

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



**Half Yearly Report
December 31, 2019
(Un-audited)**

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CORPORATE INFORMATION

Board of Directors	Mr.Sohail Sikandar	Chairman
	Ms.Ayesha Ashraf Jangda	Director
	Mr.Kashif Nisar	Director
	Mr.Muhammad Hamid	Director
	Mr.Khurram Jamil	Director
	Mr.Rizwan Qamar Lari	Director
	Mr.Muhammad Haris Munawar	Director
	Mr.Mohammad Sadiq Sheikh	Chief Executive Officer
Audit Committee	Mr.Muhammad Hamid	Chairman
	Mr.Kashif Nisar	Member
	Mr.Sohail Sikandar	Member
	Mr.Khurram Jamil	Member
	Mr.Rizwan Qamar Lari	Member
HR & Remuneration Committee	Mr.Muhammad Hamid	Chairman
	Mr.Sohail Sikandar	Member
	Mr.Mohammad Sadiq Sheikh	Member
Management Team	Mr.Mohammad Sadiq Sheikh	Chief Executive Officer
	Rashid Matin Khan	Chief Financial Officer & Company Secretary
Auditors	A.F. Ferguson & Co.	
	Chartered Accountants	
Credit Rating Appraiser	The Pakistan Credit Rating Agency Limited	
Shari'ah Advisor	Mufti Attaullah	
Legal Advisor	Bawany & Partners Mohsin Tayeabaly & Company-Advocate	
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	

Directors' Review

The Directors of BankIslami Modaraba Investments Limited take pleasure in presenting the unaudited interim financial statements of Modaraba Al-Mali for the half year ended December 31, 2019 together with Auditor's Review Report thereon.

Financial Results:

During the period under review your Modaraba has earned after tax profit of Rs 5.303 million as against Rs 3.893 million earned for the corresponding period ended December 31, 2018. In view of the prevailing economic conditions in the Country the Management of the Modaraba has taken appropriate measures to improve the business and profitability of the Modaraba. Administrative and operating expenses remained under strict control and reflects reduction by 24.9% as against the corresponding period of last year.

Future Prospects:

Despite the prevailing challenges being faced by trade and industry in the Country on account of devaluation of Pak Rupee against US dollar and enhancement in the policy rates by SBP, our focus will remain in improving existing lines of business with ultimate objective of maximizing profitability of the Modaraba.

Acknowledgement:

The Board is thankful to the valuable Members for their trust and confidence. We record our sincere appreciation and sincere gratitude to the Registrar Modaraba and the Security & Exchange Commission of Pakistan for their support and guidance. We also appreciate the hard work put in by the Management and employees of the Modaraba.

On behalf of the Board

-- sd --

Karachi:
February 24, 2020**Ayesha Ashraf**
Director

-- sd --

Mohammed Sadiq Sheikh
Chief Executive Officer

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE CERTIFICATE HOLDERS OF MODARABA AL-MALI ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim balance sheet of Modaraba Al-Mali (the 'Modaraba') as at December 31, 2019 and the related condensed interim profit and loss account and other comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management of the Modaraba Management Company [BankIslami Modaraba Investment Limited] is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim profit and loss account and other comprehensive income for the quarters ended December 31, 2019 and December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2019.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

--sd--

A.F.Ferguson & Co.

