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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:

“Bust 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 through consortium effort entering into investment and technical collaboration with 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. Muhammad Hamid	Chairman
	<u>In Alphabetical Order</u>	
	Mr. Asad Alim	Director
	Mr. Hasan Aziz Bilgrami	Director
	Mr. Mujtaba Hussain Kazmi	Director
	Mr. Muhammad Imran	Director
	Mr. S. Shah Sajid Hussain	Director
	Mr. Tariq Usman Bhatti	Director
	Mr. Zulfiqar Ali	Chief Executive
Audit Committee	Mr. Tariq Usman Bhatti	Chairman
	Mr. Muhammad Hamid	Member
	Mr. S. Shah Sajid Hussain	Member
Management Team	Mr. Zulfiqar Ali	Chief Executive
	Mr. Muhammad Saad	Chief Operating Officer
	Syed Ahmed Asim	CFO/Company Secretary
	Mr. Tahir Zuberi	General Manager Operations
Company Secretary	Syed Ahmed Asim	
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants A-35, Cawish Court Block # 7&8, KCUSU, Karachi.	
Bankers & Financiers	BankIslami Pakistan Limited Bank Alfalah Limited Meezan Bank Limited	
Registrar & Share Registration Office	Technology Trade (Pvt.) Limited Dagia House, 241-C, Block-2, P.E.C.H.S., Karachi.	
Registered Office	10th Floor, Progressive Square, Opposite Nursery, Sharea Faisal, Karachi. Phone: 34547521-25, Fax: 34547526 E-mail: info@modarabaalmali.com URL: http://www.modarabaalmali.com	

Modaraba Al-Mali

DIRECTORS' REPORT

On behalf of the Board of Directors of BankIslami Modaraba Investments Limited we are presenting the 25th annual report of Modaraba Al-Mali together with Audited Accounts for the year ended June 30, 2011.

1. Operating Results

A summary of operating results for the year ended June 30, 2011 are presented as under:

	(Rs. in "000")	
	2011	2010
Total operating income	<u>85,484</u>	<u>61,498</u>
Net loss for the year	<u>(20,155)</u>	<u>(12,913)</u>
Appropriations:		
Statutory reserves @ 20%	<u>--</u>	<u>--</u>
	<u>(20,155)</u>	<u>(12,913)</u>
Un-appropriated loss brought forward	<u>(41,159)</u>	<u>(28,245)</u>
Un-appropriated loss carried forward	<u>(61,314)</u>	<u>(41,158)</u>
Loss per certificate of Rs. 10/- each	<u>(1.09)</u>	<u>(0.70)</u>

2. Profit distribution

Due to loss during the year, the Directors have not declared any dividend for the year ended 30th June 2011.

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. However, as the Modaraba has incurred loss during the year, no appropriation has been made towards statutory reserves.

4. Operational review

The Modaraba incurred loss of Rs. 1.09 per certificate during the current financial year as compared to loss of Rs. 0.70 per certificate during the corresponding year ended June 30, 2010. The Modaraba did well on the operational side as reflected by a 40% increase in the revenue as compared to last year. Maintenance and refueling business expanded tremendously both in terms of number of sites and area of operations. Fuel station project which was stagnant since a long time became operational in the year under review. But these efforts could not be converted to the net results as we have to book heavy impairment losses on an old investment and the towers dismantled last year to save the undue operational costs. These impairments were booked to stop the continuous drainage of profits earned from profitable business operations of the Modaraba.

5. Future Prospects

The management is working on different prepositions to bring in efficiency in its diversified area of operations. A proposal for spinning off the maintenance/refueling business into a separate legal entity is also under consideration. We are hopeful that the restructuring phase will be completed by the end of CY 2011. We are focusing on gradually building a high quality financing portfolio through controlled leveraging of balance sheet and further improvement in profitability of mobile towers and fuel station business. These steps will lead to improved performance of the Modaraba in coming years.

6. Corporate Governance

The modarabas are required to comply with various requirements of the Code of Corporate Governance (CCG) issued by the SECP and enforced through listing regulations of the Stock Exchanges in Pakistan. Your management has taken significant steps in line with the requirements formulating a vision and mission statement, over all 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 present fairly the state of affairs, the results of its operations, cash flow 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 Accounting Standards, as applicable to modarabas in Pakistan, have been followed in preparation of financial statements. The system of internal control is sound in design and has been effectively implemented and monitored.

There are no significant doubts upon the modaraba's ability to continue as a going concern.

There has been no material departure from the best practice of Corporate Governance applicable at 30 June 2011.

Key operating and financial data of last six years is annexed.

7. Pattern of certificate holding

Pattern of certificate holding is annexed to this report.

8. Audit Committee

The Board of Directors has established an Audit Committee, which presently comprises of the following directors:

1. Mr. Tariq Usman Bhatti
2. Mr. Muhammad Hamid
3. Mr. S. Shah Sajid Hussain

9. Attendance of Board Meetings

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
In Alphabetic Order			
Mr. Asad Alim	4	--	
Mr. Hasan Aziz Bilgrami	4	--	
Mr. Muhammad Hamid	3	1	
Mr. Muhammad Imran	3	1	
Mr. Mujtaba Hussain Kazmi	2	2	
Mr. S. Shah Sajid Hussain	4	--	
Mr. Tariq Usman Bhatti	3	1	
Mr. Zulfiqar Ali-CEO	4	--	

10. Credit Rating

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

On behalf of the Board

-- sd --

Zulfiqar Ali
Chief Executive

Karachi:
September 29, 2011

Modaraba Al-Mali

KEY OPERATING AND FINANCIAL DATA

Balance Sheet Summary

(Rupees in Million)

Year Ended June 30,	2006	2007	2008	2009	2010	2011
EQUITY						
Issued, subscribed and paid up capital	182.57	184.24	184.24	184.24	184.24	184.24
Statutory Reserves	54.23	54.23	55.45	55.45	55.45	55.45
Revenue Reserves and unappropriated profit	30.88	(5.70)	(0.30)	(27.73)	(40.65)	(60.80)
Total Equity	267.68	232.77	239.39	211.96	199.04	178.89
LIABILITIES						
Liability against Ijarah finances	24.09	21.08	12.40	5.07	-	-
Customer Security Deposit	22.49	33.95	9.10	9.24	10.46	10.60
Others	2.18	3.02	-	-	-	-
	48.76	58.05	21.50	14.31	10.46	10.60
Current Liabilities						
Short term Morabaha and Musharika	162.75	-	-	-	-	-
Other Current Liabilities	43.96	20.05	48.27	36.62	39.35	23.56
Total Current Liabilities	206.71	20.05	48.27	36.62	39.35	23.56
Total Liabilities	523.15	310.87	309.16	262.89	248.85	213.05
ASSETS						
Assets Leased Out	-	-	-	5.49	6.63	6.47
Net investment in Ijarah	74.08	33.28	7.35	0.69	-	-
Assets in Own Use	13.11	73.79	125.64	124.21	131.25	132.72
Long Term Morabaha and Musharika	9.96	0.51	0.06	32.82	8.79	-
Long Term Investment	17.95	-	27.54	33.10	22.27	-
Other Long Term Assets	65.55	20.67	3.15	3.15	1.49	2.52
	180.65	128.25	163.74	199.46	170.43	141.71
Current Assets						
Short Term Morabaha and Musharika	197.25	79.75	12.03	25.28	21.63	8.22
Current maturity of Net investment in Ijarah	55.52	34.51	22.43	5.83	3.82	3.75
Short Term Investment	11.90	5.03	5.50	-	12.50	9.75
Other Current Assets	70.44	18.29	33.17	21.82	39.35	46.39
Cash and Bank Balance	7.39	45.03	72.28	10.49	1.12	3.23
Total Current Assts	342.50	182.61	145.41	63.42	78.42	71.34
Total Assets	523.15	310.86	309.15	262.88	248.85	213.05

Income Statement Highlights

(Rupees in Million)

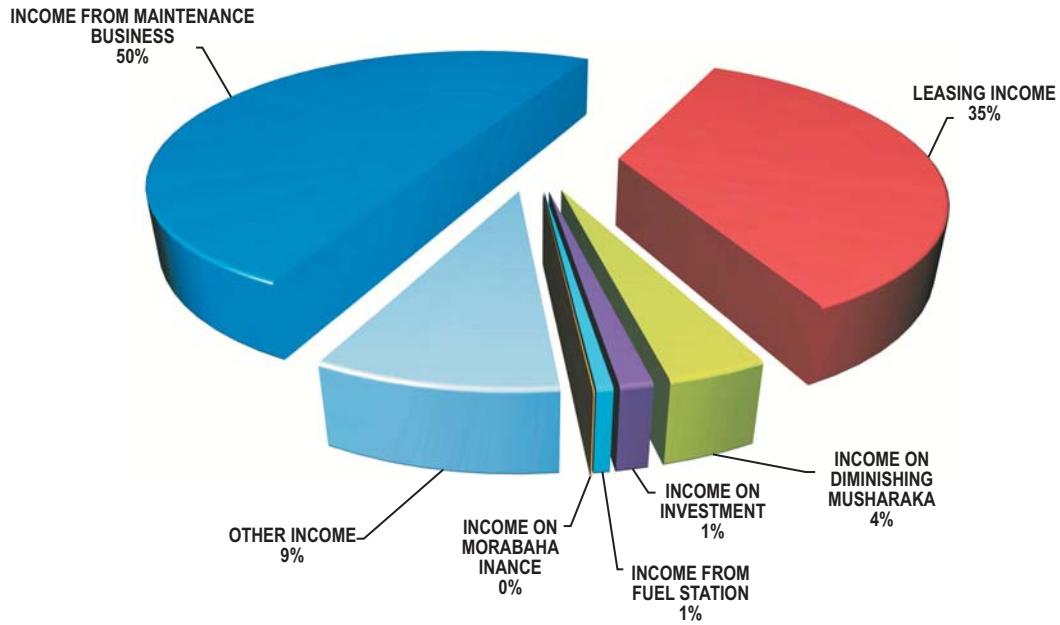
Year Ended June 30,	2006	2007	2008	2009	2010	2011
INCOME						
Lease	40.55	38.21	27.76	21.79	21.25	30.36
Musharika and Morabaha	16.47	18.54	8.74	7.80	7.45	3.18
Capital Gain on Investments	5.30	-	(0.06)	-	-	-
Dividend	0.11	0.16	0.17	-	-	-
Certificate of Investment	-	-	5.07	-	-	-
Maintenance services	-	-	-	-	26.89	42.82
Other	25.18	2.54	3.81	8.95	5.91	9.12
Total Income	87.61	59.45	45.49	38.54	61.50	85.48
EXPENSES						
Operating	32.69	31.96	28.92	39.65	68.94	79.46
Financial	11.32	10.86	2.79	2.25	1.14	0.16
Amortization, depreciation	8.30	9.32	9.88	1.67	2.84	3.51
Provision for doubtful receivables	3.66	19.03	(2.22)	17.25	1.49	22.36
Management fee	3.16	-	-	-	-	-
Profit / (loss) before taxation	28.48	(11.72)	6.12	(22.28)	(12.91)	(20.01)
Taxation	-	-	-	-	-	-
Net profit / (loss)	28.48	(11.72)	6.12	(22.28)	(12.91)	(20.01)
APPROPRIATIONS						
Total Dividend	22.82	-	4.61	-	-	-
Statutory Reserves	5.70	-	1.22	-	-	-

