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Modaraba Al-Mali

Mission Statement

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

“But Allah hath permitted trade and forbidden usury”

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

Our Vision

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

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

Modaraba Al-Mali

CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Hamid	Chairman
	<u>In Alphabetical Order</u>	
	Mr. Asad Alim	Director
	Mr. Hasan Aziz Bilgrami	Director
	Mr. Muhammad Faisal Shaikh	Director
	Mr. Tariq Usman Bhatti	Director
	Mr. Rehan Shuja Zaidi	Director
	Mr. Zahid Ali H. Jamall	Director
	Mr. Aziz Adil	Chief Executive
Audit Committee	Mr. Zahid Ali H. Jamall	Chairman
	Mr. Muhammad Hamid	Member
	Mr. Asad Alim	Member
	Mr. Rehan Shuja Zaidi	Member
HR & Remuneration Committee	Mr. Asad Alim	Chairman
	Mr. Hasan Aziz Bilgrami	Member
	Mr. Zulfiqar Ali	Member (Since Resigned)
Management Team	Mr. Aziz Adil	Chief Executive
	Mr. Zafar Ahmed Khan	CFO & Company Secretary
	Mr. Tahir Zuberi	General Manager Operations
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 28th annual report of Modaraba Al-Mali together with Audited Accounts for the year ended June 30, 2014.

1. Operating Results

A summary of operating results for the year ended June 30, 2014 is presented as under:

	(Rs. in "000")	
	June 30, 2014	June 30, 2013
Total operating income	17,474	13,514
Depreciation & operating expenses	(27,106)	(25,542)
Net income from operations	(9,632)	(12,028)
Gain on disposal of long term investments		7,200
Reversal of provision	371	27
	(9,261)	(4,801)
Taxation	(343)	(355)
Loss for the year from continuing operations	(9,604)	(5,156)
(Loss)/profit for the year from discontinued operations	(15,117)	8,248
	(24,721)	3,092
Appropriations:		
Statutory reserve @ Nil (2013: @ 20%)	-	618
Earnings per certificate - continuing operations	(0.52)	(0.28)
Earnings per certificate - discontinued operations	(0.82)	0.45

2. Profit distribution

Due to loss during the year, the Directors have not declared any dividend for the year ended June 30, 2014.

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

Modaraba has incurred a loss of Rs. 24.72 million during current financial year as compared to profit of Rs. 3.09 million during corresponding period. The BoD in their meeting held on March 19, 2013 decided to dispose of all three non-financing business segment of Modaraba. During the year under review, two of these segments i.e., (a) mobile towers and (b) maintenance services have been disposed of resulting in a net loss of Rs. 15.12 million as compared to the profit of Rs. 8.24 million for year ended June 30, 2013. The remaining loss of Rs. 9.60 million (2013: loss of Rs. 5.15 million) pertains to continued operation which was mainly due of high operating cost of discontinued operations that has now been rationalized and brought down to desired level.

Modaraba Al-Mali

5. Future prospects

Modaraba is now focusing on the financing business except for fuel station which is also planned to be disposed off in due course. Other non financing businesses have already been disposed off. Beginning July 2014, Modaraba is expected to be in the black. Insha Allah in 2015 we will endeavor to pay dividend as well. The Board has principally decided to make a right issue of Rs.50m. For this purpose the management will seek guidance of SECP to finalize the issue price.

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, prepared by the management, present fairly the state of affairs, the results of its operations, cash flows and change in equity;

Proper books of account have been maintained;

Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes explained in financial statements and accounting estimates are based on reasonable and prudent judgment;

International Financial Reporting Standards, as applicable to modarabas in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;

The system of internal control is sound in design and has been effectively implemented and monitored; and

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

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

7. Pattern of certificate holding

Pattern of certificate holding is annexed to this report.

8. Attendance of Board Meetings

In all, Eight 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
Mr. Asad Alim	8	--	
Mr. Hasan Aziz Bilgrami	8	--	
Mr. Muhammad Faisal Shaikh	7	--	Appointed w.e.f.23-09-2013
Mr. Muhammad Hamid	7	1	
Mr. Rehan Shuja Zaidi	6	--	Appointed w.e.f.11-10-2013
Mr. Tariq Usman Bhatti	7	1	
Mr. Zahid Ali. H. Jamall	3	--	Appointed w.e.f.17-03-2014
Mr. Zulfiqar Ali-CEO	8	--	Resigned w.e.f.30-04-2014