Chartered Accountants

Karachi: February 28, 2020

Engagement Partner: Syed Fahim ul Hasan

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at December 31, 2019

ASSETS	Note	Unaudited December 31, 2019	Audited June 30, 2019
----- (Rupees) -----			
Current assets			
Cash and bank balances	5	53,372,344	49,182,224
Ijarah finance	6	3,755,007	3,755,007
Murabaha finance	7	-	-
Current portion of Diminishing Musharaka	8	7,289,108	7,662,921
Receivable against Ijarah rentals and maintenance service	9	5,969,634	6,077,340
Advances, deposits, prepayments, other assets and receivables	10	4,909,329	4,280,914
Tax refunds due from government		30,002,213	29,386,162
Inventory		2,779,209	2,864,170
		108,076,844	103,208,738
Non-current assets			
Long-term portion of Diminishing Musharaka	8	7,678,010	11,232,893
Investment property - at fair value	11	70,604,000	70,604,000
Property and equipment under Ijarah arrangements	12	4,064,006	6,706,006
Property and equipment	13	69,061,783	69,334,215
		151,407,799	157,877,114
Total assets		259,484,643	261,085,852
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	14	7,336,417	9,069,136
Current portion of security deposits		7,826,138	10,380,738
Unclaimed profit distribution		8,581,784	8,236,300
		23,744,339	27,686,174
Non-current liabilities			
Security deposits		85,000	100,000
Total liabilities		23,829,339	27,786,174
NET ASSETS		235,655,304	233,299,678
REPRESENTED BY: CAPITAL AND RESERVES			
Authorised certificate capital			
30,000,000 (June 30, 2019: 30,000,000)			
Modaraba certificates of Rs.10 each		300,000,000	300,000,000
Issued, subscribed and paid-up certificate capital			
18,423,945 (June 30, 2019: 18,423,945)			
Modaraba certificates of Rs.10 each		184,239,450	184,239,450
Premium on issue of certificates		511,409	511,409
Statutory reserve		63,164,012	63,164,012
Accumulated loss		(78,791,797)	(81,147,423)
Surplus on revaluation of Investment Property		66,532,230	66,532,230
		235,655,304	233,299,678
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the half year and quarter ended December 31, 2019

Note	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Rupees)		(Rupees)	
Income on Diminishing Musharaka transactions	1,301,347	1,235,586	233,609	698,524
Ijarah rentals - net	143,545	7,432,105	71,773	2,885,726
Income from operation of fuel station	16 5,011,160	6,086,333	2,409,162	2,928,335
Profit on term deposits	1,319,671	-	1,319,671	-
Income on deposits with bank	1,219,796	779,281	200,138	370,195
	<u>8,995,519</u>	<u>15,533,305</u>	<u>4,234,353</u>	<u>6,882,780</u>
Depreciation on assets under Ijarah arrangements	(117,400)	(6,734,697)	(58,700)	(2,719,945)
Expenses on fuel station operations	16 (3,157,212)	(2,806,032)	(1,797,788)	(1,423,779)
Provision against doubtful Ijarah rentals	-	(1,227,920)	-	(1,227,920)
Reversal of provision against doubtful Ijarah rentals	104,617	-	-	-
	<u>5,825,524</u>	<u>4,764,656</u>	<u>2,377,865</u>	<u>1,511,136</u>
Other income	3,493,482	4,401,890	3,066,412	1,587,945
Administrative and operating expenses	17 (3,544,884)	(4,724,486)	(1,902,595)	(2,287,665)
	<u>5,774,122</u>	<u>4,442,060</u>	<u>3,541,682</u>	<u>811,416</u>
Modaraba Management Company's remuneration	14.1 -	-	-	-
Provision for services sales tax on management company's remuneration	14.1 (808)	(622)	(428)	(508)
Provision for Workers' Welfare Fund	18 (113,218)	(91,512)	(53,236)	(77,179)
Profit for the period before taxation	<u>5,660,096</u>	<u>4,349,926</u>	<u>3,488,018</u>	<u>733,729</u>
Taxation	19 356,639	456,729	178,377	201,438
Profit for the period after taxation	<u>5,303,457</u>	<u>3,893,197</u>	<u>3,309,641</u>	<u>532,291</u>
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>5,303,457</u>	<u>3,893,197</u>	<u>3,309,641</u>	<u>532,291</u>
Earnings per certificate - basic & diluted	20 0.29	0.21	0.18	0.03

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the half year ended December 31, 2019