VALUE OF INVESTMENT OF

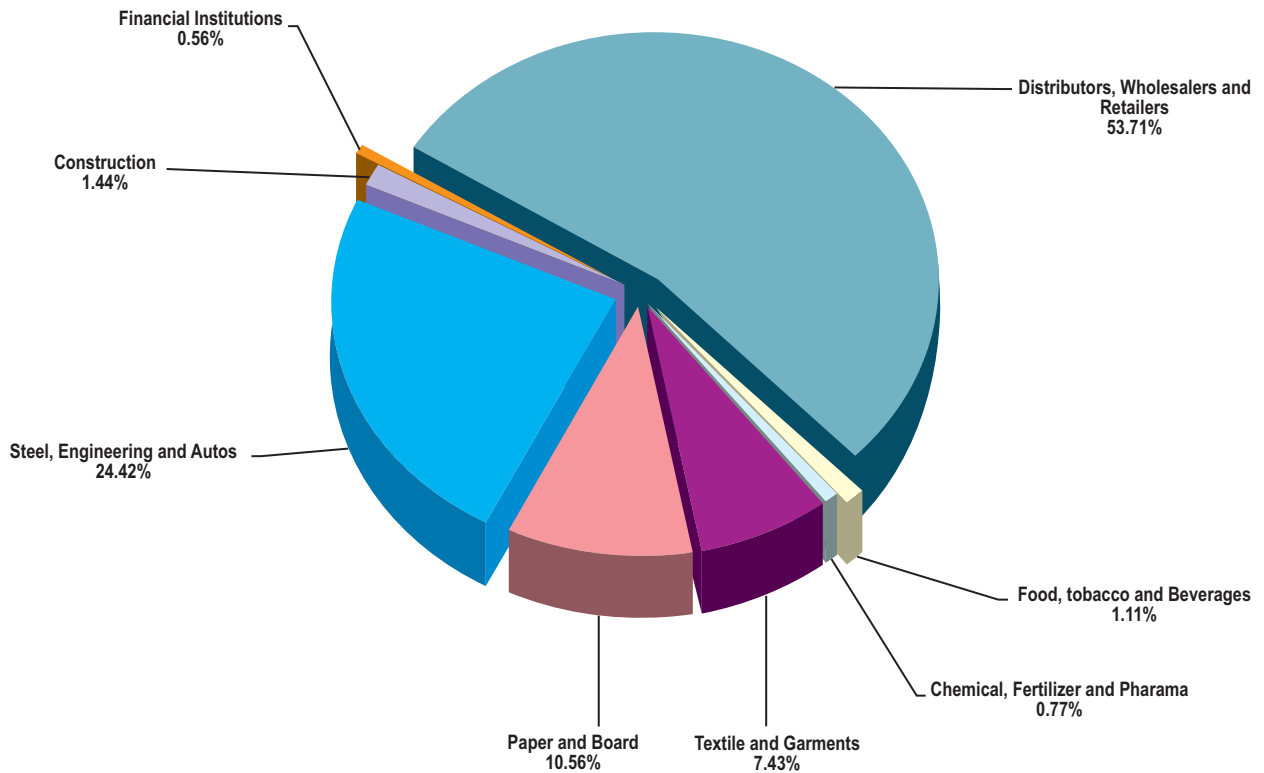
Provident Fund	3.73
Gratuity Fund	4.17

Note: Above figures are based on respective audited accounts for the year ended June 30, 2010 of the funds

REVENUE ANALYSIS



SECTOR WISE EXPOSURE





STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

BankIslami Modaraba Investments Limited (the Modaraba Management Company) is not listed, however, Modaraba Al-Mali (the Modaraba) is listed at Karachi, Lahore and Islamabad Stock Exchanges. The Board of Directors of the Modaraba Management Company is responsible for management of affairs of the Modaraba.

The Modaraba Management Company has applied the principles contained in the Code in respect of the Modaraba in the following manner:

1. The Modaraba Management Company encourages representation of independent non-executive directors on its Board. At present all the directors of the Modaraba Management Company are non-executive directors, except the Chief Executive Officer (CEO) of the Modaraba Management Company.
2. The Directors of the Modaraba Management Company have confirmed that none of them are serving as director in ten or more listed companies.
3. All the directors of the Modaraba Management Company have confirmed that they are registered as tax payers and none of them have defaulted in payment of any loan to a banking company, a development financial institution or a non banking financial company.
4. No casual vacancy occurred during the year.
5. The Modaraba Management Company has prepared a 'Statement of Ethics and Business Practice' which have been signed by all the directors of the Modaraba Management Company and employees of the Modaraba.
6. The Board has developed a Vision and Mission statement, overall corporate strategy and certain significant policies. Record of particulars of significant policies along with dates on which they were approved has been maintained.
7. All the powers of Board have been duly exercised and decisions on material transactions, including the appointment and determination of remuneration and terms and conditions of the employment of the CEO have been taken by the Board.
8. Three out of four meetings of the Board held during the year were presided over by the Chairman and in his absence one meeting was presided over by a director. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Board members are fully aware of their duties and responsibilities under the relevant laws and regulations, including the Code of Corporate Governance. They are experienced individuals and few of them are also on the Board of other listed companies.
10. The Board has approved appointment of Chief Financial Officer (CFO) and Company Secretary, including their remuneration and terms and conditions of employment, as determined by the CEO. There was no new appointment of the CFO or the Company Secretary during the year.

Modaraba Al-Mali

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by the CEO and the CFO before the approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holdings.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the code.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors of the Modaraba Management Company, including the Chairman of the committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of the interim and final results of the Modaraba, as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board of the Modaraba Management Company has outsourced the internal audit function to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba. Their representative work and report in accordance with an agreed scope and time frame.
18. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants 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 the compliance with International Federation of Accounts (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services to the Modaraba and the auditors have confirmed that they have observed IFAC guidelines in this regards.
20. The related party transactions have been placed before the audit committee and approved by the Board of directors as per pricing method approved by the Board with necessary justifications for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
21. We confirm that all material principles contained in the code have been complied with.

On behalf of the Board

Karachi:
September 29, 2011

-- sd --
Zulfiqar Ali
Chief Executive

Modaraba Al-Mali

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of BankIslami Modaraba Investments Limited (the Modaraba Management Company) representing Modaraba Al-Mali (the Modaraba), for the year ended June 30, 2011, to comply with the relevant Listing Regulations of the respective Stock Exchange where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba Management Company of the Modaraba. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba Management Company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of the Stock Exchanges requires the Modaraba Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine 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 Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Modaraba for the year ended June 30, 2011.

Chartered Accountants

-- sd --

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi:
September 29, 2011

Engagement Partner
Mushtaq Ali Hirani

Modaraba Al-Mali

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed Balance Sheet of **Modaraba Al-Mali** as at June 30, 2011 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 Company's [Bank Islami 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 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 account have been kept by the Modaraba 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 the related 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 account 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 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, 2011 and of the loss, its cash flows and changes in equity for the year then ended, and
- d) in our opinion, no Zakat is deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

-- sd --

M. Yousuf Adil Saleem & Co.

Chartered Accountants

Engagement Partner

Mushtaq Ali Hirani

Karachi:
September 29, 2011

Modaraba Al-Mali

BALANCE SHEET

As at June 30, 2011

ASSETS	Note	2011	2010
		------(Rupees)-----	
Current Assets			
Cash and bank balances	5	3,237,265	1,115,190
Current portion of diminishing musharaka finance	6	8,225,064	21,629,688
Current portion of long term investments	7	9,750,000	12,499,980
Ijarah finance	8	3,755,007	3,824,008
Morabaha finance	9	-	-
Receivable against operating lease rentals and maintenance service	10	25,356,234	20,854,931
Advances, deposits, prepayments and other receivables	11	18,372,910	15,683,755
Inventory	12	2,631,564	2,823,623
Total current assets		71,328,044	78,431,175
Non-current Assets			
Diminishing musharaka finance	6	-	8,791,536
Long term investment	7	-	22,270,189
Property and equipment	13	132,728,030	131,245,167
Property and equipment under ijarah arrangement	14	6,469,486	6,627,564
Long term deposits		2,526,899	1,492,206
Total non-current assets		141,724,415	170,426,662
Total assets		213,052,459	248,857,837
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	15	16,953,741	21,767,163
Liability against ijarah finance	16	-	7,190,082
Current portion of security deposits	17	4,539,807	3,824,007
Unclaimed profit distribution		6,567,310	6,567,310
Total current liabilities		28,060,858	39,348,562
Non-Current Liabilities			
Security deposits	17	6,101,546	10,464,100
Total liabilities		34,162,404	49,812,662
NET ASSETS		178,890,055	199,045,175
REPRESENTED BY			
CAPITAL AND RESERVES			
Issued, subscribed and paid-up	18	184,239,450	184,239,450
Reserves		55,964,329	55,964,329
Accumulated loss		(61,313,724)	(41,158,604)
		(5,349,395)	14,805,725
		178,890,055	199,045,175
Contingencies and Commitments	19		

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

Chief Executive

BankIslami Modaraba Investment Limited
Modaraba Management Company

Director

BankIslami Modaraba Investment Limited
Modaraba Management Company

Director

BankIslami Modaraba Investment Limited
Modaraba Management Company

Modaraba Al-Mali

PROFIT AND LOSS ACCOUNT

For The Year Ended June 30, 2011

INCOME	Note	2011	2010
		-----	-----
		(Rupees)	
Income from maintenance services		42,827,320	26,879,414
Income from Ijarah finance		30,367,791	21,253,808
Profit on diminishing musharaka finance		3,146,904	7,045,432
Profit on investments in sukuk certificate		1,027,769	2,227,562
Profit on morabaha finance		38,851	406,555
Income from operation of fuel station - net	20	515,962	-
Other operating income - net	21	7,559,736	3,685,671
		<u>85,484,333</u>	<u>61,498,442</u>
EXPENDITURE			
Profit on ijarah finance		157,739	1,137,365
Depreciation on property and equipment - ijarah	14	3,510,414	2,840,065
Operating expenses	22	79,467,849	68,944,504
		<u>83,136,002</u>	<u>72,921,934</u>
		2,348,331	(11,423,492)
Provision for impairment loss	23	(22,362,869)	(1,489,597)
		<u>(20,014,538)</u>	<u>(12,913,089)</u>
Modaraba company's management fee	24	-	-
Loss for the year before taxation		<u>(20,014,538)</u>	<u>(12,913,089)</u>
Taxation	25	(140,582)	-
Loss for the year after taxation		<u>(20,155,120)</u>	<u>(12,913,089)</u>
Other comprehensive income		-	-
Total loss after other comprehensive income		<u>(20,155,120)</u>	<u>(12,913,089)</u>
Earnings per certificate - basic and diluted	26	<u>(1.09)</u>	<u>(0.70)</u>

