Modaraba Al-Mali

Managed by:
BankIslami Modaraba Investments Ltd.

BankIslami Modaraba
Investments

ANNUAL REPORT | 2018

www.modarabaalmali.com

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Mission Statement

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

"But Allah hath permitted trade and forbidden usury"

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

Our Vision

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

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

CORPORATE INFORMATION

Board of Directors	Mr. Syed Akhtar Ausaf	Chairman
	Ms. Ayesha Ashraf Jangda	Director
	Mr. Kashif Nisar	Director
	Mr. Rehan Shuja Zaidi	Director
	Mr. Muhammad Farooq Anwar	Director
	Mr. Muhammad Hamid	Director
	Mr. Sohail Sikandar	Director
	Mr. Aziz Adil	Chief Executive Officer
Audit Committee	Mr. Muhammad Hamid	Chairman
	Mr. Rehan Shuja Zaidi	Member
	Mr. Kashif Nisar	Member
	Mr. Sohail Sikandar	Member
HR & Remuneration Committee	Mr. Muhammad Hamid	Chairman
	Mr. Syed Akhtar Ausaf	Member
	Mr. Muhammad Farooq Anwar	Member
	Mr. Aziz Adil	Member
Management Team	Mr. Aziz Adil	Chief Executive Officer
	Mr. Hasan Marfani	Chief Financial Officer & Company Secretary
	Mr. Zeeshan Bin Farrukh	Head of I.T
	Mr. Saleem Ahmed	Head of CAD and Operations
Auditors	A.F. Fergusons & Co. Chartered Accountants	
Credit Rating Appraiser	The Pakistan Credit Rating Agency Limited	
Shari'ah Advisor	Mufti Attaullah	
Legal Advisor	Mohsin Tayebaly & Company, Advocate Bawany & Partners	
Bankers & Financiers	BankIslami Pakistan Limited Bank Alfalah Limited Dubai Islamic Bank Ltd. Meezan Bank Limited	
Share Registrar	JWAFFS Registrar Services (Pvt.) Ltd.	
Share Registration Office	407, 408 Al-Ameera Centre, Shahrah-e-Iraq, Karachi.	
Registered Office	10th Floor, Progressive Square, Opposite Nursery, Shahrah-e-Faisal, Karachi. Phone: 34547521-25, Fax: 34547526 E-mail: info@modarabaalmali.com URL: http//www.modarabaalmali.com	

CHAIRMAN'S REVIEW REPORT

Dear Modaraba Certificate Holders,

I feel greatly honored and privileged in taking this opportunity to report to our valued Certificate Holders on the affairs of Modaraba Al Mali (MAM). The Financial Year under review has been another successful year of MAM. The year was characterized by 78% growth in profitability as compared to previous year.

By the grace of Allah (SWT) MAM is growing steadily, having high ethical values. Strong Shariah governance, and compliance with regulatory requirements, high standards of corporate governance, transparency and commitment to best business practices are the core values.

In pursuit of creation of higher value for our certificates holders we have remained absolutely committed to value addition for our certificate holders and investors.

The Board of Directors of MAM, received agendas and supporting written material including follow up materials in sufficient time prior to the Board and its committee meetings. In addition to that, the Board received various management reports and found them appropriate and adequate for their discussion and decisions. Further, Board members openly and freely exchanged their views on different matters presented during their meetings.

I would like to thank all the Board members for the cooperation and support.

I also wish to commend our Chief Executive Officer, Senior Executives and all staff members of MAM for their hard work, dedication and focused efforts in achieving excellent results. I place my sincere appreciation to our Certificate Holders, business partners and all other valued stakeholders for the confidence reposed in our organization. I take this opportunity to thank Registrar of Modaraba, Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Pakistan Stock Exchange, and other relevant regulatory bodies for their continued guidance and support.

-- sd --

Syed Akhtar Ausaf
Chairman
August 08th, 2018

DIRECTORS' REPORT

On behalf of the Board of Directors of BankIslami Modaraba Investments Limited we are pleased to present 33rd Annual report of Modaraba Al-Mali together with audited accounts for the year ended June 30, 2018.

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

1. Operating Results

A summary of operating results for the year ended June 30, 2018 is presented as under:

	(Rupees in "000")	
	June 30, 2018	**June 30, 2017**
Total income	**57,661**	60,540
Ijara Depreciation	**(29,126)**	(38,245)
Income net of Ijara depreciation	**28,535**	22,295
Musharaka Profit expense	**-**	(252)
Administrative and operating expenses, including expenses on fuel station	**(15,827)**	(14,780)
Net income from operations	**12,708**	7,263
Taxation	**(1,114)**	(742)
Profit for the year	**11,594**	6,521
Earnings per certificate – basic & diluted	**0.63**	0.35

Under the provision of Modaraba Ordinance, 1980, the management company is entitled to a fee up to 10% of the profit of Modaraba. However, the Board of Directors has decided to waive the management fee for the year.

2. Profit distribution

The Directors are pleased to announce cash dividend @ 5% i.e. Rs. 0.5 per certificate for the year ended June 2018.

3. Statutory reserve

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

4. Economic Review

According to SBP's 3rd quarterly report for FY 2018, external account remained under pressure, despite a recovery in exports and remittances. A rebound in global oil prices, together with higher machinery and transport import, exacerbated the trade deficit. A significant increase in financial inflows on account of a rise in official portfolio investment and loans, and a marginal growth in net FDI could not completely finance current account gap. In this scenario, the country's official reserves depleted by US$ 4.5 billion and reached US$ 11.6 billion by end-March FY18. Consequently, PKR depreciated by 9.6 percent on a cumulative basis during Jul-Mar FY18.

The government has set a 6.2 percent real GDP growth target for FY19 largely on the back of accelerating growth momentum of the last few years. Higher PSDP and CPEC spending, a further ease in power supply, and continuation of industrial expansion plans, are other reassuring factors. However, the growing external vulnerability and high fiscal deficit will continue to pose major down side risks to the achievement of this target. The import bill is likely to stay high owing to a notable increase in international commodity prices, especially of oil. This would keep the trade deficit high in FY19 as well. Furthermore, the FDI inflows are expected to remain lower in FY19 than last year as a number of CPEC energy projects are in their advance stages of completion. Therefore, in overall terms, the high current account deficit, together with limited financial inflows, would continue to keep the balance of payments under pressure.

5. Operational review

By the Grace of Almighty Allah, the Modaraba was able to improve its performance resulting in profit after tax of Rs.11.59 million, which is a 78% increase in profitability as compared to previous year. Income from fuel station was the major source of revenue, which increased by 85% as compared to corresponding year and contributed Rs. 5.82 million towards profitability. The Modaraba is now providing financing under Diminishing Musharika product and have disbursed Rs.16.078 million under this mode during the year. A tight control is also kept on administrative expenses so that the profitability of the Modaraba continues to improve.

6. Future prospects

The Modaraba intends to book good quality assets in future through controlled leveraging of balance sheet. It also plans to improve the fuel capacity of its Fuel station in order to attend the growing demand.

During the year, State Bank Of Pakistan (SBP) has announced two concessional schemes

(i) SBP concessional financing for SMEs
(ii) Policy for Low Cost Housing finance

Modarabas thorugh their association have approached SBP with the help of SECP for their inclusion in the scheme, since they primarily focused on SME sector and hopeful for a positive result, however, in case, the things go otherwise, the sector will be at serious disadvantage against banking industry.

In addition to above following risks might hamper the growth of Modaraba:

a. Currency exchange volatility.
b. Interest rate fluctuation due to economic instability.
c. Political uncertainty.
d. Unfavorable law and order situation.

Modaraba Al Mali is well abreast with above threats, and adopts different safeguards on timely basis to mitigate the risks to minimum level.

7. Corporate governance

The Board of Directors systematically designs procedures to ensure sound, transparent and efficient corporate management. The Managment Company makes decisions to conduct business activities in appropriate manner in the light of size, industry sector and relevant laws and regulations.

The Board regularly evaluates performance of the Company ensuring proper conduct of operations directly and indirectly through Board Committees and CEO.

The Modarabas are required to comply with various requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 issued by the SECP. Your management has taken significant steps in line with the requirements formulating a vision and mission statement, overall corporate strategy, strengthened internal audit function, constituting an Audit Committee and adoption of Charter of Audit Committee.

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

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

- Financial statements, prepared by the management, present fairly the state of affairs, the results of its operations, cash flows and change in equity;
- Proper books of account have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes explained in financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable to modarabas in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored; and
- There are no significant doubts upon the modaraba's ability to continue as a going concern.
- Key operating and financial data of last six years is annexed.

8. Pattern of certificate holding

Pattern of certificate holding is annexed to this report.

9. Composition of the Board Of Directors

The total number of directors are eight as per the following:

Male: Seven
Female: One

The composition of board is as follows:

Independent Director	1. Mr. Muhammad Hamid
Other Non-executive Directors	1. Syed Akhtar Ausaf (Chairman) 2. Mr. Muhammad Farooq Anwar 3. Mr. Rehan Shuja Zaidi 4. Mr. Sohail Sikandar 5. Mr. Kashif Nisar 6. Ms. Ayesha Ashraf Jangda
Executive Director	1. Mr. Aziz Adil (Chief Executive Officer)

10. Attendance of Board Meetings

The Board of Directors of the Management Company meets on quarterly basis as required by the Companies Act, 2017.Moreover, the Board meeting can also be convened to approve significant mattes including approval of budgets, approval of new policies and procedures and amendments to current policies and procedures. Due communication is made of all such meetings and their outcome as required by relevant regulatory authorities.

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

Name of Directors	No. of Meetings attended	Leave of Absence	Remarks
Ms. Ayesha Ashraf Jangda	4	--	
Mr. Muhammad Faisal Shaikh	2	--	Resigned w.e.f. 03-11-2017
Mr. Muhammad Hamid	4	--	
Mr. Kashif Nisar	1	1	Appointed w.e.f.11-01-2018
Mr. Rehan Shuja Zaidi	4	--	
Mr. Sohail Sikandar	4	--	
Mr. Syed Akhtar Ausaf	4	--	
Mr. Farooq Anwar	4	--	

11. Audit Committee

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

Name of Member

a.	Mr. Muhammad Hamid	Chairman
b.	Mr. Rehan Shuja Zaidi	Member
c.	Mr. Kashif Nisar	Member
d.	Mr. Sohail Sikandar	Member

12. Human Resource & Remuneration Committee

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

a.	Mr. Muhammad Hamid	Chairman
b.	Mr. Syed Akhtar Ausaf	Member
c.	Mr. Muhammad Farooq Anwar	Member
d.	Mr. Aziz Adil	Member

13. Directors’ Remuneration Policy:

The decision regarding appointment and determination of remuneration and the terms and conditions of employment of the CEO have been taken by the Board. No new appointment of CEO has been made during the current year. The terms of appointment of non–executive directors other than independent director are not approved by the Board as they are nominees of BankIslami Pakistan Limited which is the Holding Company of the Management Company. The terms of appointment of independent director is determined by the Management Company and the remuneration is also being paid by the Management Company.

14. Credit Rating

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

15. Adequacy of Internal Financial Controls

The Board of Directors has established an efficient system of Internal financial controls, for ensuring effective and efficient conduct of operations, safeguarding of Modaraba's assets, compliance with applicable laws and regulations and reliable financial reporting. The Board has outsourced the internal audit function to Junaidy Shoaib Asad Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba, whereas the Audit Committee reviews the effectiveness of the internal control framework and financial statements on quarterly basis.