Note	December 31, 2019	December 31, 2018
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	5,660,096	4,349,926
Adjustments for non-cash charges and other items:		
Depreciation on assets under Ijarah arrangements	117,400	6,734,697
Depreciation on fixed assets in own use	272,433	379,771
Gain on disposal on fixed assets in own use	-	(1,226,000)
	<u>389,833</u>	<u>5,888,468</u>
	<u>6,049,929</u>	<u>10,238,394</u>
(Increase) / decrease in assets		
Receivable against Ijarah rentals and maintenance service	107,706	(3,560,723)
Advances, deposits, prepayments and other receivable	(628,415)	2,625,629
Inventory	84,961	300,419
	<u>(435,748)</u>	<u>(634,675)</u>
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(1,732,719)	(212,487)
Security deposits	(2,569,600)	(85,900)
	<u>(4,302,319)</u>	<u>(298,387)</u>
Cash generated from operations	<u>1,311,862</u>	<u>9,305,332</u>
Income taxes paid	(972,690)	(1,097,886)
Net cash generated from operating activities	<u>339,172</u>	<u>8,207,446</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets in own use	-	(91,970)
Disposal of assets under Ijarah arrangements	2,524,599	105,900
Proceeds from disposal of fixed assets in own use	-	1,226,000
Diminishing Musharaka finances	3,928,696	(7,382,017)
Net cash generated from / (used in) investing activities	<u>6,453,295</u>	<u>(6,142,087)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	(2,602,347)	(7,776,722)
Net cash used in financing activities	<u>(2,602,347)</u>	<u>(7,776,722)</u>
Net increase / (decrease) in cash and cash equivalents	<u>4,190,120</u>	<u>(5,711,363)</u>
Cash and cash equivalents at beginning of the period	49,182,224	47,176,421
Cash and cash equivalents at end of the period	<u>53,372,344</u>	<u>41,465,058</u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director

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

For the half year ended December 31, 2019

	Paid-up certificate capital	Premium on issue of certificates	Statutory reserve	Accumulated Losses	Total Reserves	Surplus on revaluation of Investment Property	Total
	(Rupees)						
Balance as at June 30, 2018	184,239,450	511,409	61,571,075	(77,843,272)	(15,760,788)	-	168,478,662
Final cash dividend of Re. 0.50 per certificate for the year ended June 30, 2018	-	-	-	(9,211,973)	(9,211,973)	-	(9,211,973)
Total comprehensive income for the six months period ended December 31, 2018	-	-	-	3,893,197	3,893,197	66,532,230	70,425,427
Balance as at December 31, 2018	184,239,450	511,409	61,571,075	(83,162,048)	(21,079,564)	66,532,230	229,692,116
Total comprehensive income for the six months period ended June 30, 2019	-	-	-	4,071,486	4,071,486	-	4,071,486
Other comprehensive loss for the year ended June 30, 2019	-	-	-	(463,924)	(463,924)	-	(463,924)
Transfer to statutory reserve	-	-	1,592,937	(1,592,937)	-	-	-
Balance as at June 30, 2019	184,239,450	511,409	63,164,012	(81,147,423)	(17,472,002)	66,532,230	233,299,678
Final cash dividend of Re. 0.16 per certificate for the year ended June 30, 2019	-	-	-	(2,947,831)	(2,947,831)	-	(2,947,831)
Total comprehensive income for the six months period ended December 31, 2019	-	-	-	5,303,457	5,303,457	-	5,303,457
Balance as at December 31, 2019	184,239,450	511,409	63,164,012	(78,791,797)	(15,116,376)	66,532,230	235,655,304

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director

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

For the half year ended December 31, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan (ICAP);
- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas; and
- Provisions of and directives issued by the Securities & Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas and IFASs differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas and IFASs have been followed.

2.1.2 These condensed interim financial statements do not include all the information required for a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Modaraba for the year ended June 30, 2019.

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

2.2 Functional and presentation currency

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

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

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

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

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

2.3.3 IFRS 9: "Financial Instruments"; is applicable effective from July 1, 2018. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach.

The SECP has deferred the applicability of IFRS 9 for provision against financings made by Modaraba in the financial statements for the year ended June 30, 2019 and required the Modaraba to follow all other requirements of IFRS 9. The Modaraba had adopted all requirements of IFRS 9 and had determined the provision in respect of financings as per the requirements of the Prudential Regulations.

During the current period, the SECP has further deferred the applicability of IFRS 9 for a further period of one year (i.e upto June 30, 2020). The Modaraba has adopted the classification and measurement requirements of IFRS 9 on all other balances except for financings made by Modaraba in line with the practice adopted by the Modaraba for the year ended June 30, 2019. The provision against financings has been determined in accordance with the requirements of the Prudential Regulations.

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

3.1 The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of Modaraba for the year ended June 30, 2019.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are therefore not detailed in these condensed interim financial statements.

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

There are other certain new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2018 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are therefore not detailed in these condensed interim financial statements.