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

Chief Executive

BankIslami Modaraba Investment Limited
Modaraba Management Company

Director

BankIslami Modaraba Investment Limited
Modaraba Management Company

Director

BankIslami Modaraba Investment Limited
Modaraba Management Company

Modaraba Al-Mali

CASH FLOW STATEMENT

For The Year Ended June 30, 2011

	2011	2010
	----- <i>(Rupees)</i> -----	
(A) CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(20,014,538)	(12,913,089)
Adjustments of non-cash and other items		
Depreciation - property and equipment- owned	8,292,744	11,774,026
Depreciation on property and equipment - fuel operations	337,469	-
Depreciation on property and equipment - ijarah	3,510,414	2,840,065
Gain on disposal property and equipment	(533,376)	(586,342)
Provision for impairment loss	22,362,869	1,489,597
Profit on ijarah finance	157,739	1,137,365
	14,113,321	3,741,622
(Increase) / decrease in current assets		
Diminishing musharaka finances	22,196,160	18,545,467
Ijarah finance	309,644	2,706,535
Morabaha finance	276,146	4,211,762
Receivable against operating lease rentals and maintenance service	(4,501,303)	(15,280,688)
Advances, deposits, prepayments and other receivables	416,887	880,593
Inventory	192,059	(2,823,623)
	18,889,593	8,240,046
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(4,813,422)	4,223,336
Security deposits received	(3,646,754)	(172,187)
	(8,460,176)	4,051,149
	24,542,738	16,032,817
Income taxes paid	(3,497,568)	(2,320,931)
Profit paid on ijarah finance	(157,739)	(936,243)
Net cash flows generated from operating activities	20,887,431	12,775,643
(B) CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment- ijarah	(3,669,000)	(3,977,403)
Proceeds from disposal of property- ijarah	347,000	-
Purchase of property and equipment - own	(13,828,315)	(11,609,342)
Additions to capital work in progress	(1,605,266)	(7,618,959)
Proceeds from disposal of property and equipment - own	715,000	1,006,910
Redemption of long term investments	7,500,000	3,750,000
Net cash flows used in investing activities	(10,540,581)	(18,448,794)
(C) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term deposits	(1,034,693)	1,664,259
Repayment against ijarah finance	(7,190,082)	(5,332,111)
Profit distribution to certificate holders	-	(33,340)
Net cash flows used in financing activities	(8,224,775)	(3,701,192)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	2,122,075	(9,374,343)
Cash and cash equivalents at beginning of the year	1,115,190	10,489,533
Cash and cash equivalents at end of the year	3,237,265	1,115,190

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

Chief Executive

BankIslami Modaraba Investment Limited
Modaraba Management Company

Director

BankIslami Modaraba Investment Limited
Modaraba Management Company

Director

BankIslami Modaraba Investment Limited
Modaraba Management Company

Modaraba Al-Mali

STATEMENT OF CHANGES IN EQUITY For The Year Ended June 30, 2011

	Certificate capital	Reserves				Total
		Capital reserves		Revenue reserve		
		Certificate premium	Statutory reserve *	(Accumulated loss)	Total reserves	
-----Rupees-----						
Balance at June 30, 2009	184,239,450	511,409	55,452,920	(28,245,515)	27,718,814	211,958,264
Loss for the year ended June 30, 2010	-	-	-	(12,913,089)	(12,913,089)	(12,913,089)
Balance at June 30, 2010	184,239,450	511,409	55,452,920	(41,158,604)	14,805,725	199,045,175
Loss for the year ended June 30, 2011	-	-	-	(20,155,120)	(20,155,120)	(20,155,120)
Balance at June 30, 2011	<u>184,239,450</u>	<u>511,409</u>	<u>55,452,920</u>	<u>(61,313,724)</u>	<u>(5,349,395)</u>	<u>178,890,055</u>

*The statutory reserve represents profits set aside in accordance with the provisions of prudential regulations for modarabas promulgated by the Securities and Exchange Commission of Pakistan.

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

Chief Executive
BankIslami Modaraba Investment Limited
Modaraba Management Company

Director
BankIslami Modaraba Investment Limited
Modaraba Management Company

Director
BankIslami Modaraba Investment Limited
Modaraba Management Company

NOTES TO THE FINANCIAL STATEMENT *For The Year Ended June 30, 2011*

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, and Modaraba Companies and Modaraba Rules, 1981 and is managed by BankIslami Modaraba Investments Limited, a company registered under the Companies Ordinance, 1984. It is engaged in the business of leasing, morabaha, musharaka financing, construction and renting of mobile towers, maintenance services, operation of petrol and diesel filling / service station. The Modaraba is listed on the Karachi, Lahore and Islamabad Stock Exchanges. Registered office is situated at Progressive Square, Shahrae Faisal, Karachi, in the province of Sindh.

These financial statements are presented in Pak Rupees which is the Modaraba's functional and presentation currency.

2. BASIS OF PREPARATION

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that staff retirement benefits are carried at present value.

2.2 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 the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows:-

- i) classification of investments (Note 4 & 7)
- ii) provision for impairment loss (Note 23)
- iii) depreciation on property and equipment - own/ijarah (Note 13 & 14)
- iv) provision against non-performing leasing portfolio, investments, musharaka and morabaha finances and other receivables (Note 6, 7, 8, 9 & 10)
- v) Staff retirement benefits (Note 22.2)

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies & Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) ['the Modaraba Regulations'] together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modaraba's under 'the Modaraba Regulations'. Wherever the requirements of 'the Modaraba Regulations' differ from the requirements of these standards, the requirements of 'the Modaraba Regulations' take precedence.

3.1 Adoption of new International Financial Reporting Standards

In the current period, the Modaraba has adopted all new Standards issued by the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Moradaba's accounting period beginning on July 01, 2010.

*Effective for accounting period
beginning on or after*

Following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 2 - Share based Payment	January 01, 2010
Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
Amendments to IAS 7 - Statement of Cash Flows	January 01, 2010
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

New accounting standards and IFRS interpretatons that are not yet effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them.

IFRS 9 - Financial Instruments	January 01, 2013
--------------------------------	------------------

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value. The adoption of this standard would affect the recognition and classification of existing financial assets.

The directors anticipate that these amendments will be adopted in the Modaraba's financial statements on the effective date. The directors have not yet had an opportunity to consider the potential impact of the adoption of this Standard.

Amendments to IAS 24 - Related Party Disclosures January 01, 2011

The amendments modify the definition of a related party and simplify related party disclosures for government related entities. The management anticipate that these amendments will be adopted in the Modaraba's financial statements for the period beginning 1 January 2011. The Modaraba is not government-related, therefore the disclosure exemptions will not affect its financial statements. However, some disclosures may be affected by the changes in the detailed definition of a related party. This may result in amendments to the relevant related party disclosures in the financial statements.

IFRS 10 – Consolidated Financial Statements January 01, 2013

IAS 27 (Revised) – Separate Financial Statements January 01, 2013

IFRS 11 – Joint Arrangements January 01, 2013

IAS 28 – Investment in Associates and Joint Ventures January 01, 2013

IFRS 12 - Disclosure of Interests in Other Entities January 01, 2013

IFRS 13 – Fair Value Measurement January 01, 2013

Amendments to IAS 12 – Income Taxes January 01, 2012

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property and equipment

4.1.1 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 item 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. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of use.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

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.

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

4.1.2 Under ijarah arrangements

Modaraba adopted Islamic Financial Accounting Standard 2-Ijarah in the year June 2009 for all ijarah contracts commencing on or after 1 July 2008. The assets subject to Ijarah commencing on or after 1 July 2008 are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged on these assets using straight line method over the period of the lease. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the corresponding assets.

Allowance for non-performing leases is made in accordance with Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP) and is charged to the profit and loss account currently.

4.1.3 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost (less impairment losses, if any) and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to relevant operating fixed assets category as and when the assets are available for intended use.

4.2 Investments

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

4.2.1 Held for trading "at fair value through profit or loss"

These investments are initially recognised at fair value and subsequently measured at fair value. As per requirement of IAS-39 "Financial Instruments, Recognition and Measurement" the gain or loss on revaluation of investment held for trading is to be included in profit and loss account.

4.2.2 Available for sale

Investment securities held by the Modaraba which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently measured at fair

value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognised in profit and loss as other comprehensive income.

4.2.3 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 amortized cost using effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

4.2.4 Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

4.3 Ijarah finance

Ijarah agreements commencing up to 30 June 2008 are accounted for as finance lease and are included in the financial statements as "Net investment in Ijarah finance" at an amount equal to the present value of the lease payments, including estimated residual value (Refer note 8).

4.4 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.

4.5 Inventory

4.5.1 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.

4.5.2 Oil and lubricants

Oil and lubricants are valued at the lower of moving average cost and net realisable value. Cost comprise invoice value and other charges like freight, franchise fee, excise duty and GST etc.

4.6 Impairment

4.6.1 Financial assets

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. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

4.6.2 Available-for-sale investments

For available-for-sale financial investments, the Modaraba assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss account - is removed from equity and recognised in the profit and loss account. Impairment losses on equity investments are not reversed through the profit and loss account; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

4.6.3 Non-financial assets

The Modaraba assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and investment property 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 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.

4.7 Revenue recognition

4.7.1 Ijarah income / Operating lease income

The Modaraba follows the finance method for recognising income on ijarah contracts commencing prior to 30 June 2008 and are 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 1 July 2008, ijarah rentals are recognized as income on 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. Unrealized 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 under the time proportion basis (on an accrual basis).

4.7.2 Income on sukuk securities and bank deposits

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

4.7.3 Morabaha 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 morabaha 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.

4.7.4 Dividend income

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

4.7.5 Gains / Losses on sale of investments

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

4.7.6 Income on maintenance services

Income on maintenance services is recognised on accrual basis.

4.7.7 Income from operation of fuel station

Income from sale of oil and lubricants is recognized when it is delivered and payment is received.

4.7.8 Unrealised income on non-performing assets

Unrealized income is suspended, where necessary, on non-performing assets (including non-performing net investment in Ijarah and morabaha and musharaka finances), in accordance with the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan. Unrealised suspended income is recognised in income on receipt basis.