Modaraba Al-Mali

9. Audit Committee

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

Name of Member

- | | |
|---------------------------|----------|
| 1. Mr. Zahid Ali H. Jamal | Chairman |
| 2. Mr. Muhammad Hamid | Member |
| 3. Mr. Asad Alim | Member |
| 4. Mr. Rehan Shuja Zaidi | Member |

10. Human Resource & Remuneration Committee

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

- | | |
|----------------------------|-------------------------|
| 1. Mr. Asad Alim | Chairman |
| 2. Mr. Hasan Aziz Bilgrami | Member |
| 3. Mr. Zulfiqar Ali | Member (since resigned) |

11. Credit Rating

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

On behalf of the Board

-- sd --

Aziz Adil

Chief Executive Officer

Karachi:
September 30, 2014

Modaraba Al-Mali

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

REPORT OF THE SHARIAH ADVISER

الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، و
على آله وأصحابه أجمعين، وبعد

I have conducted the Shariah review of Modaraba Al-Mali managed by BankIslami Modaraba Investment Limited for the financial year ended June 30, 2014 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and report that except the observation as reported hereunder, in my opinion:

1. The Modaraba has introduced a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles;
2. The agreement(s) entered into by the Modaraba are Shariah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
3. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit regulations for Modarabas.
4. The earnings that have been realized from the sources or by means prohibited by Shariah have been credited to charity accounts.

Observations(s):

It has been observed that Modaraba has not disbursed the charity amount for last two financial years.

Recommendation(s):

- In order to enhance the Islamic Finance knowledge of employees, I recommend that some training session should be arranged for staff. This will help in capacity building of the staff.
- Charity amount should be disbursed at the earliest and in future the charity policy should be complied with strictly.

Conclusion:

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



Irshad Ahmad Aijaz
Date: September 26, 2014

و صَلَّى اللَّهُ عَلَى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّمَ

Modaraba Al-Mali

KEY OPERATING AND FINANCIAL DATA

Balance Sheet Summary		(Rupees in Million)				
Year Ended June 30,	2009	2010	2011	2012	2013	2014
EQUITY						
Issued, subscribed and paid up capital	184.24	184.24	184.24	184.24	184.24	184.24
Statutory Reserves	55.45	55.45	55.45	55.45	56.58	56.58
Revenue Reserves and unappropriated profit	(27.73)	(40.65)	(60.80)	(63.49)	(61.53)	(86.88)
Total Equity	211.96	199.04	178.89	176.20	179.29	153.94
LIABILITIES						
Liability against Ijarah finances	5.07	-	-	-	-	-
Customer Security Deposit	9.24	10.46	10.60	22.89	33.74	17.51
Others	-	-	-	-	-	-
	14.31	10.46	10.60	22.89	33.74	17.51
Current Liabilities						
Short term Morabaha and Musharika	-	-	-	-	-	-
Other Current Liabilities	36.62	39.35	23.56	28.03	26.28	34.49
Total Current Liabilities	36.62	39.35	23.56	28.03	26.28	52.00
Total Liabilities	262.89	248.85	213.05	227.12	239.31	205.94
ASSETS						
Assets Leased Out	5.49	6.63	6.47	14.52	18.96	34.85
Net investment in Ijarah	0.69	-	-	-	-	-
Assets in Own Use	124.21	131.25	132.72	123.44	115.46	77.40
Long Term Morabaha and Musharika	32.82	8.79	-	-	-	-
Long Term Investment	33.10	22.27	-	-	-	-
Other Long Term Assets	3.15	1.49	2.52	11.94	20.10	7.17
	199.46	170.43	141.71	149.90	154.52	119.42
Current Assets						
Short Term Morabaha and Musharika	25.28	21.63	8.22	-	-	-
Current maturity of Net investment in Ijarah	5.83	3.82	3.75	3.75	3.75	3.75
Short Term Investment	-	12.50	9.75	6.00	-	-
Other Current Assets	21.82	39.35	46.39	58.83	72.29	52.95
Cash and Bank Balance	10.49	1.12	3.23	8.64	8.75	29.82
	63.42	78.42	71.34	77.22	84.79	86.52
Total Current Assets	63.42	78.42	71.34	77.22	84.79	86.52
Total Assets	262.88	248.85	213.05	227.12	239.31	205.94
Income Statement Highlights		(Rupees in Million)				
Year Ended June 30,	2009	2010	2011	2012	2013	2014
INCOME						
Lease	21.79	21.25	30.36	29.30	23.46	29.08
Musharika and Morabaha	7.80	7.45	3.18	0.66	-	-
Capital Gain on Investments	-	-	-	-	7.20	-
Dividend	-	-	-	-	-	-
Certificate of Investment	-	-	-	-	-	-
Maintenance services	-	26.89	42.82	69.10	68.82	56.94
Other	8.95	5.91	9.12	6.69	7.96	9.73
Total Income	38.54	61.50	85.48	105.75	107.44	95.75
EXPENSES						
Operating	39.65	68.94	79.46	102.45	104.00	104.21
Financial	2.25	1.14	0.16	-	-	-
Amortization, depreciation	1.67	2.84	3.51	3.01	4.19	7.87
Provision for doubtful receivables	17.25	1.49	22.36	2.74	(4.19)	8.05
Management fee	-	-	-	-	-	-
Profit / (loss) before taxation	(22.28)	(12.91)	(20.01)	(2.43)	3.44	(24.38)
Taxation	-	-	0.14	0.25	0.35	0.34
Net profit / (loss)	(22.28)	(12.91)	(20.15)	(2.68)	3.09	(24.72)
APPROPRIATIONS						
Total Dividend	-	-	-	-	-	-
Statutory Reserves	-	-	-	-	-	-
VALUE OF INVESTMENT OF						
Provident Fund	6.28	-	-	-	-	-
Gratuity Fund	4.53	-	-	-	-	-