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

3.4 The significant judgments made by the management in applying the Modaraba's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the annual published financial statements for the year ended June 30, 2019.

4. RISK MANAGEMENT POLICIES

The financial risk management objectives and policies are consistent with those disclosed in the annual published financial statements of the Modaraba for the year ended June 30, 2019.

5. CASH AND BANK BALANCES

Balances with banks in:

	Note	Un-audited December 31, 2019	Audited June 30, 2019
		------(Rupees)-----	
- Profit and loss sharing accounts	5.2	5,689,827	47,049,411
- Term deposit account	5.3	45,000,000	-
- Current accounts		1,816,076	1,607,040
		52,505,903	48,656,451
Balance with the State Bank of Pakistan		16,374	16,374
		52,522,277	48,672,825
Cash in hand		849,817	509,149
Stamp Paper		250	250
		53,372,344	49,182,224

5.1 Balances with banks include an amount of Rs. 5.106 million (June 30, 2019: Rs. 45.17 million) held with BankIslami Pakistan Limited, (parent company of the Modaraba Management Company).

5.2 These accounts carry profit at rates ranging from 3% to 11% (June 30, 2019: 6.72% to 10.5%) per annum.

5.3 Term deposits of Rs. 45 million are held with BankIslami Pakistan Limited (parent company of the Modaraba Management Company). These carry mark-up at 11.50% per annum and are due to mature on March 11, 2020.

6. IJARAH FINANCE

	Note	Un-audited December 31, 2019	Audited June 30, 2019
Ijarah contracts commencing up to June 30, 2008 - accounted for as finance leases		------(Rupees)-----	
Minimum lease payments due		40,480,939	40,480,939
Residual value of leased assets		3,755,007	3,755,007
Total receivable		44,235,946	44,235,946
Suspended lease income		(7,491,364)	(7,491,364)
Provision for impairment against potential lease losses	6.1	(32,989,575)	(32,989,575)
		(40,480,939)	(40,480,939)
		3,755,007	3,755,007

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

7. MURABAHA FINANCE

Considered doubtful	7.1	2,517,068	2,517,068
Provision for impairment loss against doubtful recoveries		(2,517,068)	(2,517,068)
		-	-

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

8. DIMINISHING MUSHARIKA

Musharika Finance		14,967,118	18,895,814
Less: Current portion of Diminishing Musharika		(7,289,108)	(7,662,921)
		7,678,010	11,232,893

9. RECEIVABLE AGAINST IJARAH RENTALS AND MAINTENANCE SERVICES

Considered good			
- Ijarah rentals receivable		5,969,634	6,077,340
Considered doubtful			
- Ijarah rentals receivable		6,677,879	6,782,496
- Maintenance fee	9.1	4,275,537	4,275,537
- Ijarah lease rentals of tower and allied equipments		10,194,320	10,194,320
		27,117,370	27,329,693
Less: Provision against potential ijarah losses		(21,147,736)	(21,252,353)
		5,969,634	6,077,340

9.1 This relates to discontinued operations.

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

Note	Un-audited December 31, 2019	Audited June 30, 2019
	----- (Rupees) -----	
Considered Good		
Advances		
- to suppliers	-	35,945
- to employees against salary	87,400	-
Prepayments	841,062	421,180
Defined benefit plan - staff gratuity	1,392,775	1,392,775
Other deposits	40,899	43,899
	<u>2,362,136</u>	<u>1,893,799</u>
Other receivables		
- Receivable from BankIslami Pakistan Limited - Related Party	850,400	742,824
- Others	1,696,793	1,644,291
	<u>2,547,193</u>	<u>2,387,115</u>
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
	<u>8,053,663</u>	<u>8,053,663</u>
Provision for impairment loss against doubtful receivable	(8,053,663)	(8,053,663)
	<u>4,909,329</u>	<u>4,280,914</u>

11. INVESTMENT PROPERTY - FAIR VALUE

Carrying amount - opening	70,604,000	-
Transfers from owner occupied property	-	66,888,000
Net gain from fair value adjustment	-	3,716,000
Carrying amount - closing	<u>70,604,000</u>	<u>70,604,000</u>

11.1 The leasehold office premises (investment property) of the Modaraba were valued by an independent valuer Harvester Services (Private) Limited, as at December 31, 2019, on the basis of professional assessment of the market values. The revaluation did not result in any change in fair market values of the investment property.