4.8 Employees' benefits

4.8.1 Staff gratuity

The Modaraba participates in an approved group funded gratuity scheme for all its 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, 2011 under the projected unit credit method. Unrecognised actuarial gains / losses exceeding ten percent of the greater of the present value of defined benefit obligation or the fair value of plan assets are recognised in the profit and loss account over the expected average remaining working lives of the employees participating in the plan.

4.8.2 Staff provident fund

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

4.8.3 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.

4.9 Taxation

4.9.1 Current

Provision for taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and exemptions available, if any. Under clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, the non-trading income of modarabas is exempt from income tax, provided not less than 90% of its profits {after appropriation to statutory (mandatory) reserves as required under Modaraba Regulations} are distributed to the certificate holders. For items covered under presumptive tax regime, provision is made according to the presumptive tax rates provided in the Income Tax Ordinance, 2001.

4.9.2 Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method. However, deferred tax liability has not been recognised in these financial statements as the management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption.

4.10 Financial assets

Financial assets comprise of lease rentals receivable, investments, musharaka and morabaha finances, deposits, other receivables, excluding taxation. Lease rentals receivable, musharaka, morabaha and other receivables are stated at cost as reduced by appropriate allowances for estimated irrecoverable amounts.

4.11 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.

4.12 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 on profit and loss sharing accounts, as well as balance held with the State Bank of Pakistan (SBP).

4.13 Provisions

Provisions are recognised when the Modaraba has a 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 of the obligation 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.

4.14 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 the future.

4.15 Segment information

Operating segments are reported in a manner consistent with the internal reporting.

4.16 Profit distribution to the certificate holders

Profit distribution to the Modaraba's certificate holders is recognised as a liability in the financial statements in the period in which the dividends are approved by the board of Modaraba management company.

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4.17 Liabilities against assets acquired under ijarah arrangements

Lease obligations against assets acquired under ijarah arrangements before 1 July 2008 are accounted for by recording the asset and corresponding liability there against determined on the basis of discounted value of total minimum lease payment. Financial charges are recognised in the profit and loss account using the effective mark-up method (refer note 4.1.2 also).

4.18 Lease rentals - assets under ijarah arrangements - after 1 July 2008

Assets acquired under ijarah arrangements after 1st July 2008 are treated as assets acquired under operating lease arrangements. Lease rentals are charged to profit and loss account on accrual basis.

4.19 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount 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 realize the asset and settle the liability simultaneously. Corresponding income on the assets and charge on the liability is also off- set.

	<i>Note</i>	2011	2010
		----- <i>(Rupees)</i> -----	
5. CASH AND BANK BALANCES			
With banks:			
in profit and loss sharing accounts	5.1	3,015,423	1,101,263
balance with State Bank of Pakistan		<u>12,539</u>	<u>2,327</u>
		3,027,962	1,103,590
On hand:			
Cash in hand		209,253	-
Security stationery		<u>50</u>	<u>11,600</u>
		<u>3,237,265</u>	<u>1,115,190</u>

5.1 These carry profit ranging from 5% to 5.27% per annum. (2010: 5.01% to 6.52%)

6. DIMINISHING MUSHARIKA FINANCE

Considered good-secured	6.1	8,225,064	30,421,224
Receivable within one year		<u>(8,225,064)</u>	<u>(21,629,688)</u>
		<u>-</u>	<u>8,791,536</u>

6.1 Above facilities carry profit rates ranging from 15.76% to 17.54% (2010: 15.37% to 16.55%) per annum. These facilities will mature between October 2011 to January 2012. These are secured against the charge on specific assets consist of motor vehicles and generators.

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7. LONG TERM INVESTMENTS

<i>Available-for-sale investments</i>				Cost	
<i>Number of shares / certificates</i>				2011	2010
2011	2010	Notes		----- <i>(Rupees)</i> -----	
Unlisted Shares		Al Hamra Hills (Private) Limited (shares of Rs. 10/- each) (Holding 2.12%)	7.1	-	17,520,169
1,800,000	1,800,000				
Sukuk Certificates		New Allied Electronics Industries (Private) Limited (certificates of Rs. 5,000/- each)	7.2	-	1,000,020
2,000	2,000				
		Haq Bahu Sugar Mills (Private) Limited (certificates of Rs. 5,000/- each)	7.3	-	3,750,000
750	2,250				
				-	22,270,189
				-----	-----

7.1 Al Hamra Hills (Private) Limited

The investee company is under severe financial crisis and the management of the Modaraba is not certain about the future cash-inflows from this investment, therefore, during the year impairment loss of Rs. 17.52 million on subjective basis has been recorded in the books (Refer note 23).

The Securities and Exchange Commission of Pakistan vide its letter dated November 1, 2004, has waived the applicability of regulation no. 7(7) of Part II of the Prudential Regulations on Modaraba Al-Mali relating to investment in unlisted companies. The above regulation, subject to certain conditions, restricts the investments by a Modaraba in the shares of unlisted companies, except in cases where the Modaraba is engaged in venture capital business. Since the prospectus of Modaraba Al-Mali allows it to engage in venture capital business, the Registrar Modaraba has waived the applicability of the above regulation.

7.2 New Allied Electronics Industries (Private) Limited - Sukuk Certificate

Cost		10,000,000	10,000,000
Provision for impairment loss against doubtful recovery	23	(4,000,000)	(4,000,000)
		6,000,000	6,000,000
Current portion		(6,000,000)	(4,999,980)
		-	1,000,020
		-----	-----

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7.2.1 These certificates carry profit at 3 months KIBOR + 220 bps with floor of 7% and cap of 20% payable semi annually. The tenor of the instrument is for five years including a grace period of two years and is repayable in six equal consecutive semi annual installments from May 29, 2010 to November 29, 2012. These certificates are secured against first pari passu charge over all present and future fixed assets of the company, first pari passu charge over all present and future current assets of the company and personal guarantee of the sponsoring directors.

7.2.2 This represents Sukuk certificates of New Allied Electronics Industries (Private) Limited. Redemption / coupon representing the profit of Rs. 0.759 million due on December 03, 2008 was received on December 17, 2008. However, since then, the profit coupon have not been received. The investee company is under financial crisis. Accordingly the Modaraba has made a provision of Rs. 4 million against the gross exposure of Rs. 10 million, no further provision is made because the management considers it as sufficient keeping in view of available securities. No accrual of profit has been made on this investment.

	Notes	2011	2010
		----- <i>(Rupees)</i> -----	
7.3 Haq Bahu Sugar Mills (Private) Limited - Sukuk Certificates			
Cost		3,750,000	11,250,000
Current portion		(3,750,000)	(7,500,000)
		<u><u>-</u></u>	<u><u>3,750,000</u></u>

These certificates carry profit at 6 months KIBOR + 325 bps with floor of 11% and cap of 30% payable semi annually. The tenor of the instrument is for three years including a grace period of one year and is repayable in four equal consecutive semi annual installments from February 13, 2010 to August 13, 2011. These certificates are secured against first pari passu charge on all present and future assets of the company with 25% margin & personal guarantee of sponsoring directors. These certificates are not quoted and are being carried in the financial statements at cost.

8. IJARAH FINANCE

Ijarah contracts commenced upto June 30, 2008
- accounted for as finance leases

Minimum lease payments due		41,362,309	41,602,952
Residual value of leased assets		<u>3,755,007</u>	<u>3,824,008</u>
Total receivable		45,117,316	45,426,960
Suspended lease income (including unearned income)		(7,742,184)	(7,742,184)
Provision for impairment loss against potential lease losses	23	(33,620,125)	(33,860,768)
		<u><u>(41,362,309)</u></u>	<u><u>(41,602,952)</u></u>
		<u><u>3,755,007</u></u>	<u><u>3,824,008</u></u>

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8.1 The Modaraba has entered into certain lease agreements with profit rates ranging from 10% to 24% (2010: 10% to 24%) per annum. These are generally secured against leased assets, personal guarantees and promissory notes, etc given by the lessees. The above amount represents amount of security deposit to be adjusted at the time of final settlement.

	Notes	2011 ----- <i>(Rupees)</i> -----	2010
9. MORABAHA FINANCE			
Considered - doubtful		7,456,872	7,733,018
Provision for impairment loss against doubtful recoveries	23	<u>(7,456,872)</u>	<u>(7,733,018)</u>
		<u>-</u>	<u>-</u>

9.1 These represent amount receivable against Morabaha transactions i.e. sale of goods on a deferred payment basis at a specified profit margin ranging from 10% to 24% (2010: 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.

10. RECEIVABLES AGAINST OPERATING LEASE RENTALS AND MAINTENANCE SERVICE

Unsecured

Considered good			
- Operating lease rentals	10.1	6,272,104	9,244,167
- Maintenance fee		19,084,130	11,610,764
Considered doubtful			
- Operating lease rentals		<u>10,194,320</u>	<u>10,194,320</u>
	23	<u>35,550,554</u>	<u>31,049,251</u>
Provision for impairment loss against doubtful recoveries		<u>(10,194,320)</u>	<u>(10,194,320)</u>
		<u>25,356,234</u>	<u>20,854,931</u>

10.1 This represents receivables from customers in respect of maintenance and refueling services.

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11. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Notes	2011	2010
		-----(<i>Rupees</i>)-----	
Advances - considered good			
Income tax		8,590,783	5,233,797
Purchase of oil and lubricants		1,447,994	-
Others		2,212,966	1,327,165
		12,251,743	6,560,962
Deposits		357,000	3,325,965
Prepayments		4,027,461	4,632,933
Other receivables - considered doubtful			
Terminated leases		6,242,260	6,242,260
Miscellaneous amount recoverable from the lessee		1,188,872	1,358,739
Dividend receivable		16,275	16,275
Receivable from brokers		22,422	22,422
Others		303,220	303,220
		7,773,049	7,942,916
Provision for impairment loss against doubtful recoveries	23	(7,773,049)	(7,942,916)
		-	-
Considered good			
Profit accrued on morabaha finances, sukuk investment certificates and diminishing musharaka finances		336,354	935,583
Others		1,400,352	228,312
		18,372,910	15,683,755
12. INVENTORY			
Stores		-	602,667
Consumables		1,675,518	2,220,956
Oil and lubricants		956,046	-
		2,631,564	2,823,623
13. PROPERTY AND EQUIPMENT			
Operating property and equipment - in own use	13.1	99,770,167	18,256,912
Towers and allied equipments - held for operating lease	13.2	32,957,863	42,624,866
Capital work in progress	13.3	-	70,363,389
		132,728,030	131,245,167

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13.1 Operating property and equipment - in own use