16. Auditors

The present auditors M/s A. F. Ferguson & Co. Chartered Accountants being due for retirement have offered themselves for reappointment for the year ending June 30, 2019. The directors have approved their appointment subject to approval of the Registrar of Modaraba Companies and Modaraba.

17. Corporate Social Responsibility

Your Modaraba is committed to create value for the society in which it operates, the Modaraba has in place charity and donation policy as approved by the Board. All payments from Charity fund are made after the approval of Shariah Advisor, on recommendation of the CEO or Chairman of the Board of Directors.

18. Acknowledgement

We would like to express our sincere thanks to our certificate holders and business partners for their continued patronage. We also appreciate our employees for their dedication and hard work. Moreover, we would also like to acknowledge the immense support and co-operation provided by the Securities & Exchange Commission of Pakistan to us.

On behalf of the Board

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Aziz Adil

Chief Executive Officer

Karachi:

August 08, 2018

ڈائریکٹرز رپورٹ

بینک اسلامی مضاربہ انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب 30 جون 2018 کو اختتام پذیر سال پر ہم مضاربہ المالی کی 33 ویں سالانہ رپورٹ بمع آڈٹ شدہ کھاتے پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

1. آپریشن کے نتائج

30 جون 2018 کو ختم ہونے والے سال پر آپریشن کے نتائج کا خلاصہ درج ذیل ہے:

روپے 000 میں

	30جون2018	30جون2017
کل آمدنی	57,661	60,540
اجارہ فرسودگی(Depreciation)	(29,126)	60,540
آپریشن سے خالص آمدنی بعد از، اجارہ اثاثہ جات کی فرسودگی	28,535	22,295
مشارکہ منافع پر اخراجات	-	(252)
آپریشن کے اخراجات بشمول پٹرول پمپ	(15,827)	(14,780)
	12,708	7,263
مختصات کی واپسی	-	-
	12,708	7,263
محصول	(1,114)	(742)
سال کا منافع	11,594	6,521
آمدنی فی سرٹیفیکیٹ - آپریشن کا تسلسل	0.63	0.35

مضاربہ آرڈیننس 1980 کے تحت مینجمنٹ کمپنی مضاربہ کے منافع کا 10 فیصد کے مساوی بطور فیس لینے کی حقدار ہے۔ تاہم بورڈ آف ڈائریکٹرز نے فیصلہ کیا ہے کہ زیرِ غور سال کی مینجمنٹ فیس وصول نہ کی جائے۔

2. منافع کی تقسیم

ڈائریکٹرز جون 2018 پر اختتام پذیر سال پر 5 فیصد کی شرح یعنی 0.5 . روپے فی سرٹیفیکیٹ کا نقد منقسمہ منافع (dividend) کا اعلان کرتے ہوئے خوشی محصوص کرتے ہیں۔

3. دستوری ذخائر

4. سیکیوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ پروڈینشل ریگولیشن برائے مضاربہ کمپنی کے مطابق مضاربہ کمپنی کو اپنے منافع بعد از

5. محصول کا کم سے کم 10 فیصد اور زیادہ سے زیادہ 20 فیصد کو دستوری ذخائر میں منتقل کرنا ہوتا ہے۔ بورڈ آف ڈائریکٹرز نے بعد از منافع کا 20 فیصد دستوری ذخائر کے لیے مختص کر دیا ہے۔

6. **معاشی جائزہ**

سال 2018 کی SBP کی تیسری سہ ماہی رپورٹ کے مطابق: برآمدات اور غیر ملکی زر مبادلہ کی ترسیل میں اضافے کے باوجود بیرونی کھات دباؤ کا شکار رہا۔ عالمی تیل کی قیمتوں میں دوبارہ اضافہ اور بلند تر مشینوں اور ذرائع نقل و حمل (transport) نے تجارتی خسارے کو بدتر کر دیا۔ ایک اہم، اندرونی مالیاتی بہاؤ میں اضافہ جس کی وجہ باضابطہ پورٹ فولیو میں سرمایہ کاری اور قرضہ جات اور خالص غیر ملکی براہ راست سرمایہ کاری (FDI) میں معمولی اضافہ بھی جاری کھاتے کے خسارہ کا خلاء پورا نہ کر سکے۔ اس صورتحال میں، مارچ 2018 کے اختتام تک، ملک کے سرکاری طور پر بیان کردہ غیر ملکی زر مبادلہ کے ذخائر 4.5 ارب امریکی ڈالر کی کمی کے ساتھ گھٹ کر 11.6 ارب امریکی ڈالر رہ گئے۔ سال 2108 کی جولائی-مارچ کے دوران پاکستانی روپے کی قدر میں 9.6 فیصد کی مجموعی طور پر کمی واقع ہوئی ہے۔

سال 2019 کے لیے گورنمنٹ مجموعی قومی پیداوار کی 6.2 فیصد نمو کا ہدف رکھا ہے جس کی بڑی وجہ کی بنیاد گذشتہ کئی سالوں میں نمو کی رفتار میں تیزی ہے۔ بلند تر PSDP اور CPEC کے اخراجات، توانائی کی بہتر فراہمی اور صنعتی توسیع کے جاری منصوبے ڈھارس بندھانے والے عوامل ہیں۔ تاہم، بڑھتی ہوئی تغیر پذیری اور بلند مالیاتی خسارہ نمو کے ہدف کے حصول میں ایک بڑی رکاوٹ ہوں گے۔ درآمدات کے بل کا امکان ہے کہ وہ بلند رہے گا، جس کی وجہ بین القوامی طور پر اجناس کی قیمتوں میں اضافہ خاص طور پر یل۔ یہ سال 2019 میں میں بھی تجارت خسارہ کو بلند رکھے گی۔ علاوہ ازیں، توقع ہے کہ سال 2019 میں FDI کا اندرونی بہاؤ گذشتہ سال کے مقابلے میں کم تر رہے گی، کیونکہ CPEC کے توانائی کے منصوبے تکمیل کے آخری مراحل میں ہیں۔ اس لئے مجموعی طور پر بلند جاری خسارہ اور اس کے ساتھ محدود مالیات کا اندرونی بہاؤ مل کر ادائیگیوں کے توازن کو دباؤ میں رکھیں گی۔

7. **آپریشن کا جائزہ**

اللہ تعالیٰ کی مہربانی سے مضاربہ زیر جائزہ سال میں بہتر کارکردگی دکھانے کے قابل ہوا تھا جس کا نتیجہ 11.59 ملین روپے کا منافع بعد از محصول حاصل کیا جو گذشتہ سال کی منافع بخشی (profitability) کے مقابلے میں 78 فیصد کا اضافہ ہے۔ ایندھن (Fuel) اسٹیشن مالگذاری (revenue) کا بڑا ذریعہ تھا جس میں گذشتہ سال کے مقابلے میں 85 فیصد اضافے کے ساتھ منافع بخشی میں 5.82 ملین روپے حصہ ڈالا۔ مضاربہ اب گھٹتا ہوا مشارکہ مصنوع پیش کر رہا ہے اور سال کے دوران اس مد میں 16.078 ملین روپے کی ادائیگیاں کر چکا ہے۔ انتظامی اخراجات کی سختی سے نگرانی کی گئی تاکہ مضاربہ کی منافع بخشی میں بہتری کا عمل جاری رہے۔

8. **مستقبل کا منظرنامہ**

مضاربہ مستقبل میں، مالیاتی دستاویز (balance sheet) کا فائدہ اٹھاتے ہوئے اچھے معیاری اثاثہ کا سودا کرنے کا ارادہ رکھتی ہے۔ فیول اسٹیشن پر بڑھتی ہوئی طلب کو پورا کرنے کے لیے مضاربہ کا منصوبہ ہے کہ ان کی ذخیرہ کرنے کی استعداد میں اضافے کا منصوبہ ہے۔

سال کے دوران بینک دولت پاکستان (SBP) دو رعایتی اسکیموں کا اعلان کیا ہے:

i. SMEs کے لئے SBP کی رعایتی فنانسنگ

ii کم لاگت کے مکانوں کی فنانسنگ کی پالیسی

کیونکہ مضاربہ اور لیزنگ کمپنیوں کی بنیادی توجہ SME سیکٹر پر رہی ہے، اس لئے مضاربہ سیکٹر اپنی ایسوسی ایشن اور SECP کی معاونت سے SBP سے درخواست کی ہے کہ مضاربہ سیکٹر کو بھی اس اسکیم میں شامل کیا جائے۔ ہم مثبت نتائج کے لیے پر امید ہیں تاہم، دوسری صورت میں، سیکٹر کو بینکاری کی صنعت کے مقابلے میں شدید نقصان ہو گا۔

مذکورہ بالا کے علاوہ مندرجہ ذیل کاروباری خطرات مضاربہ کی نمو کو متاثر کرسکتے ہیں؛

a. کرنسی مبادلہ کی تغیر پذیری۔

b. معاشی عدم استحکام کی وجہ سے سودی نرخ میں اتار چڑھاؤ۔

c. سیاسی غیر یقینی۔

d. امن وامان کی ناموافق صورتحال۔

مضاربہ المالی مذکورہ بالا کاروباری خطرات سے اچھی طرح واقف ہے اور خبر گیری کے مختلف اقدامات بروقت اٹھاتا ہے تاکہ کاروباری خطرے کو کم سے کم کی سطح پر رکھا جائے۔

9. اداراتی نظم وضبط

بورڈ آف ڈائریکٹرز منظم طور پر تریقوں کو بناتے ہیں تاکہ مضبوط، شفاف اور کارکردگی میں مؤثر اداراتی مینجمنٹ کو یقینی بنایا جائے۔ کاروباری سرگرمیوں کرنے کے لیے مینجمنٹ کمپنی، سائز، صنعتی شعبے اور متعلقی قوانین اور ضوابط کی روشنی میں مناسب انداز میں فیصلے کرتی ہے۔

بورڈ، اپنی بورڈ کمیٹیوں اور CEO کے ذریعے سے، بلواسطہ اور بلاواسطہ، مضاربہ کی کارکردگی دیکھتی رہتی ہے کی آپریشن درست طور ہو رہا ہے۔

مضاربہ کے ضروری ہے کہ وہ SECP کے جاری کردہ مندرج (Listed) کمپنیوں کے لیے (اداراتی نظم وضبط کا ضابطہ) ریگولیشن 2017 سے متعلق متعدد ضرورتوں کی تعمیل کرے۔ آپ کی انتظامیہ نے ان ضرورتوں کی تعمیل کے لیے کئی اہم اقدامات کیے ہیں مثلاً نصب العین اور مہم: حصولِ نصب العین کا بیان، مجموعی ادراتی حکمتِ عملی، مضبوط اندرونی آڈٹ فنکشن اور آڈٹ کمیٹی کی تشکیل اور اس کے منشور پر عمل کرنا۔

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

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

- انتظامیہ کی تیار کردہ مالیاتی دستاویزات اس کے آپریشن کے نتائج، کیش فلو اور ایکوٹی میں تبدیلی کی مناسب صورتحال پیش کرتی ہیں۔
- مناسب طور پر کاؤنٹس کی کتابوں کو رکھا گیا ہے۔
- مالیاتی دستاویزات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل سے نافذ کیا گیا ہے ماسوائے ان تبدیلیوں کے جن کی وضاحت مالیاتی دستاویزات میں کی گئی ہیں اور اکاؤنٹنگ کے تخمینوں کی بنیاد مناسب اور محتاط اندازے ہیں۔
- بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈز، جو پاکستان میں مضاربہ پر لاگو ہوتے ہیں، ان پر مالیاتی دستاویز کی تیاری میں ان پر عملدرآمد کیا گیا اور اس سے انحراف کو مناسب طور سے ظاہر کیا گیا ہے اور وضاحت کی گئی ہے؛
- اندرونی نگرانی کا نظام مستحکم ہے اور اس کو مؤثر طور پر نافذ کیا جاچکا ہے اور اس کی نگرانی کی جاتی ہے
- مضاربہ کے جاری رہنے والے ادارے کے طور پر اس کی صلاحیت پر خاص شبہات نہیں ہیں؛ اور
- گذشتہ چھ سالوں کا اہم آپریٹنگ اور مالیاتی اعداد وشمار اس رپورٹ کے ساتھ منسلک کیا گیا ہے