11.2 Forced sale value of the investment property was assessed at Rs. 65.003 million as at December 31, 2019.

12. PROPERTY AND EQUIPMENT UNDER IJARAH ARRANGEMENTS

12.1 Following additions and disposals in Ijarah / leased out assets, at cost, were made during the period:

Additions at cost during the period		
- Machinery and Equipment	-	-
- Vehicles	-	-
	<u>-</u>	<u>-</u>
Disposals at cost during the period		
- Machinery and Equipment	-	-
- Vehicles	13,797,000	1,059,000
	<u>13,797,000</u>	<u>1,059,000</u>

13. PROPERTY AND EQUIPMENT

Property and equipment in own use	13.1	68,711,783	68,984,215
Towers and allied equipment		350,000	350,000
		<u>69,061,783</u>	<u>69,334,215</u>

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

Note	Un-audited December 31, 2019	Audited June 30, 2019
	----- (Rupees) -----	
Additions at cost during the period		
- Office premises - leasehold	-	85,970
- Office and computer equipment	-	6,000
	<u>-</u>	<u>91,970</u>
Disposals / transfer at cost during the period		
- Office premises - leasehold	-	11,999,049
- Vehicles	-	285,200
	<u>-</u>	<u>12,284,249</u>

14. CREDITORS, ACCRUED AND OTHER LIABILITIES

Accrued liabilities		5,868,263	7,191,061
Charity and donation		62,432	61,071
Payable to provincial government	14.1	5,495	5,430
Advance from customers		42,000	50,000
Others		1,199,621	1,603,370
Ijarah rental received in advance		158,606	158,204
		<u>7,336,417</u>	<u>9,069,136</u>

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

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

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 There were no contingencies as at December 31, 2019 and June 30, 2019 other than as explained below:

The Additional Commissioner of Income Tax (ACIT) amended the assessment for the tax year 2007, dismissing the exemption claimed by the Modaraba on the contention of non distribution of profit as per the provisions of the respective tax laws and created tax demand of Rs. 1.93 million. The Modaraba filed an appeal against the said order with the Commissioner of Income Tax (CIT) who in his order maintained the treatment of ACIT. The second appeal filed against the said order with the Appellate Tribunal Inland Revenue (the Tribunal) was also decided against Modaraba. The Modaraba filed an application with the Tribunal for a review, which has also been decided against the Modaraba during the year ended June 30, 2017. The Modaraba has filed a second review application with the Tribunal and a reference in the High Court of Sindh. As at December 31, 2019 the application is pending for hearing before the High Court of Sindh. The management based on the advice of its legal counsel is hopeful for a favourable outcome and therefore, no provision has been made in these condensed interim financial statements.

15.2 Commitments

15.2.1 There were no commitments outstanding as at December 31, 2019 and June 30, 2019.

16. PROFIT FROM OPERATIONS OF FUEL STATION

Note	(Un-audited) Half year ended		(Un-audited) Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Rupees)			
Income				
16.1				
Sale of fuel	133,423,082	145,832,894	66,154,226	65,663,697
Cost of sales	(129,274,322)	(140,493,261)	(64,178,464)	(63,155,562)
	4,148,760	5,339,633	1,975,762	2,508,135
Rental income	862,400	746,700	433,400	420,200
	5,011,160	6,086,333	2,409,162	2,928,335
Expenses				
Salaries and allowances	1,287,937	1,376,896	642,385	721,931
Generator fuel	124,836	299,958	47,661	145,824
Depreciation	227,112	227,112	113,556	113,556
Electricity	210,569	109,363	122,139	68,492
Repairs and maintenance	761,577	258,478	596,047	104,555
Printing and stationery	15,000	10,600	12,000	7,750
Security guards	250,800	242,000	125,400	118,800
Insurance	59,706	52,800	33,285	26,400
Telephone	11,694	13,364	6,007	5,345
Rent, rates & taxes	123,663	135,486	49,420	70,023
Miscellaneous	84,318	79,975	49,888	41,103
	3,157,212	2,806,032	1,797,788	1,423,779
	1,853,948	3,280,301	611,374	1,504,556