	Cost			Depreciation				Annual rate of depreciation %
	At July 1, 2010	Additions/ transfers/ (disposals)	At June 30, 2011	Accumulated at July 1, 2010	For the year / (on disposals)	Accumulated at June 30, 2011	Carrying value at June 30, 2011	
------(Rupees)-----								
Lease hold land - fuel station	-	63,848,000	63,848,000	-	-	-	63,848,000	-
Building - fuel Station	-	8,120,655	8,120,655	-	303,587	303,587	7,817,068	5
Office premises - lease hold	12,546,257	-	12,546,257	7,431,324	627,313	8,058,637	4,487,620	5
Vehicles - maintenance services	10,094,055	11,481,039	21,575,094	951,110	1,593,809	2,544,919	19,030,175	20
Vehicles	3,674,715	1,230,425	4,074,140	1,931,134	656,008	1,968,102	2,106,038	20
		(831,000)			(619,040)			
Furniture and fixtures	2,343,714	120,660	2,464,374	1,715,822	89,784	1,805,606	658,768	10
Office equipment	3,572,052	459,189	4,031,241	2,525,361	474,900	3,000,261	1,030,980	10 to 50
Computers	2,572,730	537,002	3,109,732	1,991,860	326,354	2,318,214	791,518	33
	34,803,523	85,796,970	119,769,493	16,546,611	4,071,755	19,999,326	99,770,167	
		(831,000)			(619,040)			

For comparative period - 2010

	Cost			Depreciation				Annual rate of depreciation %
	At July 1, 2009	Additions/ (Disposals)	At June 30, 2010	Accumulated at July 1, 2009	For the year / (on disposals)	Accumulated at June 30, 2010	Carrying value at June 30, 2010	
------(Rupees)-----								
Office premises - lease hold	12,546,257	-	12,546,257	6,804,011	627,313	7,431,324	5,114,933	5
Vehicles - maintenance services	-	10,094,055	10,094,055	-	951,110	951,110	9,142,945	20
Vehicles	4,238,283	601,720	3,674,715	1,973,446	702,408	1,931,134	1,743,581	20
		(1,165,288)			(744,720)			
Furniture and fixtures	1,991,175	352,539	2,343,714	1,648,140	67,682	1,715,822	627,892	10
Office equipment	2,830,003	742,049	3,572,052	1,944,698	580,663	2,525,361	1,046,691	10 to 50
Computers	1,969,451	603,279	2,572,730	1,708,337	283,523	1,991,860	580,870	33
	23,575,169	12,393,642	34,803,523	14,078,632	3,212,699	16,546,611	18,256,912	
		(1,165,288)			(744,720)			

13.1.1 During the year the construction of petrol and diesel filling / service station was completed and the lease hold land and the civil work for building of fuel station transferred to own assets. Operation of petrol and diesel filling / service station 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 product of the company on a predetermined margin.

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13.1.2 Details of disposal of property and equipment are as under:

Particulars	Cost	Accumulated depreciation	Carrying value	Sale proceed	Gain/(loss) on disposal	Accumulated at June 30, 2011	Particulars	Address
Vehicle	54,000	54,000	-	23,000	23,000	Negotiation	Mr. Muhammad Usman	H # 49/2-B, Street # 71, Sector G-7/1, Islamabad
Vehicle	54,000	54,000	-	21,000	21,000	Negotiation	Mr. Muhammad Shahid	Mohalla Karyan, Qurban Colony, Village Tumhar, Mansahra
Vehicle	63,000	5,040	57,960	55,000	(2,960)	Insurance claim	Pak Kuwait Takaful Company Limited	Finance and Trade Centre, 4th floor, Block-A, Shahrah-e-Faisal Karachi
Vehicle	660,000	506,000	154,000	616,000	462,000	Negotiation	Mr. Saif ur Rehman	D-16, Ambreen Apartment, Gulshan-e-Iqbal Block-2, Karachi
2011 Rupees	831,000	619,040	211,960	715,000	503,040			
2010 Rupees	1,165,288	744,720	137,672	4,440,200	302,528			

13.2 Towers and allied equipment - held for operating lease

	Cost at July 1, 2010	Transfer in/(out)	Cost at June 30, 2011	Accumulated depreciation/ impairment at July 1, 2010	Depreciation/ charge for the year	Impairment charge for the year	Transfer in/(out)	Accumulated depreciation/ impairment at June 30, 2011	Carrying value at June 30, 2011	Annual rate of depreciation %
------(Rupees)-----										
<i>Owned</i>										
Towers with allied equipment	27,370,088	22,030,590	49,400,678	5,908,213	2,178,989	5,108,545	6,203,347	19,399,094	19,399,094	5
Other allied equipment	21,144,096	7,988,366	29,132,462	16,083,731	2,104,086	-	7,988,366	26,176,183	26,176,183	20
<i>Leased</i>										
Towers with allied equipment	22,030,590	(22,030,590)	-	5,927,964	275,383	-	(6,203,347)	-	-	5
Other allied equipment	7,988,366	(7,988,366)	-	7,988,366	-	-	(7,988,366)	-	-	20
	78,533,140	-	78,533,140	35,908,274	4,558,458	5,108,545	-	45,575,277	45,575,277	

13.2.1 It includes three dismantled towers held temporarily as idle asset. Carrying value of these towers is reduced to its recoverable amount of Rs. 1,005,695 and balance of Rs. 5,108,545 has been charged as impairment loss (Refer note 23).

13.2.2 During the year all the towers and allied equipment acquired under the lease arrangement have been matured and transferred into owned assets held for operating lease.

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13.2.3 Operating lease rental receivables

	2011				2010			
	<i>Due within one year</i>	<i>Due after one year but within five years</i>	<i>Due after five years</i>	<i>Total</i>	<i>Due within one year</i>	<i>Due after one year but within five years</i>	<i>Due after five years</i>	<i>Total</i>
Minimum lease payments receivables	27,667,617	134,749,333	84,656,903	247,073,853	25,585,581	160,251,418	168,319,734	354,156,733

13.3 Depreciation charge for the year	Note	2011	2010
Operating expenses	22	8,292,744	11,774,026
Income from operation of fuel station	20	337,469	-
		<u>8,630,213</u>	<u>11,774,026</u>

13.4 Capital work in progress	Lease hold land	Civil work	Total
As at June 30, 2009	60,434,430	2,310,000	62,744,430
Additions during the year	3,413,570	4,205,389	7,618,959
As at June 30, 2010	63,848,000	6,515,389	70,363,389
Additions during the year	-	1,605,266	1,605,266
Transfer to property and equipment	(63,848,000)	(8,120,655)	(71,968,655)
As at June 30, 2011	-	-	-

14. PROPERTY & EQUIPMENT UNDER IJARAH ARRANGEMENT

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

The following is a statement of assets leased out: -

	Cost			Accumulated Depreciation				Life (Years)
	<i>At July 1, 2010</i>	<i>Additions/ disposals</i>	<i>At June 30, 2011</i>	<i>At July 1, 2010</i>	<i>Charge for the year</i>	<i>At June 30, 2011</i>	<i>Carrying value at June 30, 2011</i>	
Generators	7,365,000	-	7,365,000	3,747,550	2,178,682	5,926,232	1,438,768	3
Vehicles	3,748,000	3,669,000	6,767,000	737,886	1,331,732	1,736,282	5,030,718	3
		(650,000)			(333,336)	(333,336)		
	11,113,000	3,669,000	14,132,000	4,485,436	3,510,414	7,662,514	6,469,486	
		(650,000)			(333,336)			

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For comparative period - 2010

	Cost			Accumulated Depreciation			Life (Years)	
	At July 1, 2009	Additions/ disposals	At June 30, 2010	At July 1, 2009	Charge for the year	At June 30, 2010		Carrying value at June 30, 2010
------(Rupees)-----								
Generators	6,440,000	925,000	7,365,000	1,610,000	2,137,550	3,747,550	3,617,450	3
Vehicles	712,900	3,098,000	3,748,000	52,674	702,515	737,886	3,010,114	3
		(62,900)			(17,303)			
	7,152,900	4,023,000	11,113,000	1,662,674	2,840,065	4,485,436	6,627,564	
		(62,900)			(17,303)			

14.1.1 Minimum future rentals-for contracts after July 01, 2008

	2011				2010			
	Due within one year	Due after one year but within five years	Due after five years	Total	Due within one year	Due after one year but within five years	Due after five years	Total
------(Rupees)-----								
Total future rentals receivables	4,160,579	3,866,677	-	8,027,256	4,297,786	4,804,143	-	9,101,929

Notes 2011 2010
------(Rupees)-----

15. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		1,758,169	9,755,482
Accrued liabilities	15.1	6,798,736	2,928,380
Charity and donation payable	15.2	3,903,854	3,900,713
Advance from customers		1,768,800	2,025,000
Others		2,724,182	3,157,588
		<u>16,953,741</u>	<u>21,767,163</u>

15.1 This include amount payable in respect of staff compensated absences amounting Rs. 1,741,408 (2010: Rs. 1,376,900).

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

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	Notes	2011 ----- <i>(Rupees)</i> -----	2010
16. LIABILITY AGAINST IJARAH FINANCE		<u>-</u>	<u>7190082</u>

The Modaraba had entered in a sale and lease back arrangement on December 31, 2005 with a leasing company under which 8 towers were acquired. During the year lease matured and the liability has been paid off by the Modaraba.

17. SECURITY DEPOSITS

Customers' security deposits	17.1	10,641,353	14,288,107
Current portion		<u>(4,539,807)</u>	<u>(3,824,007)</u>
		<u>6,101,546</u>	<u>10,464,100</u>

17.1 Represents sum received under ijarah finance/operating leases, repayable/adjustable on the expiry of the lease period.

18. CERTIFICATE CAPITAL

Authorized capital

<i>No. of Certificates</i>					
2011	2010				
<u>30,000,000</u>	<u>30,000,000</u>	Modaraba certificate of Rs. 10/- each	<u>300,000,000</u>	<u>300,000,000</u>	

Issued, subscribed and paid up capital

<i>No. of Certificates</i>					
2011	2010				
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	Issued as fully paid bonus certificates	46,884,000	46,884,000	
<u>166,545</u>	<u>166,545</u>	Issued on merger	<u>1,665,450</u>	<u>1,665,450</u>	
<u>18,423,945</u>	<u>18,423,945</u>		<u>184,239,450</u>	<u>184,239,450</u>	

18.1 Following certificates are held by associated undertaking

<i>No. of Certificates</i>		<i>Name of the entity</i>		
2011	2010			
2,342,490	2,342,490	BankIslami Modaraba Investments Limited	<u>23,424,900</u>	<u>23,424,900</u>

19. CONTINGENCIES AND COMMITMENTS

Contingencies

A suit was filed against the Modaraba in 1994 for Rs. 6.48 million being a claim for refund of security deposit in respect of a lease finance. The case was decided by the Banking Court in favour of Plaintiff along with 10% mark-up and Modaraba's appeal against this decision was also dismissed by the honorable High Court of Sindh. The Modaraba has filed an appeal in the honorable Supreme Court of Pakistan against the decision of the High Court as the Modaraba has the evidence of the repayment of this amount. The management of the Modaraba based on the lawyer's opinion is of the view that it stand a fairly good chance for decision of the case in its favour and consequently no provision has been made in these financial statements against this claim.