11. سرٹیفیکیٹ رکھنے کا رجحان

سرٹیفیکیٹ رکھے جانے کا رجحان اس رپورٹ کے ساتھ منسلک ہے

12. بورڈ کی ساخت

بورڈ کے کل ڈائریکٹرز کی تعداد درج ذیل ہے:

مرد: چھ

خاتون: ایک

بورڈ کی ساخت درج ذیل ہے:

	ڈائریکٹرز کے نام	ڈائریکٹرز کی قسم
1	جناب محمد حامد	آزاد ڈائریکٹر
2	سید اختر اوصاف (چیئرمین)	نان ایگزیکیوٹیو ڈائریکٹر
3	جناب محمد فاروق انور	نان ایگزیکیوٹیو ڈائریکٹر
4	جناب ریحان شجاع زیدی	نان ایگزیکیوٹیو ڈائریکٹر
5	جناب سہیل سکندر	نان ایگزیکیوٹیو ڈائریکٹر
6	جناب کاشف نثار	نان ایگزیکیوٹیو ڈائریکٹر
7	جنابہ عائشہ اشرف جانگدا	ایگزیکیوٹیو ڈائریکٹر

13. بورڈ اجلاس کی حاضری

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

ڈائریکٹرز کے نام	اجلاس میں شرکت کی تعداد	غیر حاضری کی درخواست	تبصرہ
جنابہ عائشہ اشرف جانگڈا	4	--	
جناب محمد فیصل شیخ	2	--	11-03-2017 سے مستعفی ہو گئے تھے
جناب محمد حامد	4	--	
جناب کاشف نثار	1	1	11-01-2018 سے منتخب ہوئے
جناب ریحان شجاع زیدی	4	--	
جناب سہیل سکندر	4	--	
سید اختر اوصاف	4	--	
جناب فاروق انور	4	--	

14. آڈٹ کمیٹی

بورڈ، آڈٹ کمیٹی کی تشکیل کر چکا ہے جو مندرجہ ذیل ارکان پر مشتمل ہے؛

ارکان کے نام

a.	جناب محمد حامد	چیئرمین
b.	جناب ریحان شجاع زیدی	رکن
c.	جناب کاشف نثار	رکن
d.	جناب سہیل سکندر	رکن

15. انسانی وسائل اور مشاہرہ کی کمیٹی

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

a.	محمد حامد	چیئرمین
b.	سید اختر اوصاف	رکن
c.	جناب فاروق انور	رکن
d.	جناب عزیز عادل	رکن

16. ڈائریکٹرز کی مشاہراہ پالیسی

بورڈ، **CEO** کے انتخاب، مشاہراہ اور ان کی ملازمت کی شرائط طے کر چکا ہے۔ جاری سال کے دوران کسی **CEO** (ڈائریکٹر) کا انتخاب نہیں کیا گیا ہے۔ بورڈ نے نان ایگزیکیوٹیو ڈائریکٹر کے انتخاب کی شرائط منظور نہیں کی ہیں کیونکہ وہ بینک اسلامی، جو مینجمنٹ کمپنی کی ہولڈنگ کمپنی ہے، کے نامزد کردہ ہیں۔ آزاد ڈائریکٹر کے انتخاب کی شرائط کا تعین مینجمنٹ کمپنی کرتی ہے اور ان کا مشاہراہ بھی مینجمنٹ کمپنی کرتی ہے۔

17. کریڈٹ درجہ بندی

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

18. اندرونی مالیاتی کنٹرول کی موزونیت

بورڈ آف ڈائریکٹرز مالیات کی نگرانی کا ایک کارکردگی میں بہتر (**efficient**) اندرونی نظام تشکیل کر چکے ہیں تاکہ آپریشنز، مضاربہ کے اثاثہ جات کا تحفظ، قونین اور ضوابط کے مطابق تعمیل اور معتبر مالیاتی رپورٹنگ کارکردگی میں بہتری (**efficient**) اور موثر (**effective**) سے ہونے کو یقینی بنایا جاسکے۔ بورڈ نے اندرونی احتساب کی کاموں کو جنیدی شعیب اسد، چارٹرڈ اکاؤنٹینٹ، جن کے بارے میں رائے ہے کہ وہ اس کام کے لیے مناسب طور پر اہل اور تجربہ کار ہیں اور مضاربہ کی پالیسیوں اور طریق کار آگاہ ہیں، جبکہ آڈٹ کمیٹی اندرونی کنٹرول کے ڈھانچے اور مالیاتی دستاویزات کا سہ ماہی کی بنیاد پر ان کے موئثر ہونے کا جائزہ لیتی ہے ۔

19. آڈیٹرز

موجودہ آڈیٹرز میسرز: اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹ، جن کے انتخاب کی مدت معاہدہ ختم ہورہی ہے انہوں نے 30 جون 2019 کے اختتام تک اپنے آپ کو دوبارہ انتخاب کے لئے پیش کیا ہے۔ بورڈ ان کے انتخاب کی منظوری دے چکا ہے جو مضاربہ کمپنیز اور مضاربہ کے رجسٹرار کی منظوری سے مشروط ہے۔

20. ادارتی سماجی ذمہ داری

آپ کا مضاربہ جس معاشرے میں کام کرتا ہے اس کی قدر میں اضافہ کرنے کے لیے پر عزم ہے، مضاربہ کی خیراتی اور چندے کی بورڈ سے منظور شدہ پالیسی موجود ہے۔ تمام خیراتی فنڈ سے ادائیگیاں، CEO یا بورڈ آف ڈائریکٹرز کی سفارش پر شریعہ مشیر کی منظوری کے بعد کی جاتی ہیں۔

21. اعتراف / ستائش

ہم اپنے سرٹیفیکیٹ کنندگان اور کروباری شرکاء کا ان کی مسلسل سرپرستی پر اپنے مخلصانہ شکریے کا اظہار کرنا چاہتے ہیں۔ ہم اپنے ملازمین کے خلوص اور سخت محنت کو بھی سراہتے ہیں۔ علاوہ ازیں، ہم سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی ہمارے لیے نہایت وسیع حمائت اور تعاون کا بھی اعتراف کرتے ہیں۔

بورڈ کی جانب سے

عزیز عادل

چیف ایگزیکیوٹیو آفیسر

کراچی

8 اگست 2018

KEY OPERATING AND FINANCIAL DATA

Balance Sheet Summary

(Rupees in Million)

Year Ended June 30,	2013	2014	2015	2016	2017	2018
EQUITY						
Issued, subscribed and paid up capital	184.24	184.24	184.24	184.24	184.24	184.24
Statutory Reserves	56.58	56.58	57.01	58.45	59.75	62.07
Revenue Reserves and unappropriated profit	(61.53)	(86.88)	(82.48)	(83.15)	(81.62)	(77.84)
Total Equity	179.29	153.94	158.77	159.54	162.37	168.47
LIABILITIES						
Liability against Ijarh finances	-	-	-	-	-	-
Musharak Finance	-	-	-	7.53	-	-
Customer Security Deposit	33.74	17.51	12.17	19.11	18.30	10.56
Others	-	-	-	-	-	-
	33.74	17.51	12.17	26.64	18.30	10.56
Current Liabilities						
Short term Morabaha and Musharika	-	-	-	4.83	-	-
Other Current Liabilities	26.28	34.49	34.77	28.32	15.61	16.57
Total Current Liabilities	26.28	34.49	34.77	33.15	15.61	16.57
Total Liabilities	239.31	205.94	205.71	219.33	196.28	195.60
ASSETS						
Assets Leased Out	18.96	34.85	82.18	102.17	53.11	13.89
Net investment in Ijarah	-	-	-	-	-	-
Assets in Own Use	115.46	77.40	73.56	72.33	71.43	70.26
Long Term Morabaha and Musharika	-	-	-	-	5.33	10.40
Long Term Investment	-	-	-	-	-	-
Other Long Term Assets	20.10	7.17	-	-	-	-
	154.52	119.42	155.74	174.50	129.87	94.55
Current Assets						
Short Term Morabaha and Musharika	-	-	-	-	2.36	4.57
Current maturity of Net investment in Ijarah	3.75	3.75	3.75	3.75	3.75	3.75
Short Term Investment	-	-	-	-	-	-
Other Current Assets	72.29	52.95	33.94	35.15	40.71	45.56
Cash and Bank Balance	8.75	29.82	12.28	5.93	19.59	47.17
Total Current Assts	84.79	86.52	49.97	44.83	66.41	101.05
Total Assets	239.31	205.94	205.71	219.33	196.28	195.60

Income Statement Highlights

(Rupees in Million)

Year Ended June 30,	2013	2014	2015	2016	2015	2016
INCOME						
Lease	23.46	29.08	26.40	47.33	46.33	34.99
Musharika and Morabaha	-	-	-	-	0.25	0.87
Capital Gain on Investments	7.20	-	-	-	-	-
Dividend	-	-	-	-	-	-
Certificate of Investment	-	-	-	-	-	-
Maintenance services	68.82	56.94	-	-	-	-
Other	7.96	9.73	13.54	14.85	13.95	21.79
Total Income	107.44	95.75	39.94	62.18	60.53	57.65
EXPENSES						
Operating	104.00	104.21	22.52	18.30	14.78	15.82
Financial	-	-	-	1.19	0.25	-
Amortization, depreciation	4.19	7.87	19.23	38.46	38.24	29.13
Provision for doubtful receivables	(4.19)	8.05	(6.98)	(1.02)	-	-
Management fee	-	-	-	-	-	-
Profit / (loss) before taxation	3.44	(24.38)	5.17	5.26	7.26	12.70
Taxation	0.35	0.34	0.46	0.58	0.74	1.11
Net profit / (loss)	3.09	(24.72)	4.71	4.68	6.52	11.59
APPROPRIATIONS						
Total Dividend	2.30	-	3.68	3.68	3.68	5.15
Statutory Reserves	0.62	-	0.94	0.94	1.30	2.32

VALUE OF INVESTMENT OF (Rupees in Million)

Provident Fund	12.02
Gratuity Fund	4.20

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

بسم الله الرحمن الرحيم

REPORT OF THE SHARIAH ADVISER

I have conducted the Shariah review of Modaraba Al-Mali managed by BankIslami Modaraba Investment Limited for the year ended June 30, 2018 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

i. The Modaraba has introduced a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles;

ii. To ensure Shariah compliance, Product Manual of Ijarah and DM has been developed;

iii. The agreement(s) entered into by the Modaraba are Shariah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;

iv. To the best of my information and according to the explanations given to me, the business transaction undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements as well as the requirement of the prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit regulations for Modarabas.

v. The earnings that have been realized from the sources or by means prohibited by Shariah have been credited to charity accounts.

Observation(s):

During review it has been observed that;
(i) During the year, no disbursement was made from Charity account.
(ii) Shariah compliance product manual of Ijarah and DM was not submitted to board's review and approval.

Recommendation(s):

Recommendations are as follow;
(i) The Charity amount be disbursed at the end of September 2018.
(ii) Shariah compliance product manual of Ijarah and DM be submitted to board's review and approval.