Note: Above figures are based on respective audited accounts for the year ended June 30, 2012 of the funds

Modaraba Al-Mali

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

MODARABA AL-MALI YEAR ENDED JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of 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.

The Board of Directors (the Board) of BankIslami Modaraba Investments Limited - the Modaraba Management Company (the Company) is responsible for the management of affairs of Modaraba Al-Mali (the Modaraba).

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Muhammad Hamid
Executive Directors	Mr. Aziz Adil (Chief Executive Officer)
Non-Executive Directors	Mr. Hasan Aziz Bilgrami
	Mr. AsadAlim
	Mr. Tariq Usman Bhatti
	Mr. Muhammad Faisal Shaikh
	Mr. Rehan Shuja Zaidi
	Mr. Zahid Ali H. Jamall

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year. However, three casual vacancies that occurred on the Board in the prior year were filled during the current year after 90 days due to delay in approval process.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and appointment of the non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and 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. Two of the directors are exempt from the directors' training program required under clause (xi) of the CCG. Board members are fully aware of their duties and responsibilities under the relevant laws and regulations, including the CCG. They are experienced individuals and few of them are also on Board of other listed companies. Although no training program and orientation courses were arranged during the year, the Company will ensure compliance with these requirements of the CCG in the ensuing years.

Modaraba Al-Mali

10. The Board has approved the appointment of CFO during the year, including his remuneration and terms and conditions of employment. He was also appointed as the Company Secretary. Due to the size of the Modaraba, there is no Head of Internal Audit in the employment of Modaraba; however a coordinator of the Board Audit Committee has been appointed by the Board who is performing the functions of Head of Internal Audit.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before 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 holding.

14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee comprising four members. One member is an independent director and all other members of the Committee are non-executive directors including the Chairman.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises three members, majority of whom are non-executive directors including the Chairman.

18. The Board of the 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.

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

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's certificates, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through the Stock Exchanges.

23. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with except for the following:

a) The mechanism for an annual evaluation of the Board, required under the sub-clause (e) of clause (v) is under development.

b) In the absence of the Chairman of Audit Committee and any other independent director, two meetings of the Audit Committee were chaired by the Chairman of the Board who is an independent director.

For and on behalf of the Board

Karachi:
September 30, 2014

On behalf of the Board

-- sd --

Aziz Adil
Chief Executive

Modaraba Al-Mali

REVIEW REPORT TO THE CERTIFICATE HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) 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, 2014, to comply with the requirements of relevant Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Modaraba Management Company. 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba Management Company to comply with the Code.

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

The Code requires the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out 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 as applicable to the Modaraba for the year ended June 30, 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

	Reference	Description
(i)	Paragraph 4	Three casual vacancies that occurred on the Board of Directors in the prior year were filled during the current year after a period of 90 days due to delay in approval process.
(ii)	Paragraph 9	No formal training program or orientation course was arranged during the year.
(iii)	Paragraph 10	The Board of Directors has not approved appointment of Head of Internal Audit.
(iv)	Paragraph 23	- A mechanism for an annual evaluation of the Board of Directors' own performance is under development. - In the absence of the Chairman of Audit Committee and any other independent director, two meetings of the Audit Committee were chaired by the Chairman of the Board who is an independent director.