The Additional Commissioner of Income Tax (ACIT) amended the assessment for the tax year 2007, dismissed the exemption claimed by 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 to the Commissioner of Income Tax (CIT) who in his order maintained the treatment of the ACIT. The Modaraba has filed the second appeal against the said order to the Appellate Tribunal Inland Revenue and is hopeful for a favourable outcome and therefore, no provision is made in these financial statements.

	Notes	2011 ----- <i>(Rupees)</i> -----	2010
Commitments			
Future rentals of ijarah finance under IFAS 2 "Ijarah Finance"	22.1	10,358,719	8,001,406
Future rentals of ijarah finance accounted for as finance lease		-	7,190,082
Future payments for civil work		-	1,189,851
		<u>10,358,719</u>	<u>16,381,339</u>

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	Notes	2011	2010
		----- (Rupees) -----	
20. INCOME FROM OPERATIONS OF FUEL STATION - NET			
<i>Income</i>			
Sale of fuel	20.1	71,078,786	-
Cost of Sales		(68,256,963)	-
		2,821,823	-
Rental income	20.2	630,000	-
		<u>3,451,823</u>	-
<i>Expenses</i>			
Salaries and allowances		915,316	-
Generator fuel		402,247	-
Depreciation	13.4	337,469	-
Professional fees		300,000	-
Electricity		270,400	-
Repairs and maintenance		198,334	-
Security guard		194,129	-
Fuel and conveyance		122,618	-
Insurance		41,284	-
Telephone		36,738	-
Entertainment		14,207	-
Printing and stationery		11,402	-
Advertisement		32,250	-
Miscellaneous		59,467	-
		<u>2,935,861</u>	-
<i>Net income</i>		<u>515,962</u>	-

20.1 Income relates to the operation of petrol and diesel filling / service station started during the year as explained in note 13.1.1.

20.2 Rent is received in respect of the plot of land used for fuel station under an agreement dated August 5, 2009 with the oil marketing company. Initial term of the rent agreement is for five years.

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	Notes	2011	2010
		----- <i>(Rupees)</i> -----	
21. OTHER OPERATING INCOME - Net			
Rental income	21.1	2,897,012	2,652,000
Gain on disposal of property and equipment		533,376	586,342
Reversal on settlement of liability	21.2	3,357,168	-
Profit on bank balances		497,011	275,356
Other		275,169	171,973
		<u>7,559,736</u>	<u>3,685,671</u>

21.1 This include rental income earned from letting out of vacant office premises temporarily.

21.2 This include reversal of Rs. 2.56 million on settlement of a suit filed against the Modaraba for specific performance of contract, permanent injunction, damages and compensation filed in the Honorable High Court at Islamabad.

22. OPERATING EXPENSES

Salaries, allowances and other benefits		24,860,072	17,379,989
Rent, rates and taxes		12,135,948	14,523,105
Depreciation	13.3	8,292,744	11,774,026
Expenditure on maintenance services		7,800,791	6,226,486
Fuel and conveyance		4,405,281	2,609,625
Repairs and maintenance		3,831,558	3,349,290
Ijarah lease rentals	22.1	3,202,650	201,122
Security services charges		2,637,600	2,874,000
Legal and professional		2,029,838	1,896,416
Electricity		1,852,121	666,075
Telephone		1,662,572	1,153,307
Travelling and accommodation		1,365,959	1,607,430
Entertainment		1,142,752	711,496
Insurance		1,021,885	549,289
Printing and stationery		717,033	834,297
Gratuity	22.2.3	686,442	341,856
Transportation		424,083	266,910
Auditors' remuneration	22.3	335,000	335,000
Subscription		266,766	291,605
Share registrar services		214,200	190,920
Postage		130,305	147,690
Advertisement		123,825	41,935
Others		328,424	972,635
		<u>79,467,849</u>	<u>68,944,504</u>

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22.1 Ijarah lease rentals

This includes rentals paid by the Modaraba against vehicles acquired under ijarah facilities. Future rental payable on these facilities are as under:

	<i>Due within one year</i>	<i>Due after one year but within five years</i>	<i>Due after five years</i>	<i>Total</i>
	----- <i>(Rupees)</i> -----			
Total future rentals payables	4,607,448	5,751,271	-	10,358,719

For comparative period - 2010

	<i>Due within one year</i>	<i>Due after one year but within five years</i>	<i>Due after five years</i>	<i>Total</i>
	----- <i>(Rupees)</i> -----			
Total future rentals payables	2,734,176	5,267,230	-	8,001,406

These are ijarah contracts entered into after 1st July 2008.

		2011	2010
	Notes	----- <i>(Rupees)</i> -----	
22.2 Defined benefit plan - gratuity			

22.2.1 Present value of plan assets and present value of obligation:

Present value of defined benefit obligation		3,590,733	2,377,706
Fair value of allocated plan assets		<u>(3,064,745)</u>	<u>(2,175,275)</u>
Surplus		525,988	202,431
Unrecognised actuarial gain		<u>(524,902)</u>	<u>(202,431)</u>
Net (asset) / liability recognised on the balance sheet		<u><u>1,086</u></u>	<u><u>-</u></u>

22.2.2 Movement in amount payable to the defined benefit plan:

Opening balance		-	-
Charge for the year	22.2.3	686,442	341,856
Contribution to the fund during the year		<u>(685,356)</u>	<u>(341,856)</u>
Closing balance		<u><u>1,086</u></u>	<u><u>-</u></u>

22.2.3 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:

	2011	2010
	----- <i>(Rupees)</i> -----	
Current service cost	597,616	376,753
Mark-up cost	338,566	209,372
Expected return on plan assets	(249,740)	(238,684)
Actuarial gain	-	(5,585)
	686,442	341,856

22.2.4 Movement in the present value of defined benefit obligation is as follow:

Present value of defined benefit obligation at the beginning of the year	2,377,706	1,573,180
Current service cost	597,616	376,753
Mark-up cost	338,566	209,372
Benefit paid	(25,693)	-
Liability transferred in / (out) in respect of transferees	-	(63,177)
Unrecognised actuarial loss for the year	302,538	281,578
Present value of defined benefit obligation at the end of the year	3,590,733	2,377,706

22.2.5 Movement in the fair value of plan assets is as follow:

Fair value of plan assets at the beginning of the year	2,175,275	1,834,858
Adjustment to opening balance	-	-
Expected return to plan assets	249,740	238,684
Contributions	685,356	341,856
Benefit paid	(25,693)	-
Liability transferred in/(out) in respect of transferees	-	(63,177)
Unrecognised actuarial loss for the year	(19,933)	(176,946)
Fair value of plan assets at the end of the year	3,064,745	2,175,275

22.2.6 Composition of plan assets

Debt instruments	2,624,625	-
Cash	429,806	2,159,941
Others	10,314	15,334
	3,064,745	2,175,275

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22.2.7 Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund for five year is as follow:

<i>Gratuity Fund</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
	-----(<i>Rupees</i>)-----					
Present value of defined benefit obligation	3,590,733	2,377,706	1,573,180	1,081,000	910,000	1,578,000
Fair value of plan assets	(3,064,745)	(2,175,275)	(1,834,858)	(1,514,000)	(1,236,000)	(1,752,000)
Deficit / (Surplus)	525,988	202,431	(261,678)	(433,000)	(326,000)	(174,000)
<i>Actuarial loss / (gain) on obligation</i>						
Experience adjustment	302,538	281,578	119,180	(210,000)	34,000	13,000
<i>Actuarial gain / (loss) on assets</i>						
Experience adjustment	19,933	(176,946)	(46,664)	(89,000)	186,000	15,000

22.2.8 Actuarial assumptions	%	%
Expected rate of increase in salary	14.50	12.75
Discount rate used to determine the actuarial present value of obligation	14.50	12.75
Expected return on plan assets	10	10

Fair value of plan assets has been determined by the actuarial valuer based on the assumption that gratuity payable in respect of June 2011 amounting to Rs. 57,023 has been paid before June 30, 2011.

22.2.9 Expected accrual of expenses in respect of gratuity scheme in the next financial year on the advice of the actuary is Rs. 989,429/-

	2011	2010
	-----(<i>Rupees</i>)-----	
22.3 Auditors' remuneration		
Statutory audit	250,000	250,000
Review report on statement of compliance with the Code of Corporate Governance	20,000	20,000
Review of the half yearly financial statements	50,000	50,000
Other certifications	10,000	10,000
Out of pocket expenses	5,000	5,000
	335,000	335,000

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23. PROVISION FOR IMPAIRMENT LOSS

	2011						
	<i>Investments</i>	<i>Property and equipment</i>	<i>Ijarah finance</i>	<i>Morabaha finance</i>	<i>Operating lease rentals</i>	<i>Others</i>	<i>Total</i>
	------(Rupees)-----						
Opening balance	4,000,000	-	33,860,768	7,733,018	10,194,320	7,942,916	63,731,022
Charged during the year	17,520,169	5,108,545	-	-	-	420,811	23,049,525
Reversed during the year	-	-	(240,643)	(276,146)	-	(169,867)	(686,656)
	17,520,169	5,108,545	(240,643)	(276,146)	-	250,944	22,362,869
Provisions written off during the year	-	-	-	-	-	(420,811)	(420,811)
Closing balance	21,520,169	5,108,545	33,620,125	7,456,872	10,194,320	7,773,049	85,673,080

	2010						
	<i>Investments</i>	<i>Property and equipment</i>	<i>Ijarah finance</i>	<i>Morabaha finance</i>	<i>Operating lease rentals</i>	<i>Others</i>	<i>Total</i>
	------(Rupees)-----						
Opening balance	4,000,000	-	33,866,768	8,220,095	8,016,701	8,137,861	62,241,425
Charged during the year	-	-	-	-	2,177,619	-	2,177,619
Reversed during the year	-	-	(6,000)	(487,077)	-	(194,945)	(688,022)
	-	-	(6,000)	(487,077)	2,177,619	(194,945)	1,489,597
Closing balance	4,000,000	-	33,860,768	7,733,018	10,194,320	7,942,916	63,731,022

24. MODARABA COMPANY'S MANAGEMENT FEE

The Modaraba Management Company is entitled to remuneration for services rendered to the Modaraba under the provisions of the Modaraba Ordinance, 1980, up to a maximum of 10% per annum of the net annual profits of the Modaraba. No provision has been made in the current year due to loss for the year.

25. TAXATION

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

Reconciliation between tax expense and accounting profit is not required due to the fact that Modaraba's current tax charge represents tax on income under presumptive tax regime.