Conclusion:

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

Mufti Attaullah
Shariah Adviser

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Modaraba Al-Mali
For the year ended June 30, 2018

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

1. The total number of directors are Eight as per the following:
   a. Male: Seven
   b. Female: One

2. The composition of board is as follows:

Independent Director	1. Mr. Muhammad Hamid
Other Non-executive Directors	1. Syed Akhtar Ausaf (Chairman) 2. Mr. Muhammad Farooq Anwar 3. Mr. Rehan Shuja Zaidi 4. Mr. Sohail Sikandar 5. Mr. Kashif Nisar 6. Ms. Ayesha Ashraf Jangda
Executive Director	1. Mr. Aziz Adil (Chief Executive Officer)

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Modaraba (excluding the listed subsidiaries of listed holding companies where applicable).

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba and Company along with its supporting policies and procedures.

5. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board / certificate holders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The decision regarding appointment and determination of remuneration and the terms and conditions of employment of the CEO have been taken by the Board. No new appointment of CEO has been made during the current year. The terms of appointment of non–executive directors other than independent director are not approved by the Board as they are nominees of BankIslami Pakistan Limited which is the Holding Company of the Management Company. The terms of appointment of independent director is determined by the Company and the remuneration is also being paid by the Company.

9. The Board is in compliance with the requirement of Directors' Training as four Directors' are compliant with this requirement as at June 30, 2018. During the year Mr. Sohail Sikandar – Non–Executive Director has obtained the requisite training.

10. No new appointment of Chief Financial Officer (CFO) and Company Secretary was made during the year. As the internal audit function has been outsourced, there is no Head of Internal Audit in the employment of the Modaraba, however a coordinator of the Board Audit Committee has been appointed by the board.

11. CFO and Chief Executive Officer duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

    a) Audit Committee
       - Mr. Muhammad Hamid (Chairman)
       - Mr. Rehan Shuja Zaidi (Member)
       - Mr. Sohail Sikandar (Member)
       - Mr. Kashif Nisar (Member)

    b) HR and Remuneration Committee
       - Mr. Muhammad Hamid (Chairman)
       - Mr. Farooq Anwar (Member)
       - Syed Akhtar Ausaf (Member)
       - Mr. Aziz Adil (Member)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

    a) Audit Committee: Four quarterly meetings during the financial year ended June 30, 2018
    b) HR and Remuneration Committee: One meeting during the financial year ended June 30, 2018

15. The Board has outsourced the internal audit function to Junaidy Shoaib Asad Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.

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

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

-- sd --

Karachi: Syed Akhtar Ausaf

August 08, 2018 Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE CERTIFICATE HOLDERS OF MODARABA AL–MALI REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN CODE OF CORPORATE GOVERNANCE REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of BankIslami Modaraba Investments Limited, the Modaraba Management Company of Modaraba Al–Mali (the Modaraba) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Regulations and report if it does not and to highlight any non–compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba's and Modaraba Management Company's personnel and review of various documents prepared by the Modaraba Management Company to comply with the Regulations.

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

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, the Modaraba's related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Modaraba Management Company's process for identification of related parties of the Modaraba and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2018.

Chartered Accountants
Karachi:
September 25, 2018

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Modaraba Al-Mali (Modaraba) as at June 30, 2018 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the Modaraba Management Company in respect of **Modaraba Al-Mali** as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2018 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

- sd --
Chartered Accountants

Karachi:
September 25, 2018

Engagement Partner
Syed Fahim ul Hasan

BALANCE SHEET
As at June 30, 2018

	Note	2018	2017
ASSETS	*Note*	--------------(Rupees)--------------	
Current assets			
Cash and bank balances	4	**47,176,421**	19,591,033
Ijarah finance	5	**3,755,007**	3,755,007
Murabaha finance	6	**-**	-
Current portion of Diminishing Musharaka	7	**4,576,378**	2,360,955
Receivable against Ijarah rentals and maintenance service	8	**8,065,119**	6,060,187
Advances, deposits, prepayments, other assets and receivables	9	**6,879,346**	6,973,113
Tax refunds due from government	10	**28,049,759**	26,624,052
Inventory	11	**2,545,969**	1,037,446
		101,047,999	66,401,793
Non-current assets			
Long-term portion of Diminishing Musharaka	7	**10,401,689**	5,332,161
Property and equipment under Ijarah arrangements	12	**13,898,802**	53,114,901
Property and equipment	13	**70,261,483**	71,434,852
		94,561,974	129,881,914
Total assets		**195,609,973**	196,283,707
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	14	**8,814,904**	8,279,324
Current portion of security deposits	15	**10,331,841**	10,725,562
Unclaimed profit distribution		**7,749,769**	7,312,673
		26,896,514	26,317,559
Non-current liabilities			
Long term portion of security deposits	15	**234,797**	7,588,600
		234,797	7,588,600
Total liabilities		**27,131,311**	33,906,159
NET ASSETS		**168,478,662**	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	16	**300,000,000**	300,000,000
Issued, subscribed and paid-up certificate capital	16	**184,239,450**	184,239,450
Premium on issue of certificates		**511,409**	511,409
Statutory reserve	17	**61,571,075**	59,252,298
Accumulated loss		**(77,843,272)**	(81,625,609)
		168,478,662	162,377,548
CONTINGENCIES AND COMMITMENTS	18		

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Financial Officer	**Chief Executive Officer**	**Director**	**Director**
BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company

PROFIT AND LOSS ACCOUNT

For The Year Ended June 30, 2018

	Note	2018	2017
		(Rupees)	
Ijarah rentals - net	19	**34,999,970**	46,330,812
Income from operation of fuel station		**11,986,925**	8,398,919
Income on deposits with bank		**1,236,699**	289,623
Income on Diminishing Musharaka transactions		**872,628**	253,012
		49,096,222	55,272,366
Depreciation on assets under Ijarah arrangements	12	**(29,126,958)**	(38,244,962)
Musharaka profit expense		**-**	(251,716)
Expenses on fuel station operations	19	**(5,055,517)**	(4,517,568)
		14,913,747	12,258,120
Other income	20	**8,565,523**	5,268,362
Administrative and operating expenses	22	**(10,515,594)**	(10,116,679)
		12,963,676	7,409,803
Modaraba Management Company's remuneration	14.3	**-**	-
Provision for services sales tax on management company's remuneration	14.3	**(1,685)**	(1,037)
Provision for Workers' Welfare Fund	23	**(254,157)**	(145,270)
Profit for the year before taxation		**12,707,834**	7,263,496
Taxation	19 & 24	**1,113,949**	741,936
Profit for the year after taxation		**11,593,885**	6,521,560
Other comprehensive loss for the year	9.1.6	**(334,066)**	(198)
Total comprehensive income for the year		**11,259,819**	6,521,362
Earnings per certificate - basic & diluted	25	**0.63**	0.35

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive Officer	Director	Director
BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company

CASH FLOW STATEMENT

For The Year Ended June 30, 2018

	Note	2018	2017
		-------------------(Rupees)-------------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation		**12,707,834**	7,263,496
Adjustments for non-cash charges and other items:			
Depreciation on assets under Ijarah arrangements		**29,126,958**	38,244,962
Depreciation on fixed assets in own use		**1,200,169**	1,197,177
Gain on disposal of Ijarah assets		**(335,638)**	-
Gain on disposal of fixed assets in own use		**-**	(19,808)
		29,991,489	39,422,331
		42,699,323	46,685,827
(Increase) / decrease in assets			
Receivable against Ijarah rentals and maintenance service		**(2,004,932)**	(4,998,863)
Advances, deposits, prepayments and other receivable		**(240,299)**	714,485
Inventory		**(1,508,523)**	(311,105)
		(3,753,754)	(4,595,483)
Increase / (decrease) in current liabilities			
Creditors, accrued and other liabilities		**535,580**	(872,070)
Security deposits		**(7,747,524)**	(12,927,678)
		(7,211,944)	(13,799,748)
Cash generated from operations		**31,733,625**	28,290,596
Income taxes paid		**(2,539,656)**	(1,700,317)
Net cash generated from operating activities		**29,193,969**	26,590,279
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Ijarah assets		**-**	(2,348,000)
Purchase of fixed assets in own use		**(26,800)**	(324,816)
Proceeds from disposal of fixed assets in own use		**-**	45,800
Disposal of assets under Ijarah arrangements		**10,424,779**	13,162,286
Diminishing Musharaka		**(7,284,951)**	(7,693,116)
Net cash generated from investing activities		**3,113,028**	2,842,154
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to certificate holders		**(4,721,609)**	(3,419,969)
Musharaka Finance repayment		**-**	(12,357,296)
Net cash used in financing activities		**(4,721,609)**	(15,777,265)
Net increase in cash and cash equivalents		**27,585,388**	13,655,168
Cash and cash equivalents at beginning of the year		**19,591,033**	5,935,865
Cash and cash equivalents at end of the year	4	**47,176,421**	19,591,033

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive Officer	Director	Director
BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company

STATEMENT OF CHANGES IN EQUITY
For The Year Ended June 30, 2018

		Reserves				
	Certificate capital	Premium on issue of certificates	Statutory reserve	Accumulated loss	Total reserves	Total
	---Rupees---					
Balance as at July 1, 2016	184,239,450	511,409	57,947,986	(83,157,870)	(24,698,475)	159,540,975
Final cash dividend of Re. 0.2 per certificate for the year ended June 30, 2016	-	-	-	(3,684,789)	(3,684,789)	(3,684,789)
Profit for the year ended June 30, 2017	-	-	-	6,521,560	6,521,560	6,521,560
Other comprehensive loss for the year ended June 30, 2017	-	-	-	(198)	(198)	(198)
Transfer to statutory reserve	-	-	1,304,312	(1,304,312)	-	-
Balance as at June 30, 2017	184,239,450	511,409	59,252,298	(81,625,609)	(21,861,902)	162,377,548
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)
Profit for the year ended June 30, 2018	-	-	-	11,593,885	11,593,885	11,593,885
Other comprehensive loss for the year ended June 30, 2018	-	-	-	(334,066)	(334,066)	(334,066)
Transfer to statutory reserve	-	-	2,318,777	(2,318,777)	-	-
Balance as at June 30, 2018	184,239,450	511,409	61,571,075	(77,843,272)	(15,760,788)	168,478,662

The annexed notes 1 to 35 form an integral part of these financial statements.

Chief Financial Officer	Chief Executive Officer	Director	Director
BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company

NOTES TO THE FINANCIAL STATEMENT
For The Year Ended June 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

There have been no significant transactions or events during the year.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;

- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981;

- Provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

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 from the Companies Act and IFRS Standards, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, IFASs, Modaraba

Companies and Modaraba Rules, 1981, or the provisions of and directives issued by the SECP under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 have been followed.

2.2 Accounting convention

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

2.3 Functional and presentation currency

These financial statements have been presented in Pak Rupee, which is the functional and presentation currency of Modaraba.

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

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

2.4.2 Islamic Financial Accounting Standard (IFAS) 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the SECP vide SRO 431(1)/ 2007 dated May 22, 2007. Under 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.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. The management makes estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on going basis.

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

i) estimates of residual values, useful lives and depreciation methods of fixed assets in own use and Ijarah assets;

ii) provision against non-performing leasing / Ijarah portfolio, trade debts and other receivables; and

iii) provision for staff retirement benefits.

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

There were certain new amendments to the approved accounting standards which became effective during the year ended June 30, 2018 but are considered not to be relevant or do not have any significant effect on the Modaraba's financial statements and are, therefore, not disclosed in these financial statements.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2018 that are expected to have an impact on the financial statements of the Modaraba.

