneous		84,479	86,633	45,162	47,145
		2,363,753	2,264,461	1,198,859	1,232,768
		3,319,229	1,452,090	1,814,863	566,016

15.1 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.

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

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	(Un-audited) Half year ended		(Un-audited) Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Rupees)			
16 ADMINISTRATIVE AND OPERATING EXPENSES				
Salaries, allowances and other benefits	1,810,806	2,433,583	919,963	712,064
Rent, rates and taxes	71,586	78,083	37,652	41,765
Depreciation	378,480	374,663	193,679	188,508
Fuel and conveyance	130,227	160,686	66,500	71,779
Repairs and maintenance	173,047	133,878	96,393	116,772
Legal and professional	968,656	608,442	397,529	303,777
Electricity	236,667	238,971	95,521	105,791
Telephone	89,775	92,305	42,154	40,309
Entertainment	37,217	46,649	22,151	21,504
Insurance	64,890	57,392	32,435	42,204
Printing and stationery	214,280	250,554	114,739	115,151
Gratuity	24,644	72,395	512	35,147
Auditors' remuneration	423,798	259,800	299,898	129,400
Subscription	245,209	215,560	114,874	108,129
Registrar services	156,957	133,271	80,230	69,692
Postage	60,750	60,560	30,375	32,060
Advertisement	159,600	178,229	57,000	75,629
Others	49,199	85,084	38,011	21,480
	<u>5,295,788</u>	<u>5,480,105</u>	<u>2,639,616</u>	<u>2,231,161</u>

17 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.

18 TAXATION

18.1 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.

18.2 The income tax returns of the Modaraba have been filed upto the financial year ended June 30, 2017 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

19 EARNINGS PER CERTIFICATE

A diluted earnings per certificate has not been presented as the Modaraba did not have any convertible instruments in issue as at December 31, 2017 and 2016 which would have any effect on the earnings per certificate if the option to convert is exercised.

20 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 advice 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.

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

	(Un-audited) Half year ended	
	December 31, 2017	December 31, 2016
	(Rupees)	
BankIslami Pakistan Limited (Holding company of the management company)		
Profit on Islamic profit and loss sharing account	244,422	54,067
Rental income	2,575,458	2,528,096
Bank charges	1,500	900
BankIslami Modaraba Investment Limited (Modaraba Management Company)		
Musharaka profit expense	-	251,716
Other related parties (key management personnel)		
Salaries and benefits - note 20.1.1	-	949,776
Other transactions		
Contributions to staff provident fund	59,748	75,204
Contribution to staff gratuity fund	26,746	78,701

20.1.1 The key management personnel included the Chief Executive Officer and Chief Financial Officer. Their remuneration is being borne by the Modaraba Management Company with effect from October 1, 2016.

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

	Un-audited December 31, 2017	Audited June 30, 2017
BankIslami Modaraba Investment Limited (Modaraba Management Company)		
Bank deposits	17,411,082	10,700,773
Amount receivable in respect of genset and premises rent income and others	1,597,631	1,380,293

21 GENERAL

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

21.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison.

22 DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue by the Board of Directors of the Modaraba Management Company on February 12, 2018.

For BankIslami Modaraba Investment Limited
Modaraba Management Company