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		2011	2010
26. EARNINGS PER CERTIFICATE - BASIC AND DILUTED			
Loss after tax for the year	<i>Rupees</i>	(20,155,120)	(12,913,089)
Weighted average number of certificates outstanding during the year	<i>Number</i>	18,423,945	18,423,945
Earnings per certificate	<i>Rupees</i>	(1.09)	(0.70)

27. TRANSACTIONS WITH RELATED PARTIES

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

Remuneration to the key management employees (executives), disclosed in note 28 to these financial statements, are determined in accordance with their terms of employment. Contribution to the provident and gratuity funds are made in accordance with the services rules and actuarial advise respectively. Other transactions with related parties are in accordance with the agreed terms.

Details of transactions with related parties and balances with them at the year-end, if not mentioned else where, are as follows:

			2011	2010
	Notes		-----(<i>Rupees</i>)-----	
27.1 Balances outstanding at year end				
Relationship	Nature of Transaction			
BankIslami Pakistan Limited (parent company of the management company)	Bank deposits	4.1	<u>420,237</u>	<u>37,229</u>
	Amount payable in respect of ijarah arrangement		<u>269,299</u>	<u>201,122</u>
	Amount receivable in respect of maintenance services		<u>10,508,321</u>	<u>10,151,964</u>
	Amount receivable in respect of rental income		<u>235,304</u>	<u>105,000</u>
	Security deposit in respect of ijarah arrangement		<u>2,489,400</u>	<u>1,454,706</u>

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		Notes	2011	2010
			----- <i>(Rupees)</i> -----	
27.2	Transactions during the year			
	<i>Relationship</i>			
	<i>Nature of Transaction</i>			
	BankIslami Pakistan Limited (parent company of the management company)		<u>28,364,940</u>	<u>25,420,614</u>
	Maintenance services provided			
	Profit on islamic profit and loss sharing account		<u>276,253</u>	<u>105,568</u>
	Rental income		<u>2,897,012</u>	<u>2,652,000</u>
	Bank charges paid		<u>30,161</u>	<u>500</u>
	Lease rentals - ijarah paid		<u>3,202,650</u>	<u>201,122</u>
	BankIslami Modaraba Investments Limited (management company)	24	<u>-</u>	<u>-</u>
	Management fee			
	Other Related Parties			
	Contribution to staff provident fund		<u>411,619</u>	<u>447,218</u>
	Contribution to staff gratuity fund		<u>685,356</u>	<u>341,856</u>

28. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

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

	2011			2010		
	<i>Officers (key management personnel)</i>	<i>Other employees</i>	<i>Total</i>	<i>Officers (key management personnel)</i>	<i>Other employees</i>	<i>Total</i>
	----- <i>(Rupees)</i> -----					
Salaries	3,296,785	10,948,228	14,245,013	2,829,684	6,797,166	9,626,850
Retirement benefits						
Defined contribution plan - provident fund	141,557	270,062	411,619	236,355	210,863	447,218
Defined benefit plan - gratuity fund	159,560	526,882	686,442	100,552	241,034	341,586
House rent allowance	1,483,553	4,887,054	6,370,607	1,273,358	3,055,863	4,329,221
Conveyance and other allowances	942,550	3,805,599	4,748,149	851,592	2,125,378	2,976,970
	<u>6,024,005</u>	<u>20,437,825</u>	<u>26,461,830</u>	<u>5,291,541</u>	<u>12,430,304</u>	<u>17,721,845</u>
Number of persons at the end of the year	<u>5</u>	<u>107</u>	<u>68</u>	<u>4</u>	<u>64</u>	<u>68</u>

Five executives and one officer of the Modaraba are also provided with free use of vehicles owned and maintained by the Modaraba.

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 Management company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The Modaraba's overall risk management programme 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 finance lease liability, ijarah deposits, creditor, accrued, unclaimed dividends and other liabilities. The Modaraba's principal financial assets comprise of morabaha finance, ijarah finance, diminishing musharaka finance, receivables against operating lease rentals and maintenance fee and other receivables and cash and bank balances that arrive directly from its operations. The Modaraba also holds available-for-sale investments in unlisted equity shares and Sukuk certificates.

	2011	2010
	------(Rupees)-----	
29.1 Financial instruments by category		
<i>Financial assets as per balance sheet</i>		
<i>Available for sale</i>		
Long term investments	9,750,000	34,770,169
<i>Loans and receivables</i>		
Cash and bank balance	3,237,265	1,115,190
Diminishing musharaka finance	8,225,064	30,421,224
Investment in ijarah finance	3,755,007	3,824,008
Receivable against operating lease rentals and maintenance service	25,356,234	20,854,931
Advances, deposits, prepayments and other receivables	18,372,910	15,683,755
Long term deposits	2,526,899	1,492,206
	71,223,379	108,161,483
<i>Financial liabilities as per balance sheet at amortised cost</i>		
Liability against ijarah finance	-	7,190,082
Security deposits - ijarah	10,641,353	14,288,107
Creditors accrued and other liabilities	16,953,741	21,767,163
Unclaimed profit distribution	6,567,310	6,567,310
	34,162,404	49,812,662

29.2 Liquidity risk management

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.

29.2.1 Liquidity and interest risk table

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.

	<i>Less than 6 months</i>	<i>6 months - 1 year</i>	<i>1 - 5 years</i>	<i>More than 5 years</i>	<i>Total Contractual Cashflows</i>
	------(Rupees)-----				
Creditors, accrued and other liabilities	16,953,741	-	-	-	16,953,741
Security deposits	4,399,007	140,800	2,426,546	3,675,000	10,641,353
Unclaimed profit distribution	6,567,310	-	-	-	6,567,310
	<u>27,920,058</u>	<u>140,800</u>	<u>2,426,546</u>	<u>3,675,000</u>	<u>34,162,404</u>
<i>For comparative period - 2010</i>					
Liability against ijarah finance	7,190,082	-	-	-	7,190,082
Creditors, accrued and other liabilities	21,767,163	-	-	-	21,767,163
Security deposits	3,824,007	644,000	928,300	8,891,800	14,288,107
Unclaimed profit distribution	6,567,310	-	-	-	6,567,310
	<u>39,348,562</u>	<u>644,000</u>	<u>928,300</u>	<u>8,891,800</u>	<u>49,812,662</u>

29.3 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 control credit risk by monitoring credit exposure, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

The Modaraba is exposed to credit risk from its financing activities morabaha and musharaka finance , ijarah rental receivables, long term investments, deposits with banks and financial institutions, receivable against operating lease rentals and maintenance services and other receivables.

The Modaraba has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and,

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if not available, the Modaraba uses other publicly available financial information and its own trading records to rate its major customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee under the guidelines of the Modaraba Regulations.

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 Modaraba's maximum exposure to credit risk related to receivable at June 30, 2011 and June 30, 2010 is the carrying amounts of following financial assets.

	2011	2010
	----- <i>(Rupees)</i> -----	
Net investment in ijarah finance / assets under ijarah arrangements	3,755,007	3,824,008
Diminishing musharaka	8,225,064	30,421,224
Long term investments	9,750,000	34,770,169
Receivable against operating lease rentals and maintenance fee	25,356,234	20,854,931
Other receivables	1,736,706	1,163,895
Bank balance	3,027,962	1,115,190
	51,850,973	92,149,417

The analysis below summarises the quality rating of the major Banks in which the Modaraba deals.

<i>Banks</i>	<i>Rating Agency</i>	<i>Short Term</i>	<i>Long Term</i>	2011	2010
				----- <i>(Rupees)</i> -----	
BankIslami Pakistan Limited	PACRA	A1	A	420,237	47,523
Bank Alfalah Limited	PACRA	A1+	AA	1,586,727	1,037,943
Meezan Bank Limited	JCR-VIS	A-1+	AA-	1,008,459	15,797

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

<i>As at June 30, 2011</i>					
	<i>OAEM</i>	<i>Substandard</i>	<i>Doubtful</i>	<i>Loss</i>	<i>Total</i>
-----(<i>Rupees</i>)-----					
Ijarah finance	-	-	-	45,117,316	45,117,316
Morabaha finance	-	-	-	7,456,872	7,456,872
Receivable against operating lease rentals and maintenance service	-	-	-	10,194,320	10,194,320

<i>As at June 30, 2010</i>					
	<i>OAEM</i>	<i>Substandard</i>	<i>Doubtful</i>	<i>Loss</i>	<i>Total</i>
-----(<i>Rupees</i>)-----					
Ijarah finance	-	-	-	45,426,960	45,426,960
Morabaha finance	-	-	-	7,733,018	7,733,018
Receivable against operating lease rentals and maintenance service	-	-	-	10,194,320	10,194,320

Total impairment against these assets as at June 30, 2011 is Rs. 59,013,501 (2010 : Rs. 59,530,290).

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.

Detail of the industrial sector analysis of ijarah(Cost), morabaha and musharaka portfolio (original Principal) are as under.

<i>Sector</i>	<u>2011</u>		<u>2010</u>	
	<i>Rupees</i>	%	<i>Rupees</i>	%
Financial Institutions	270,692	0.38%	270,692	0.30%
Distributors, Wholesalers and Retailers	26,184,555	36.44%	26,184,555	28.59%
Food, Tobacco and Beverages	540,945	0.75%	540,945	0.59%
Chemical, Fertilizer and Pharama	374,950	0.52%	374,950	0.41%
Textile and Garments	3,621,383	5.04%	3,621,383	3.95%
Paper and Board	5,150,000	7.17%	5,150,000	5.62%
Steel, Engineering and Autos	11,903,113	16.56%	14,805,113	16.16%
Construction	704,000	0.98%	704,000	0.77%
Transport and Communication	8,280,141	11.52%	25,205,323	27.52%
Glass, Ceramics and Plastics	1,311,650	1.83%	1,311,650	1.43%
Education	3,319,000	4.62%	3,319,000	3.62%
Misc. / Individuals	10,201,531	14.20%	10,107,171	11.03%
	<u>71,861,960</u>	<u>100%</u>	<u>91,594,782</u>	<u>100%</u>

29.4 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest 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 incurs financial liabilities to manage its market risk. The Modaraba is exposed to interest rate and currency risks.

29.4.1 Interest rate risk

The interest 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 interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks and short term deposits with banks. At the balance sheet date the interest rate risk profile of the Modaraba's interest bearing financial instruments is:

	2011	2010
	----- (Rupees) -----	
<i>Interest bearing financial instruments</i>		
Bank balances	3,015,423	1,101,263
Net investment in ijarah finance / assets under ijarah arrangements	3,755,007	3,824,008
Diminishing musharaka	8,225,064	30,421,224
Long term investments	9,750,000	17,250,000
Liability against ijarah finance	-	7,190,082

Fair value sensitivity analysis for interest bearing financial instruments

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

29.4.2 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 interest 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.

29.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of the financial assets and financial liabilities approximate their fair values except for musharaka and morabaha receivable at fixed rate of return. The fair values these financial asset/liability cannot be reasonably estimated due to absence of market for such assets/liability.