- IFRS 9 'Financial instruments' - This standard replaces the guidance in lAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: lAS 18 Revenue, lAS 11 Construction Contracts, and the related interpretations on revenue recognition.

- IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The management is in the process of assessing the impact of the changes laid down by these standards on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 Ijarah Finance - prior to July 1, 2008

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

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

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

3.4 Property and equipment

3.4.1 Owned

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

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

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

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

3.4.2 Under Ijarah arrangements

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the corresponding assets and are included in the profit and loss account, in the period in which these arise.

3.4.3 Impairment

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

3.5 Murabaha Transactions

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

3.6 Receivable from terminated / matured contracts

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

3.7 Inventory

3.7.1 Stores and consumables

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

3.7.2 Fuel and lubricants

Fuel and lubricants are valued at the lower of moving average cost and net realisable value. Cost comprises of invoice value and other charges e.g. freight, franchise fee, excise duty and GST etc.

3.8 Provisions

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

3.9 Trade and other payables

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

3.10 Revenue recognition

3.10.1 Ijarah income / operating lease income

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

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

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

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

3.10.2 Income on sukuk securities and bank deposits

Income on these assets is recognised on a time proportion basis under the effective yield method.

3.10.3 Murabaha and Musharaka Finances

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

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

3.10.4 Dividend income

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

3.10.5 Gains and losses on sale of investments

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

3.10.6 Income from maintenance services

Income from maintenance services is recognised on an accrual basis.

3.10.7 Income from operation of fuel station

Income from sale of oil and lubricants is recognised when the product is delivered.

3.10.8 Unrealised income on non-performing assets

Unrealised income is suspended, where necessary, on non-performing assets (including non-performing net investment in Ijarah and Murabaha and Musharaka Finances), in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP. Unrealised suspense income is recognised in profit and loss account on receipt basis.

3.10.9 Income from Diminishing Musharaka

Profit on Diminishing Musharaka financing is recognised on an accrual basis.

3.11 Financial Instruments

3.11.1 Financial Assets

All financial assets are initially recognised at cost, being the fair value of the consideration given, including the transaction costs associated with the asset, except in case of financial assets at fair value through profit or loss, if any, in which case these transaction costs are charged off to the profit and loss account. All regular way purchases and sale of investments are recognised / derecognised on the trade date. At initial recognition, these are categorised and accounted for as follows:

(i) Financial assets "at fair value through profit or loss

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

(ii) Held to maturity

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

(iii) Loans and recievables

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

(iv) Available for sale

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

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

(v) Derecognition

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

(vi) Impairment

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

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

3.11.2 Financial liabilities

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

3.11.3 Offsetting of financial assets and financial liabilities

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

3.12 Staff retirement benefits

3.12.1 Defined benefit plan - staff gratuity

The Modaraba participates in an approved group funded gratuity scheme for all its permanent employees, who have completed minimum qualifying period of service. The group comprises of BankIslami Modaraba Investments Limited and Modaraba Al-Mali. Consolidated fund is being maintained for the employees of the group. Contributions to the fund are made on the basis of actuarial recommendation normally carried out on a yearly basis. The latest valuation was carried out as at June 30, 2018 under the 'Projected Unit Credit Actuarial Cost Method'.

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

3.12.2 Defined contribution plan - staff provident fund

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

3.12.3 Staff compensated absences

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

3.13 Taxation

3.13.1 Current

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

3.13.2 Deferred

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

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

3.14 Segment information

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

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

3.15 Proposed profit distribution to certificate holders and transfers between reserves

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

3.16 Earnings per certificate

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

4. CASH AND BANK BALANCES

	Notes	**2018**	2017
		-----------*(Rupees)*-----------	
Balances with banks in:			
- profit and loss sharing accounts	4.1 & 4.2	**45,187,636**	18,354,465
- current accounts	4.1	**1,115,682**	762,063
		46,303,318	19,116,528
Balances with State Bank of Pakistan		**9,092**	9,092
		46,312,410	19,125,620
Cash in hand		**858,511**	455,413
Stamp paper		**5,500**	10,000
		47,176,421	19,591,033

4.1 Balances with banks include an amount of Rs. 29.50 million (2017: Rs. 10.70 million) held with BankIslami Pakistan Limited, (parent company of the Modaraba Management Company).

4.2 These carry profit rates ranging from 1.73% to 4.08% (2017: 1.69% to 4.77%) per annum.

5. IJARAH FINANCE

	Notes	2018	2017
		-----------(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 Ijarah losses	5.1 & 21	**(32,989,575)**	(32,989,575)
		(40,480,939)	(40,480,939)
		3,755,007	3,755,007

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

6. MURABAHA FINANCE

	Notes	2018	2017
Considered doubtful	6.1	**2,517,068**	2,517,068
Provision for impairment against doubtful recoveries	21	**(2,517,068)**	(2,517,068)
		-	-

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

7. DIMINISHING MUSHARAKA

	2018	2017
Musharaka Finance	**14,978,067**	7,693,116
Less: Current portion of Diminishing Musharaka	**(4,576,378)**	(2,360,955)
Long term portion of Diminishing Musharaka	**10,401,689**	5,332,161

8. RECEIVABLE AGAINST IJARAH RENTALS AND MAINTENANCE SERVICE

	Notes	2018	2017
Considered good			
- Ijarah rentals receivable		**8,065,119**	6,060,187
Considered doubtful			
- Maintenance fee		**4,275,537**	4,275,537
- Ijarah lease rentals of tower and allied equipments		**10,194,320**	10,194,320
		22,534,976	20,530,044
Less: Provision against potential Ijarah losses		**(14,469,857)**	(14,469,857)
	21	**8,065,119**	6,060,187

8.1 Minimum future Ijarah rentals from assets under IFAS-2

	2018		
	----------------------*(Rupees)*------------------------		
	Due within one year	**Due after one year but within five years**	**Total**
Minimum Ijarah payments receivable	**8,177,190**	**142,404**	**8,319,594**

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

9. ADVANCES, DEPOSITS, PREPAYMENTS, OTHER ASSETS AND RECEIVABLES

	Notes	**2018**	2017
		-----------*(Rupees)*-----------	
Considered Good			
Advances			
- to suppliers		**145,196**	2,457,505
- to employees against salary		**72,625**	216,875
Advance against Diminshing Musharaka		**2,949,999**	-
Prepayments		**424,018**	332,093
Defined benefit plan - staff gratuity	9.1	**1,531,304**	1,865,370
Other deposits		**43,899**	43,899
		5,167,041	4,915,742
Other receivables			
- Receivable from BankIslami		**420,843**	1,380,293
Pakistan Limited - Related Party		**1,291,462**	677,078
- Others		**1,712,305**	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	21	**(8,053,663)**	(8,053,663)
		6,879,346	6,973,113

		Notes	2018	2017
9.1	**Defined benefit asset - staff gratuity**		---------(Rupees)---------	

9.1.1 Present value of defined benefit obligation and assets of the fund

	2018	2017
Present value of defined benefit obligation	**2,897,732**	2,359,658
Fair value of plan assets	**(4,429,036)**	(4,225,028)
Net defined benefit asset recognised in the balance sheet	**(1,531,304)**	(1,865,370)

9.1.2 Movement in net defined benefit asset during the year

	2018	2017
Opening net defined benefit asset	**(1,865,370)**	(1,865,568)
Expense recognised in profit and loss account	**26,746**	157,652)
Contributions made during the year	**(26,746)**	(157,652)
Remeasurement loss recognised in other comprehensive income	**334,066**	198
Closing net defined benefit asset	**(1,531,304)**	(1,865,370)

9.1.3 Amount charged to the profit and loss account

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

	Notes	2018	2017
Current service cost	9.1.4	**191,827**	318,472
Mark-up cost	9.1.4	**225,693**	272,081
Expected return on plan assets	9.1.5	**(390,774)**	(432,901)
		26,746	157,652
Actual return on plan assets	9.1.6	**177,262**	235,722

Out of total charges for the year Rs. 2,102 (2017: Rs. 12,612) relate to the employees of fuel station operation.

9.1.4 Movement in the present value of defined benefit obligation

	2018	2017
Present value of defined benefit obligation at beginning of the year	**2,359,658**	2,884,495
Current service cost	**191,827**	318,472
Mark-up cost	**225,693**	272,081
Benefits paid	**-**	(238,902)
Transferees	**-**	(679,507)
Remeasurement loss / (gain) for the year	**120,554**	(196,981)
Present value of defined benefit obligation at the end of the year	**2,897,732**	2,359,658

9.1.5 Movement in the fair value of plan assets

	2018	2017
	---------(Rupees)---------	
Fair value of plan assets at beginning of the year	**4,225,028**	4,750,063
Expected return on plan assets	**390,774**	432,901
Contributions	**26,746**	157,652
Benefit paid	**-**	(238,902)
Transferees	**-**	(679,507)
Remeasurement loss for the year	**(213,512)**	(197,179)
Fair value of plan assets at end of the year	**4,429,036**	4,225,028

9.1.6 Re-measurements recognised in other comprehensive income

	2018	2017
Re-measurement: Actuarial loss / (gain) on obligation		
Due to change in financial assumptions	**9,897**	2,701
Due to change in experience adjustments	**110,657**	(199,682)
	120,554	(196,981)
Remeasurement: Actuarial loss / (gain) on plan assets		
Actual return on plan assets	**(177,262)**	(235,722)
Expected return on plan assets	**390,774**	432,901
	213,512	197,179
Re-measurement loss recognised in other comprehensive income	**334,066**	198

9.1.7 Composition of plan assets

	2018	2017
Debt instruments	**3,018,213**	2,906,090
Bank deposits	**1,410,823**	1,318,938
	4,429,036	4,225,028

9.1.8 Actuarial assumptions

The principal assumptions used in the actuarial valuation carried out as of June 30,2018, using the 'Projected Unit Credit' method, are as follows:

	2018	2017
Expected rate of increase in salary	**10.00%**	9.25%
Discount rate used to determine the actuarial present value of obligation	**10.00%**	9.25%
Expected rate of return on plan assets	**10.00%**	9.25%
Expected mortality rate	**SLIC (2001-05) with 1 year set back**	SLIC (2001-05) with 1 year set back
Expected withdrawal rate	**Age dependent**	Age dependent

Fair value of plan assets has been determined by the actuary based on the assumption that gratuity payable in respect of June 2018 amounting to Rs. 26,746 has been paid before June 30, 2018.

Expected accrual of expenses in respect of gratuity scheme in the next financial year on the advice of actuary is Rs. 36,470.

9.1.9 Actuarial Risk

The scheme exposes the Modaraba to the following actuarial risks:

Salary risk

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

Mortality / withdrawal risk

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

Investment risk

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

In case of the funded plans, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the defined benefit plan. The Modaraba actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the defined benefit plan obligations. The Modaraba has not changed the process used to manage its risks from previous years. Investments are well diversified. A large portion of the plan assets in the year 2018 consists of debt instruments.

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

9.1.10 Sensitivity analysis

The calculation of defined benefit asset is sensitive to assumptions set out above. The following table summarises how the defined benefit asset at the reporting period would have increased

/ (decreased) as a result of change in respective assumptions by one percent.

	Defined benefit obligation Effect of 1%	
	Increase	Decrease
	----------(Rupees)----------	
Discount rate	**2,591,329**	(3,249,555)
Expected rate of increase in salaries	**3,260,882**	(2,576,913)

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

The weighted average number of years of defined benefit plan as at June 30, 2018 is 11.31 years (2017: 12.16 years).