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

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

17. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and other benefits	657,389	1,547,717	328,440	748,119
Rent, rates and taxes	103,654	73,006	66,224	36,391
Depreciation	45,321	152,659	22,541	28,443
Fuel and conveyance	69,759	132,794	34,972	47,786
Repairs and maintenance	178,461	176,573	97,554	78,267
Legal and professional	766,463	813,029	418,155	453,177
Electricity	210,179	287,883	73,935	120,898
Telephone	81,929	103,713	40,033	47,780
Entertainment	25,243	32,993	8,680	19,149
Insurance	52,654	67,367	24,820	34,829
Printing and stationery	227,167	257,117	105,677	106,651
Gratuity	-	15,505	-	7,479
Auditors' remuneration	605,150	301,800	454,250	150,900
Subscription	213,534	204,847	106,767	109,359
Registrar services	100,893	85,880	58,518	42,375
Postage	55,068	64,588	27,298	34,638
Advertisement	88,100	162,100	(14,500)	57,000
Others	63,920	244,915	49,231	164,424
	3,544,884	4,724,486	1,902,595	2,287,665

18. WORKERS' WELFARE FUND

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

19. TAXATION

19.1 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 condensed interim financial statements except for minimum tax deducted on certain items which has been treated as full and final tax charge.

19.2 The income tax returns of the Modaraba have been filed upto the financial year ended June 30, 2019 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

20. EARNINGS PER CERTIFICATE

A diluted earnings per certificate has not been presented as the Modaraba did not have any convertible instruments in issue as at December 31, 2019 and 2018 which would have any effect on the earnings per certificate if the option to convert is exercised.

21. CASH AND CASH EQUIVALENTS

	Un-audited December 31, 2019	Un-audited December 31, 2018
(Rupees)		
Balances with banks in:		
- Profit and loss sharing accounts	5,689,827	38,573,294
- Term deposit account	45,000,000	-
- Current accounts	1,816,076	2,371,434
	52,505,903	40,944,728
Balance with the State Bank of Pakistan	16,374	24,092
	52,522,277	40,968,820
Cash in hand	849,817	482,438
Stamp Paper	250	13,800
	53,372,344	41,465,058

22. RELATED PARTY TRANSACTIONS

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

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

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

	(Un-audited) Half year ended	
	December 31, 2019	December 31, 2018
	(Rupees)	
BankIslami Pakistan Limited (Holding company of the management company)		
Profit on Islamic profit and loss sharing account	1,150,938	414,167
Profit on term deposit account	1,319,671	-
Rental income	3,493,482	3,175,890
Bank charges	-	2,000
Other transactions		
Contributions to staff provident fund	43,068	108,896
Contribution to staff gratuity fund	-	18,240

Modaraba Al-Mali

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

BankIslami Modaraba Investment Limited (Modaraba Management Company)	(Un-audited) Half year ended	
	December 31, 2019	December 31, 2018
	------(Rupees)-----	
Bank deposits	5,121,333	45,170,854
Investment in term deposit	<u>45,000,000</u>	<u>-</u>
Amount receivable in respect of gaset and premises rent income and others	<u>850,400</u>	<u>742,824</u>

23. 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 between market participants 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 the 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 period.

Currently, the Modaraba holds investment property which is being carried and disclosed at fair value. The carrying values of all other financial assets and liabilities reflected in these condensed interim financial statements approximate their fair value.

The following is the categorisation of assets measured at fair value.

	December 31, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	------(Rupees)-----			
Assets:				
Recurring fair value measurement of investment property				
Office premises - lease hold	-	-	70,604,000	<u>70,604,000</u>
	<u>-</u>	<u>-</u>	<u>70,604,000</u>	<u>70,604,000</u>
	June 30, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	------(Rupees)-----			
Assets:				
Recurring fair value measurement of investment property				
Office premises - lease hold	-	-	70,604,000	<u>70,604,000</u>
	<u>-</u>	<u>-</u>	<u>70,604,000</u>	<u>70,604,000</u>

24. GENERAL

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

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

25. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue by the Board of Directors of the Modaraba Management Company on February 24, 2020.

For BankIslami Modaraba Investment Limited
Modaraba Management Company

Chief Financial Officer

Chief Executive Officer

Director

Director