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Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : 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 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<i>June 30, 2011</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	-----(<i>Rupees</i>)-----		
Assets carried at fair value			
Available for sale investments	-	-	9,750,000
<hr style="border-top: 3px double #000;"/>			
<i>June 30, 2010</i>			
Assets carried at fair value			
Available for sale investments	-	-	34,770,169
<hr style="border-top: 3px double #000;"/>			

30. INFORMATION ABOUT BUSINESS SEGMENTS

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

<i>Maintenance service</i>	Refueling and maintaining gensets, air cons, fire alarm system, self supported towers, and other equipment under the brand name "The Energixers".
<i>Fuel station</i>	Petrol and diesel filling / service station.
<i>Mobile Towers</i>	Radio link tower renting services to multiple telecommunication operators.
<i>Financing/ Investments</i>	Ijarah, morabaha, diminishing musharaka finances and investments in shares and sukuk certificates.

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

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SEGMENT RESULTS 2011

	<i>Maintenance services</i>	<i>Fuel station</i>	<i>Mobile towers</i>	<i>Financing/ Investments</i>	<i>Consolidated</i>
	----- <i>(Rupees)</i> -----				
<i>Revenue</i>	42,827,320	71,708,786	25,670,935	8,910,380	149,117,421
<i>Result</i>					
Profit / (loss) for the year before taxation	1,552,851	515,962	1,244,893	(13,948,102)	(10,634,396)
Profit / (loss) for the year after taxation	1,552,851	375,380	1,244,893	(13,948,102)	(10,774,978)

For comparative period - 2010

	<i>Maintenance services</i>	<i>Fuel station</i>	<i>Mobile towers</i>	<i>Financing/ Investments</i>	<i>Consolidated</i>
	----- <i>(Rupees)</i> -----				
<i>Revenue</i>	26,879,414	-	17,430,338	13,503,019	57,812,771
<i>Result</i>					
Profit / (loss) for the year before taxation	1,114,162	-	(11,653,509)	7,928,053	(2,611,294)
Profit / (loss) for the year after taxation	1,114,162	-	(11,653,509)	7,928,053	(2,611,294)

Reconciliation of segment results

	<i>2011</i>	<i>2010</i>
	----- <i>(Rupees)</i> -----	
Total results for reportable segments	(10,476,657)	(1,473,929)
Rental income	2,897,012	2,652,000
Reversal on settlement of liability	3,357,168	-
Other operating income	1,305,556	1,033,671
Operating expenses:		
Salaries, allowances and other benefits	(9,554,751)	(8,511,573)
Depreciation	(1,681,086)	(1,959,771)
Fuel and conveyance	(935,468)	(804,107)
Other unallocated operating expenses	(4,768,573)	(2,712,015)
Profit before tax as per profit and loss account	<u>(20,014,538)</u>	<u>(12,913,089)</u>

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2011

	<i>Maintenance services</i>	<i>Fuel station</i>	<i>Mobile towers</i>	<i>Financing/ Investments</i>	<i>Consolidated</i>
	----- <i>(Rupees)</i> -----				
<i>Assets and liabilities</i>					
Total assets	42,715,963	74,588,296	42,210,414	31,175,064	190,689,737
Total liabilities	1,976,348	325,371	7,646,487	8,948,198	18,896,404

For comparative period - 2010

	<i>Maintenance services</i>	<i>Fuel station</i>	<i>Mobile towers</i>	<i>Financing/ Investments</i>	<i>Consolidated</i>
	----- <i>(Rupees)</i> -----				
<i>Assets and liabilities</i>					
Total assets	26,190,549	70,363,389	55,462,934	78,070,754	230,087,626
Total liabilities	1,799,553	621,912	18,596,115	8,651,570	29,669,150

Reconciliation of segments' assets and liabilities

	Assets	
	2011	2010
	----- <i>(Rupees)</i> -----	
Total for reportable segments	190,689,737	230,087,626
Advance income tax	8,590,783	5,233,797
Property and equipment	8,414,705	7,233,114
Cash and bank balance	3,237,265	1,115,190
Other unallocated assets	2,119,969	5,188,110
Total as per balance sheet	<u>213,052,459</u>	<u>248,857,837</u>
	Liabilities	
	2011	2010
	----- <i>(Rupees)</i> -----	
Total for reportable segments	18,896,404	29,669,150
Unclaimed profit distribution	6,567,310	6,567,310
Charity and donations payable	3,903,854	3,556,453
Liability against ijarah finance	-	7,190,082
Other unallocated liabilities	4,794,836	2,829,667
Total as per balance sheet	<u>34,162,404</u>	<u>49,812,662</u>

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OTHER INFORMATION

	2011					
	<i>Maintenance services</i>	<i>Fuel station</i>	<i>Mobile towers</i>	<i>Financing/ Investments</i>	<i>Unallocated</i>	<i>Consolidated</i>
	----- <i>(Rupees)</i> -----					
Capital expenditure	12,874,209	72,205,036	-	4,386,725	-	89,465,970
Depreciation	2,053,200	337,469	4,558,458	3,510,414	1,681,086	12,140,627
Provision for impairment loss	-	-	5,108,545	17,003,380	250,944	22,362,869
Salaries, allowances and other benefits	14,393,850	915,316	825,000	772,913	9,554,751	26,461,830
Rent, rates and taxes	2,391,359	-	9,666,745	77,844	-	12,135,948
Expenditure on maintenance services	7,800,791	-	-	-	-	7,800,791
Ijarah lease rentals	2,609,161	-	-	84,460	509,029	3,202,650
Advertisement	60,000	32,250	-	-	63,825	156,075
Income tax	-	140,582	-	-	-	140,582

For comparative period - 2010

	<i>Maintenance services</i>	<i>Fuel station</i>	<i>Mobile towers</i>	<i>Financing/ Investments</i>	<i>Unallocated</i>	<i>Consolidated</i>
	----- <i>(Rupees)</i> -----					
Capital expenditure	12,234,064	-	883,700	4,023,000	159,578	17,300,342
Depreciation	1,252,928	-	8,561,327	2,840,065	1,959,771	14,614,091
Provision for impairment loss	-	-	2,177,619	(493,077)	(194,945)	1,489,597
Salaries, allowances and other benefits	8,039,844	-	413,516	756,912	8,511,573	17,721,845
Rent, rates and taxes	945,440	-	13,443,597	-	134,068	14,523,105
Expenditure on maintenance services	6,226,486	-	-	-	-	6,226,486
Ijarah lease rentals	201,122	-	-	-	-	201,122
Advertisement	25,500	-	-	-	16,435	41,935
Income tax	-	-	-	-	-	-

Three major clients contributing more than 10% to the revenue of the Modaraba aggregated to Rs. 58.9 million (2010: Rs. 41.5 million) under maintenance services, mobile towers and other operating income during the year.

31. 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 through the optimisation of the debt and equity balance.

Currently the Modaraba is fully financed by equity instruments. 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.

32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the board of directors of the Management Company on September 29, 2011.

33. GENERAL

Figures have been rounded off to the nearest Rupee.

Chief Executive
BankIslami Modaraba Investment Limited
Modaraba Management Company

Director
BankIslami Modaraba Investment Limited
Modaraba Management Company

Director
BankIslami Modaraba Investment Limited
Modaraba Management Company

PATTERN OF CERTIFICATE HOLDING

As at June 30, 2011

Number of Certificate Holding	Certificate Holding		To Certificate Held	Percentage %
	From	To		
2036	1	100	43,574	0.24
697	101	500	190,962	1.04
325	501	1,000	256,970	1.39
550	1,001	5,000	1,252,338	6.80
148	5,001	10,000	1,109,019	6.02
49	10,001	15,000	624,431	3.39
22	15,001	20,000	374,125	2.03
12	20,001	25,000	270,279	1.47
10	25,001	30,000	271,787	1.48
7	30,001	35,000	233,177	1.27
4	35,001	40,000	148,923	0.81
6	40,001	45,000	259,682	1.41
5	45,001	50,000	238,003	1.29
4	50,001	55,000	208,000	1.13
4	55,001	60,000	227,151	1.23
3	60,001	65,000	185,122	1.00
4	65,001	70,000	270,499	1.47
5	70,001	75,000	368,372	2.00
1	80,001	85,000	83,324	0.45
1	85,001	90,000	85,500	0.46
2	90,001	95,000	187,000	1.01
1	95,001	100,000	96,250	0.52
2	100,001	105,000	207,037	1.12
2	110,001	115,000	226,660	1.23
4	120,001	125,000	490,148	2.66
2	125,001	130,000	255,988	1.39
1	140,001	145,000	133,641	0.73
1	155,001	160,000	144,310	0.78
1	165,001	170,000	158,500	0.86
1	175,001	180,000	166,000	0.90
1	195,001	200,000	175,029	0.95
1	210,001	215,000	200,000	1.09
2	245,001	250,000	425,000	2.31
1	250,001	255,000	249,732	1.36
1	265,001	270,000	250,500	1.36
1	370,001	375,000	265,500	1.44
2	375,001	380,000	756,478	4.11
1	395,001	400,000	400,000	2.17
1	410,001	415,000	410,486	2.23
1	480,001	485,000	484,500	2.63
1	485,001	490,000	489,581	2.66
1	495,001	500,000	499,782	2.71
1	575,001	580,000	700,000	3.80
1	1,055,001	1,060,000	1,086,940	5.90
1	1,420,001	1,425,000	1,421,250	7.71
1	1,840,001	1,845,000	1,842,395	10.00
3928			18,423,945	100

PATTERN OF CERTIFICATE HOLDING

As at June 30, 2011

Categories of Certificate Holders	Number	Certificates Held	Percentage %
Associated Companies, Undertakings, 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.			
Investment Corporation of Pakistan	1	794	0.004
National Bank of Pakistan Trustee Department	1	144,404	0.784
IDBP (ICP Unit)	1	498	0.003
Sub Total	3	145,696	0.791
Public Sector Company & Corporation			
Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modaraba's and Mutual Funds	18	1,575,186	8.550
Joint Stock Companies & Others	41	916,875	4.977
Individuals	3,865	13,443,698	72.969
Sub Total	3,924	15,935,759	86.495
Total	3,928	18,423,945	100

Modaraba Al-Mali

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 12th Annual Review Meeting of certificate holders of Modaraba Al-Mali will be held on Thursday, the 27th October 2011 at 8:00 a.m. at Sehar Hall, Carlton Hotel, Phase-VIII, DHA, Karachi to review the performance of the Modaraba for the year ended June 30, 2011 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular number 4/2004 by Registrar Modaraba Companies and Modarabas.

On behalf of the Board

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Syed Ahmed Asim
Company Secretary

Date: September 29, 2011

Note:

1. The Modaraba Certificate transfer book shall remain closed from Thursday, 20th October 2011 to Thursday, 27th October 2011 (both days inclusive) to determine the names of Certificate Holders entitled 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 Wednesday, 19th October 2011 will be treated in time for the entitlement 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.