The undiscounted projected benefit payments from gratuity fund are as follows:

	Rupees
For the year 2019	41,949
For the year 2020	46,663
For the year 2021	51,057
For the year 2022	57,009
For the year 2023- 27	1,654,079

9.1.11 Historical information (in respect of the gratuity scheme)

	2018	2017	2016	2015	2014
	(Rupees)				
Defined benefit obligation	2,897,732	2,359,658	2,884,495	2,246,174	2,775,218
Fair value of plan assets	(4,429,036)	(4,225,028)	(4,750,063)	(4,333,350)	(4,738,058)
Unrecognised actuarial loss	-	-	-	-	-
(Surplus) / Deficit	(1,531,304)	(1,865,370)	(1,865,568)	(2,087,176)	(1,962,840)
Remeasurements of plan liabilities	120,554	(196,981)	(117,598)	366,366	2,251,861
Remeasurements of plan assets	(213,512)	(197,179)	(104,007)	(244,213)	(288,752)
Remeasurement loss of prior period	-	-	-	-	(289,992)

10. TAX REFUNDS DUE FROM GOVERNMENT

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

11. INVENTORY

	2018	2017
	(Rupees)	
Consumables	-	200,538
Fuel and lubricants	**2,545,969**	1,037,446
	2,545,969	1,237,984
Provision for obsolete / slow moving inventory	-	(200,538)
	2,545,969	1,037,446

12. PROPERTY AND EQUIPMENT UNDER IJARAH ARRANGEMENTS

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

	2018		
	Machinery	**Vehicles**	**Total**
	(Rupees)		
At July 01, 2017			
Cost	**45,693,830**	**74,205,410**	**119,899,240**
Accumulated depreciation	**(27,619,006)**	**(39,165,333)**	**(66,784,339)**
Net book value	**18,074,824**	**35,040,077**	**53,114,901**
Additions	-	-	-
Disposals			
Cost	**(40,586,250)**	**(23,816,990)**	**(64,403,240)**
Depreciation	**36,526,455**	**17,787,644**	**54,314,099**
	(4,059,795)	**(6,029,346)**	**(10,089,141)**
Depreciation charge for the year	**(9,913,732)**	**(19,213,226)**	**(29,126,958)**
Closing net book value	**4,101,297**	**9,797,505**	**13,898,802**
At June 30, 2018			
Cost	**5,107,580**	**50,388,420**	**55,496,000**
Accumulated depreciation	**(1,006,283)**	**(40,590,915)**	**(41,597,198)**
Net book value	**4,101,297**	**9,797,505**	**13,898,802**
Life (years)	**3 to 4**	**3 to 5**	

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

	Notes	**2018**	2017
		-----------(Rupees)-----------	
13. PROPERTY AND EQUIPMENT			
Property and equipment - own use	13.1	**69,911,483**	71,084,852
Towers and allied equipment	13.2	**350,000**	350,000
		70,261,483	71,434,852

13.1 Operating property and equipment - own use

2018

	Lease hold land - fuel station	Building - fuel station	Office premises - lease hold	Vehicles	Furniture and fixtures	Office Equipment	Computers	Total
	-----	-----	-----	-----	*(Rupees)*	-----	-----	-----
At July 01, 2017								
Cost	63,848,000	8,399,474	12,876,257	327,700	2,004,827	3,363,274	2,388,488	93,208,020
Accumulated depreciation	-	(2,757,014)	(11,856,473)	(278,676)	(1,712,897)	(3,129,822)	(2,388,286)	(22,123,168)
Net book value	63,848,000	5,642,460	1,019,784	49,024	291,930	233,452	202	71,084,852
Additions	-	-	-	-	-	26,800	-	26,800
Disposals								
Cost	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(419,976)	(643,812)	(15,728)	(58,826)	(61,625)	(202)	(1,200,169)
Closing net book value	63,848,000	5,222,484	375,972	33,296	233,104	198,627	-	69,911,483
At June 30, 2018								
Cost	63,848,000	8,399,474	12,876,257	327,700	2,004,827	3,390,074	2,388,488	93,234,820
Accumulated depreciation	-	(3,176,990)	(12,500,285)	(294,404)	(1,771,723)	(3,191,447)	(2,388,488)	(23,323,337)
Net book value	63,848,000	5,222,484	375,972	33,296	233,104	198,627	-	69,911,483
Life (Years)	-	20	20	5	10	2 to 10	3	

2017

	Lease hold land - fuel station	Building - fuel station	Office premises - lease hold	Vehicles	Furniture and fixtures	Office Equipment	Computers	Total
	-----	-----	-----	-----	*(Rupees)*	-----	-----	-----
At July 01, 2016								
Cost	63,848,000	8,268,525	12,876,257	398,500	2,020,047	3,406,707	2,420,388	93,238,424
Accumulated depreciation	-	(2,338,676)	(11,212,661)	(365,276)	(1,668,743)	(3,260,309)	(2,409,554)	(21,255,219)
Net book value	63,848,000	5,929,849	1,663,596	33,224	351,304	146,398	10,834	71,983,205
Additions	-	130,949	-	42,500	7,800	143,567	-	324,816
Disposals								
Cost	-	-	-	(113,300)	(23,020)	(187,000)	(31,900)	(355,220)
Depreciation	-	-	-	87,308	23,020	187,000	31,900	329,228
	-	-	-	(25,992)	-	-	-	(25,992)
Depreciation charge for the year	-	(418,338)	(643,812)	(708)	(67,174)	(56,513)	(10,632)	(1,197,177)
Closing net book value	63,848,000	5,642,460	1,019,784	49,024	291,930	233,452	202	71,084,852
At June 30, 2017								
Cost	63,848,000	8,399,474	12,876,257	327,700	2,004,827	3,363,274	2,388,488	93,208,020
Accumulated depreciation	-	(2,757,014)	(11,856,473)	(278,676)	(1,712,897)	(3,129,822)	(2,388,286)	(22,123,168)
Net book value	63,848,000	5,642,460	1,019,784	49,024	291,930	233,452	202	71,084,852
Life (Years)	-	20	20	5	10	2 to 10	3	

13.1.1 Depreciation charge for the year

	Notes	2018	2017
		-----------(Rupees)-----------	
Operating expenses	22	**747,460**	750,531
Fuel station business	19	**452,709**	446,646
		1,200,169	1,197,177

13.1.2 The details of immovable property (i.e. land and building) in the name of the Modaraba are as follows:

Location	Usage of immovable property	Area
10th Floor Progressive Square, Shahra e Faisal, Karachi	Office space	8,046 sq. feet
Gulshan-e-Maymar, Super Highway, Karachi	Fuel station	1,350 sq. yards

13.2 Towers and allied equipement

	2018		
	Towers with allied equipment	Other allied equipment	Total
	-------------------------(Rupees)-------------------------		
At July 01, 2017			
Cost	2,216,553	2,127,811	4,344,364
Accumulated depreciation	(762,539)	(2,127,811)	(2,890,350)
Provision for impairment losses	(1,104,014)	-	(1,104,014)
Net book value	350,000	-	350,000
Additions	-	-	-
Disposals			
Cost	-	-	-
Depreciation	-	-	-
	-	-	-
Depreciation charge for the year	-	-	-
Closing net book value	350,000	-	350,000
At June 30, 2018			
Cost	2,216,553	2,127,811	4,344,364
Accumulated depreciation	(762,539)	(2,127,811)	(2,890,350)
Provision for impairment losses	(1,104,014)	-	(1,104,014)
Net book value	350,000	-	350,000
Life (Years)	20	5	

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

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

14. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Notes	**2018**	2017
		-----------(Rupees)-----------	
Accrued liabilities	14.1	**6,286,527**	6,546,271
Charity and donation	14.2	**59,513**	58,311
Payable to provincial government	14.3	**4,266**	2,581
Advance from customers		**657,194**	42,000
Others		**1,646,628**	1,455,902
Ijarah rental received in advance		**160,776**	174,259
		8,814,904	8,279,324

14.1 This includes amount payable in respect of staff compensated absences amounting to Rs. 399,221 (2017: Rs. 316,605).

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

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

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

	Notes	2018	2017
		---------(Rupees)---------	
15. SECURITY DEPOSITS			
Customers' security deposits	15.1	**10,566,638**	18,314,162
Less: Current portion of security deposits		**(10,331,841)**	(10,725,562)
		234,797	7,588,600

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

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

2018	2017		2018	2017
No. of Certificates			---------(Rupees)---------	
30,000,000	30,000,000	Modaraba certificate of Rs. 10/- each	**300,000,000**	300,000,000

Issued, subscribed and paid up capital

2018	2017		2018	2017
No. of Certificates				
13,569,000	13,569,000	Modaraba certificate of Rs. 10/- each fully paid in cash	**135,690,000**	135,690,000
4,688,400	4,688,400	Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates	**46,884,000**	46,884,000
166,545	166,545	Modaraba Certificates of Rs. 10 each issued on merger	**1,665,450**	1,665,450
18,423,945	18,423,945		**184,239,450**	184,239,450

16.1 BankIslami Modaraba Investments Limited (Modaraba Management Company) held 2,342,490 certificates (2017: 2,342,490 certificates) of Rs. 10 each, as at June 30, 2018.

17. STATUTORY RESERVE

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

During the current year, the Modaraba has transferred an amount of Rs. 2,318,777 (2017: Rs. 1,304,312) which represents 20% (2017: 20%) of the profit after tax.

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

There were no contingencies as at June 30, 2018 other than as explained below.

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

18.2 Commitments

There were no commitments outstanding as at June 30, 2018 and June 30, 2017.

19. PROFIT FROM OPERATION OF FUEL STATION

	Notes	2018	2017
		(Rupees)	
Income	19.1		
Sale of fuel		**255,737,031**	157,226,627
Cost of sales		**(245,062,946)**	(150,070,958)
		10,674,085	7,155,669
Rental income	19.2	**1,301,000**	1,243,250
Other income		**11,840**	-
		11,986,925	8,398,919
Expenses			
Salaries and allowances		**2,245,190**	1,631,613
Generator fuel		**554,516**	399,444
Depreciation		**452,709**	446,646
Electricity		**281,284**	596,901
Repairs and maintenance		**479,882**	471,280
Printing and stationery		**11,065**	18,520
Security guards		**468,300**	396,000
Insurance		**91,968**	71,334
Telephone		**25,071**	21,080
Entertainment		**20,455**	19,010
Rent, rates & taxes		**267,952**	250,014
Transportation		**-**	5,500
Miscellaneous		**157,125**	190,226
		5,055,517	4,517,568
Profit before taxation		**6,931,408**	3,881,351
Taxation		**(1,113,949)**	(741,936)
Profit after taxation		**5,817,459**	3,139,415

19.1 Income relates to the operations of petrol and diesel filling / service station which started from October 3, 2010 under a retailer agreement with an oil marketing company. In accordance with the agreement, the Company has granted the right to the Modaraba to operate the fuel station and deal exclusively in petroleum products of the Company on a predetermined margin.

19.2 The amount represents rent earned in respect of the plot of land used for fuel station under a lease deed dated August 13, 2009 with the oil marketing company. Initial term of the rent agreement is for fifteen years. The amount also includes rental income earned from operation of tuck shop and car wash facility.

20. OTHER INCOME

	Notes	2018	2017
Rental income	20.1	**5,895,852**	5,103,554
Gain on disposal of property and equipment		**-**	19,808
Gain on disposal of property and equipment under Ijarah arrangements		**335,638**	-
Liabilities considered no longer payable written back		**1,344,033**	-
Others		**990,000**	145,000
		8,565,523	5,268,362

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

21. PROVISION FOR IMPAIRMENT LOSS

	2018						
	Property and equipment	Ijarah finance	Morabaha finance	Operating lease rentals	Maintenance fee	Other receivables	Total
	(Rupees)						
Opening balance	**1,104,012**	**32,989,575**	**2,517,068**	**10,194,320**	**4,275,537**	**8,053,663**	**59,134,177**
Closing balance	**1,104,012**	**32,989,575**	**2,517,068**	**10,194,320**	**4,275,537**	**8,053,663**	**59,134,177**

	2017						
	Property and equipment	Ijarah finance	Morabaha finance	Operating lease rentals	Maintenance fee	Other receivables	Total
	(Rupees)						
Opening balance	1,104,014	32,989,575	2,517,068	10,194,320	4,275,537	8,053,663	59,134,177
Closing balance	1,104,014	32,989,575	2,517,068	10,194,320	4,275,537	8,053,663	59,134,177

22. ADMINISTRATIVE AND OPERATING EXPENSES

	Notes	2018	2017
		(Rupees)	
Salaries, allowances and other benefits	22.1	**3,507,414**	4,147,525
Rent, rates and taxes		**144,235**	162,141
Depreciation		**747,460**	750,531
Fuel and conveyance		**245,565**	249,580
Repairs and maintenance		**445,012**	331,600
Legal and professional		**1,926,338**	1,316,643
Electricity		**416,900**	418,321
Telephone		**217,639**	176,091
Entertainment		**61,446**	67,184
Insurance		**129,780**	121,266
Printing and stationery		**448,913**	552,546
Auditors' remuneration	22.2	**767,198**	506,400
Subscription		**464,621**	429,704
Registrar services		**475,168**	295,466
Postage		**153,447**	174,775
Advertisement		**228,000**	272,879
Others		**136,458**	144,027
		10,515,594	10,116,679

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

	2018			2017		
	Officers (key management personnel)	Other employees	Total	Officers (key management personnel)	Other employees	Total
	(Rupees)					
Salaries	-	**2,090,432**	**2,090,432**	548,778	1,603,943	2,152,721
Retirement benefits						
Defined contribution plan - provident fund	-	**93,594**	**93,594**	23,943	82,773	106,716
Defined benefit plan - gratuity fund	-	**24,644**	**24,644**	76,351	68,689	145,040
House rent allowance	-	**854,551**	**854,551**	246,950	723,124	970,074
Conveyance and other allowances	-	**444,193**	**444,193**	261,159	511,815	772,974
	-	**3,507,414**	**3,507,414**	1,157,181	2,990,344	4,147,525
Number of employees at the end of year	-	**6**	**6**	-	6	6

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

	2018	2017
	(Rupees)	
22.2 Auditors' remuneration		
Statutory audit	**340,200**	340,200
Review report on statement of compliance with the Code of Corporate Governance	**21,600**	21,600
Review of the half yearly financial statements	**91,800**	91,800
Other certifications	**239,600**	10,800
Out of pocket expenses	**73,998**	42,000
	767,198	506,400

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

24. TAXATION

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

24.2 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.

	Note	**2018**	2017
		-----------*(Rupees)*-----------	
25. EARNINGS PER CERTIFICATE - BASIC AND DILUTED			
Basic earnings per certificate is worked out as under:			
Profit for the year after taxation		**11,593,885**	6,521,560
Weighted average number of ordinary certificates outstanding during the year		**18,423,945**	18,423,945
Earnings per certificate - basic & diluted	25.1	**0.63**	0.35

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

26. 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.

Contribution to the provident and gratuity funds are made in accordance with the services rules and actuary's advice respectively. Other transactions with related parties are in accordance with the agreed terms.

26.1 Details of transactions with related parties during the year are as follows:

BankIslami Pakistan Limited (holding company of the Modaraba Management Company)	**2018**	2017
	----------- *(Rupees)*	-----------
Profit on Islamic profit and loss sharing accounts	**747,227**	151,510
Rental income	**5,895,852**	5,103,554
Bank charges	**3,937**	1,932
BankIslami Modaraba Investments Limited (Modaraba Management Company)		
Services sales tax on management fees	**1,685**	1,037
Musharaka profit expense	**-**	251,716
Repayment of Musharaka Finance	**-**	12,357,296
Other transactions		
Contributions to staff provident fund	**122,694**	131,754
Contribution to staff gratuity fund	**26,746**	157,652

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

BankIslami Pakistan Limited (holding company of the Modaraba Management Company)		
Bank deposits	**29,503,524**	10,700,773
Amount receivable in respect of genset and premises rent income and others	**420,843**	1,380,293

26.3 Following are the related parties with whom the Modaraba had entered into transactions or have arrangement / agreements in place.

S. No.	**Company Name**	**Basis of relationship**	**Aggregate %age of shareholding**
1	BankIslami Pakistan Limited	Holding Company of Modaraba Management Company	Nil
2	BankIslami Modaraba Investments Limited	Modaraba Management Company	12.71

27.	NUMBER OF EMPLOYEES	2018	2017
27.1	Number of employees at June 30		
	- Permanent	5	6
	- Contractual	8	8
		13	14

27.1.1 This includes 7 (2017: 7) number of fuel station employees.

27.2	Average number of employees during the year		
	- Permanent	5	6
	- Contractual	8	8
		13	14

28. FINANCIAL INSTRUMENTS BY CATEGORY

	2018	2017
	---------(Rupees)---------	
Financial assets as per balance sheet		
Loans and receivables		
Cash and bank balances	47,176,421	19,591,033
Ijarah Finance	3,755,007	3,755,007
Receivable against Ijarah rentals and	8,065,119	6,060,187
maintenance services	6,310,132	4,183,515
Advances, deposits and other receivables	14,978,067	7,693,116
Diminishing Musharaka	80,284,746	41,282,858
Financial liabilities as per balance sheet		
Other financial liabilities		
Creditors accrued and other liabilities	8,810,638	8,276,743
Security deposits - Ijarah	10,566,638	18,314,162
Unclaimed profit distribution	7,749,769	7,312,673
	27,127,045	33,903,578

29. FINANCIAL RISK MANAGEMENT

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

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

The Modaraba’s principal financial liabilities comprise of Ijarah deposits, creditors, accrued liabilities, unclaimed dividends and other liabilities. The Modaraba's principal financial assets comprise of Ijarah finance, receivables against Ijarah rentals and maintenance fee, Murabaha finance, Diminishing Musharaka finance, advances, deposits and other receivables and cash and bank balances that arise directly from its operations.

29.1 Liquidity risk

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

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

	2018					
	Less than 6 months	**6 months - 1 year**	**1 - 5 years**	**More than 5 years**	**Total Contractual Cashflows**	**Carrying Amount**
	(Rupees)					
Creditors, accrued and other liabilities	**8,810,638**	**-**	**-**	**-**	**8,810,638**	**8,814,904**
Security deposits	**10,331,841**	**-**	**234,797**	**-**	**10,566,638**	**10,566,638**
Unclaimed profit distribution	**7,749,769**	**-**	**-**	**-**	**7,749,769**	**7,749,769**
		-		**-**		
	26,892,248	**-**	**234,797**	**-**	**27,127,045**	**27,131,311**

	2017					
	Less than 6 months	**6 months - 1 year**	**1 - 5 years**	**More than 5 years**	**Total Contractual Cashflows**	**Carrying Amount**
	(Rupees)					
Creditors, accrued and other liabilities	8,276,743	-	-	-	8,279,324	8,279,324
Security deposits	6,153,257	4,572,305	7,588,600	-	18,314,162	18,314,162
Unclaimed profit distribution	7,312,673	-	-	-	7,312,673	7,312,673
				-		
	21,742,673	4,572,305	7,588,600	-	33,906,159	33,906,159

29.2 Credit risk and concentration of credit

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

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

The Modaraba's maximum exposure to credit risk related to receivable at June 30, 2018 and June 30, 2017 is the carrying amounts of following financial assets.

	2018	2017
	-----------*(Rupees)*-----------	
Ijarah Finance	**3,755,007**	3,755,007
Receivable against Ijarah rentals	**8,065,119**	6,060,187
and maintenance services	**46,312,410**	19,125,620
Bank balances	**6,310,132**	4,183,515
Advances, deposits, and other receivables	**14,978,067**	7,693,116
Diminishing Musharaka	**79,420,735**	40,817,445

The Ijarah finance is secured against customers' security deposit.

The Modaraba had adopted a policy of dealing with creditworthy counterparties only. These parties are analysed based on the publically available information i.e. credit ratings, financial statements and financial performance.

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

The analysis below summarises the credit quality of the Modaraba's bank balances.

Banks	**Short Term**	**Long Term**	**2018**	2017
			-----------*(Rupees)*-----------	
BankIslami Pakistan Limited	A1	A+	**29,503,524**	10,700,773
Bank Alfalah Limited	A1+	AA+	**16,746,526**	8,363,606
Meezan Bank Limited	A-1+	AA	**48,433**	47,439
Dubai Islamic Bank Pakistan Limited	A-1	AA-	**4,835**	4,710

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

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

	As at June 30, 2018				
	OAEM	Substandard	Doubtful	Loss	Total
	(Rupees)				
Ijarah finance	**-**	**-**	**-**	**44,235,946**	**44,235,946**
Murabaha finance	**-**	**-**	**-**	**2,517,068**	**2,517,068**
Receivable against rentals and maintenance services	**-**	**-**	**-**	**14,469,857**	**14,469,857**
Other receivables	**-**	**-**	**-**	**8,053,663**	**8,053,663**
	-	**-**	**-**	**69,276,534**	**69,276,534**

	As at June 30, 2017				
	OAEM	Substandard	Doubtful	Loss	Total
	(Rupees)				
Ijarah finance	-	-	-	44,235,946	44,235,946
Murabaha finance	-	-	-	2,517,068	2,517,068
Receivable against rentals and maintenance services	-	-	-	14,469,857	14,469,857
Other receivables	-	-	-	8,053,663	8,053,663
				69,276,534	69,276,534

Total impairment against these assets as at June 30, 2018 is Rs. 69,276,534 (2017: Rs. 69,276,534).

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

29.2.1 Concentration of credit risk

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

Sector	2018		2017	
	Rupees	%	*Rupees*	%
Financial Institutions	**270,692**	**0.37%**	270,692	0.26%
Distributors, Wholesellers and Retailers	**26,448,264**	**36.59%**	26,448,264	25.38%
Food, Tobacco and Beverages	**540,945**	**0.75%**	11,040,945	10.59%
Chemical, Fertilizer and Pharma	**374,950**	**0.52%**	10,341,618	9.92%
Textile and Garments	**3,621,383**	**5.01%**	3,621,383	3.48%
Steel, Engineering and Autos	**1,768,316**	**2.45%**	2,612,229	2.51%
Transport and Communication	**15,199,365**	**21.03%**	3,761,563	3.61%
Glass, Ceramics and Plastics	**1,311,650**	**1.81%**	1,311,650	1.26%
Misc. / Individuals	**22,746,348**	**31.47%**	44,803,569	42.99%
	72,281,913	**100%**	104,211,913	100%

29.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market profit rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Modaraba is not exposed to market rate risk as it does not have any marketable securities.

29.3.1 Profit rate risk

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

	2018	2017
	-----------(Rupees)-----------	
Profit bearing financial instruments		
Bank balances	**45,187,636**	18,354,465
Fair value sensitivity analysis for profit bearing financial instruments		-

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

	Impact on profit or loss	
	2018	2017
	-----------(Rupees)-----------	
Sensitivity analysis of profit rate		
100 Basis points	**615,994**	486,771
(100) Basis points	**(287,759)**	(119,682)

29.3.2 Currency risk

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

29.3.3 Other price risk

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and

- Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The Modaraba recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The Modaraba's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

- changes in market and trading activity (e.g. significant increases / decreases in activity); and

- changes in inputs used in valuation techniques (e.g. inputs becoming / ceasing to be observable in the market)

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

Currently, the Modaraba does not hold any assets which are either being carried or disclosed at fair value. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value of future Ijarah rentals receivable against Ijarah assets, other assets, other liabilities and other items cannot be calculated with sufficient reliability due to absence of current active market for such assets and liabilities.

31. INFORMATION ABOUT BUSINESS SEGMENTS

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

Financing / Investments	Ijarah, Murabaha, Diminshing Musharaka and investments
Fuel station	Petrol and diesel filling / service station

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

SEGMENT RESULTS

	2018		
	Financing / Investments	**Fuel station**	**Total**
	(Rupees)		
Income	**35,872,598**	**255,737,031**	**291,609,629**
Result			
Profit for the year before taxation	**6,001,714**	**6,931,408**	**12,933,122**
Profit for the year after taxation	**6,001,714**	**5,817,459**	**11,819,173**

	2017		
	Financing / Investments	**Fuel station**	**Total**
	(Rupees)		
Income	46,583,824	157,226,627	203,810,451
Result			
Profit for the year before taxation	7,010,454	3,881,351	10,891,805
Profit for the year after taxation	7,010,454	3,139,415	10,149,869

	2018	2017
Reconciliation of segment results	(Rupees)	
Total results for reportable segments	**11,819,173**	10,149,869
Rental income	**5,895,852**	5,103,554
Other operating income	**3,906,370**	454,431
Operating expenses:		
Salaries, allowances and other benefits	**(2,805,759)**	(3,502,159)
Depreciation	**(747,460)**	(750,531)
Workers' welfare fund	**(254,157)**	(145,270)
Fuel and conveyance	**(212,294)**	(222,001)
Other unallocated operating expenses	**(6,341,906)**	(4,894,625)
Total comprehensive income for the year	**11,259,819**	6,521,362

	2018		
	Financing / Investments	**Fuel station**	**Total**
	---(Rupees)---		
Assets and liabilities			
Total assets	**20,603,808**	**72,154,678**	**92,758,486**
Total liabilities	**11,223,832**	**2,047,918**	**13,271,750**

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

	Assets	
	2018	2017
	---(Rupees)---	
Reconciliation of segments' assets and liabilities		
Total for reportable segments	**92,758,486**	129,860,492
Advance income tax	**28,049,759**	26,624,052
Property and equipment	**1,190,999**	1,944,392
Cash and bank balance	**47,176,421**	19,591,033
Other unallocated assets	**26,434,308**	18,263,738
Total as per balance sheet	**195,609,973**	196,283,707

	Liabilities	
	2018	2017
	---(Rupees)---	
Total for reportable segments	**13,271,750**	19,663,264
Unclaimed profit distribution	**7,749,769**	7,312,673
Charity and donations payable	**59,513**	58,311
Other unallocated liabilities	**6,050,279**	6,871,911
Total as per balance sheet	**27,131,311**	33,906,159

OTHER INFORMATION

	2018			
	Financing / Investments	**Fuel station**	**Unallocated**	**Consolidated**
	(Rupees)			
Capital expenditure	**-**	**-**	**26,800**	**26,800**
Depreciation	**29,126,958**	**452,709**	**747,460**	**30,327,127**
Salaries, allowances and other benefits	**3,507,414**	**2,245,190**	**-**	**5,752,604**
Rent, rates and taxes	**-**	**267,952**	**144,235**	**412,187**
Advertisement	**-**	**-**	**228,000**	**228,000**
Income tax	**-**	**1,113,949**	**-**	**1,113,949**

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

32. CAPITAL RISK MANAGEMENT

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

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

The Modaraba is not subject to externally imposed capital requirements.

33. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Modaraba Management Company in their meeting held on August 8, 2018 has approved final cash dividend of 0.5 per certificate. The financial statements of the Modaraba for the year ended June 30, 2018 do not include the effect of the final dividend which will be accounted for in the financial statements of the Modaraba for the year ending June 30, 2019.

34. GENERAL

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

35. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Modaraba Management Company on August 8, 2018.

Chief Financial Officer	Chief Executive Officer	Director	Director
BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company	BankIslami Modaraba Investments Limited Modaraba Management Company

PATTERN OF CERTIFICATE HOLDING

As at June 30, 2018

Number of Certificate Holding	Certificate Holding From	Certificate Holding To	To Certificate Held	Percentage %
1996	1	100	41,232	0.22
603	101	500	167,059	0.91
295	501	1000	228,690	1.24
468	1001	5000	1,051,216	5.71
108	5001	10000	804,309	4.37
36	10001	15000	462,598	2.51
16	15001	20000	272,579	1.48
8	20001	25000	178,662	0.97
5	25001	30000	133,025	0.72
6	30001	35000	196,174	1.06
4	35001	40000	149,318	0.81
6	40001	45000	259,682	1.41
2	45001	50000	92,283	0.50
1	55001	60000	55,786	0.30
5	60001	65000	313,620	1.70
1	65001	70000	66,999	0.36
2	70001	75000	148,338	0.81
1	75001	80000	78,500	0.43
1	80001	85000	83,324	0.45
1	95001	100000	96,250	0.52
2	100001	105000	202,547	1.10
1	110001	115000	114,660	0.62
1	115001	120000	120,000	0.65
2	120001	125000	243,432	1.32
1	135001	140000	135,716	0.74
1	140001	145000	144,500	0.78
1	155001	160000	158,500	0.86
1	160001	165000	162,000	0.88
1	165001	170000	166,000	0.90
1	225001	230000	227,500	1.23
2	250001	255000	500,988	2.72
1	300001	305000	303,515	1.65
1	375001	380000	379,500	2.06
1	475001	480000	478,500	2.60
2	495001	500000	999,782	5.43
1	705001	710000	708,029	3.84
1	910001	915000	910,487	4.94
1	1420001	1425000	1,421,250	7.71
1	1770001	1775000	1,775,000	9.63
1	1840001	1845000	1,842,395	10.00
1	2545001	2550000	2,550,000	13.84
3590			**18,423,945**	**100**

PATTERN OF CERTIFICATE HOLDING

As at June 30, 2018

Categories of Ceartificate Holders	Number	Certificates Held	Percentage %
Associated Companies, Undeartakings, and Related Parties.			
BankIslami Modaraba Investments Ltd.,	1	2,342,490	12.714
Sub Total	**1**	**2,342,490**	**12.714**
N.I.T. & I.C.P.			
Invesment Corporation of Pakistan	1	794	0.004
National Bank of Pakistan Trustee Department	1	13,656	0.074
IDBP (ICP Unit)	1	498	0.003
Directors,Chief Executive Officer and their Spouse and Minor Children			
Muhammad Hamid	1	34,000	0.185
Sub Total	**4**	**48,948**	**0.266**
Public Sestor Company & Corporation			
Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modaraba's	27	1,452,511	7.884
and Mutul Funds Joint Stock Companies & Others	35	594,828	3.229
Individuals	3,523	13,985,168	75.908
Sub Total	**3,585**	**16,032,507**	**87.020**
Total	**3,590**	**18,423,945**	**100.000**

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 19th Annual Review Meeting of certificate holders of Modaraba Al-Mali will be held on Thursday , the 25th October 2018 at 6:00 p.m. at 602, 6th Floor, Progressive Centre, PECHS, Sharae Faisal, Karachi to review the performance of the Modaraba for the year ended June 30, 2018 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular number 4/2004 by Registrar Modaraba Companies and Modarabas.

Company Secretary

Date: August 08, 2018

Note:

1. The Modaraba Certificate transfer book shall remain closed from Thursday , 18th October 2018 to Thursday, 25th October 2018 (both days inclusive) to determine the names of Certificate Holders entitled to receive dividend and to attend the Annual Review Meeting. Transfers received in order at the registrar's office of the Modaraba up to the close of the business on Tuesday, 18th October 2018 will be treated in time for the entitlement of profit distribution and to attend Annual Review Meeting.

2. The certificate holders are advised to notify to the registrar of Modaraba Al-Mali, any change in their addresses.

3. CDC certificate holders desiring to attend the meeting are requested to bring their original NIC, Account, and Participant's ID number, for identification purpose.

اطلاع برائے سالانہ جائزہ اجلاس

بذریعہ ہذٰا اِطلاع دی جاتی ہے کہ مضاربہ المالی کے سرٹیفکیٹ ہولڈرز کا انیسواں سالانہ جائزہ اِجلاس ۲۵ اکتوبر ۲۰۱۸ء کو سہ پہر ۶:۰۰ بجے کمرہ نمبر ۶۰۲، چھٹی منزل، پروگریسیو سینٹر، ۳۰-اے، بلاک نمبر ۶، شارع فیصل، کراچی میں منعقد ہو گا جس میں رجسٹرار مضاربہ کے سرکلر نمبر ۲۰۰۴/۴ اور پروڈینشل ریگولیشن کے شق ۲۰ کے تحت، ۳۰ جون ۲۰۱۸ء کو ختم ہونے والے سال میں مضاربہ کی کارکردگی کا جائزہ لیا جائے گا۔

محمد حسن معارفانی

کمپنی سیکریٹری

۱۸ اگست ۲۰۱۸

کراچی

نوٹس:

1۔ سرٹیفکیٹس ٹرانسفر بکس ۱۸، اکتوبر ۲۰۱۸ء سے ۲۵، اکتوبر ۲۰۱۸ء تک (بشمول دونوں اَیام) بند رہیں گی تا کہ اِجلاس میں شرکت اور ڈویڈنڈ کے حقدار کا تعین ہو سکے۔ سرٹیفکیٹ منتقلی کے لیے بروز بدھ ۱۷، اکتوبر ۲۰۱۸ء کو کاروباری اُوقات ختم ہونے سے پہلے تک مضاربہ المالی کے رجسٹرار آفس میں موصول ہونے والی تمام درخواست سالانہ جائزہ اجلاس میں شرکت اور ڈویڈنڈ کی تقسیم کیلیے بروقت تصور کی جائیں گی۔

2۔ سرٹیفکیٹ ہولڈرز سے درخواست ہے کہ اگر اُن کے ایڈریس میں کوئی تبدیلی ہو تو رِجسٹرار کو آگاہ کریں۔

3۔ سی ڈی سی سرٹیفکیٹ ہولڈرز جو اِجلاس میں شرکت کرنا چاہتے ہیں، اپنے ساتھ اصل شناختی کارڈ، اکاونٹ اور پارٹیسپینٹ آئی ڈی نمبر لازمی لائیں۔

M/s.,___________________

____

____

Bank Mandate Form/s.,

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

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

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

____

Signature of the Certificate holder

Dear Certificate holder,

ELECTRONIC PAYMENT OF CASH DIVIDENDS INSTEAD OF PHYSICAL DIVIDEND WARRANTS

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

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

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

M/s. JWAFFS Registrar Services (Pvt.) Ltd.

Shares Registrar,

407-408, 4th Floor, Al-Ameera Centre, Shaharah-e-Iraq, Saddar, Karachi.

Tel: +92-21-35662023-24

Fax: +92-21-35221192

Email: jwaffs@live.com

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

Your information should reach us on or before October 31,2018.

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

Yours faithfully,

Shares Registrar,

For Modaraba Al Mali

10th Floor, Progressive Square, Opposite Nursery, Sharea Faisal, Karachi.
Phone: +92-21-34547521-25 | Fax: +92-21-34547526
Email: info@modarabaalmali.com | URL: http//www.modarabaalmali.com

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