-- sd --

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi:
September 30, 2014

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, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Modaraba Management Company in respect of **Modaraba Al-Mali** as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i. the balance sheet and 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 the 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, 2014 and of the profit, 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

Karachi:
September 30, 2014

Engagement Partner
Mushtaq Ali Hirani

Modaraba Al-Mali

BALANCE SHEET

As at June 30, 2014

ASSETS	Note	2014	2013
------(Rupees)-----			
Current Assets			
Cash and bank balances	5	29,820,913	8,756,698
Ijarah finance	6	3,755,007	3,755,007
Murabaha finance	7	-	-
Investment	8	-	-
Receivable against rentals and maintenance services	9	10,654,397	36,672,311
Advances, deposits, prepayments and other receivables	10	41,023,717	28,008,744
Inventory	11	1,261,598	7,594,541
Total current assets		86,515,632	84,787,301
Non-Current Assets			
Property and equipment	12	77,405,085	115,459,805
Property and equipment under ijarah arrangement	13	34,851,929	18,961,743
Long term deposits		7,171,900	20,104,770
Total non-current assets		119,428,914	154,526,318
Total assets		205,944,546	239,313,619
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	14	16,990,278	19,712,574
Current portion of security deposits	15	10,583,356	5,955,506
Unclaimed profit distribution		6,858,298	6,567,310
Total current liabilities		34,431,932	32,235,390
Non-Current Liabilities			
Security deposits	15	17,569,980	27,784,187
Total liabilities		52,001,912	60,019,577
NET ASSETS		153,942,634	179,294,042
REPRESENTED BY			
CAPITAL AND RESERVES			
Issued, subscribed and paid-up	16	184,239,450	184,239,450
Reserves		56,582,879	56,582,879
Accumulated loss		(86,879,695)	(61,528,287)
		(30,296,816)	(4,945,408)
		<u>153,942,634</u>	<u>179,294,042</u>
Contingencies and Commitments	17		

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

Chief Executive
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 Modaraba Management Company

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Director
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 Modaraba Management Company

Modaraba Al-Mali

PROFIT AND LOSS ACCOUNT For The Year Ended June 30, 2014

INCOME	Note	2014	2013
		-----	-----
		(Rupees)	
Income from Ijarah finance - net		11,492,716	6,674,624
Profit from operation of fuel station	18	672,923	2,339,656
Other income	19	5,308,194	4,499,867
		<u>17,473,833</u>	<u>13,514,147</u>
EXPENDITURE			
Depreciation on property and equipment - ijarah	13	7,871,146	4,191,631
Workers' welfare fund		-	24,516
Operating expenses	20	19,235,279	21,325,845
		<u>27,106,425</u>	<u>25,541,992</u>
		(9,632,592)	(12,027,845)
Gain on disposal of long term investment		-	7,200,000
Reversal of / (provision for) impairment loss	21	370,511	26,654
		<u>(9,262,081)</u>	<u>(4,801,191)</u>
Modaraba company's management fee	22	-	-
Loss for the year before taxation		<u>(9,262,081)</u>	<u>(4,801,191)</u>
Taxation	23	(342,527)	(354,508)
Loss for the year after taxation		<u>(9,604,608)</u>	<u>(5,155,699)</u>
DISCONTINUED OPERATIONS			
(Loss) / profit for the year from discontinued operations	24	(15,116,924)	8,248,450
(Loss) / profit for the year		<u>(24,721,532)</u>	<u>3,092,751</u>
Other comprehensive income			
Items that will not be reclassified subsequently□ through profit and loss account			
Remeasurement of defined benefit liability - staff gratuity	14.4	1,673,117	-
		<u>(23,048,415)</u>	<u>3,092,751</u>
Earnings per certificate - basic and diluted Continuing operations□	25	(0.52)	(0.28)
Earnings per certificate - basic and diluted Discontinued operations□	25	(0.82)	0.45
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CASH FLOW STATEMENT For The Year Ended June 30, 2014

	2014	2013
	----- (Rupees) -----	
A CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	(24,379,005)	3,447,259
Adjustments of non-cash and other items		
Depreciation on:		
Property and equipment- own use	4,760,149	4,778,909
Property and equipment- held for operating lease	-	2,550,926
Property and equipment - fuel operations	446,107	447,273
Property and equipment - ijarah	7,871,146	4,191,631
Gain on:		
Disposal of property and equipment- own use	(2,525,823)	(95,112)
Disposal of property and equipment- Ijarah	(470,093)	(432,858)
Disposal of property and equipment - operating lease	(1,185,996)	(1,000,000)
Disposal of long term investment	-	(7,200,000)
Provision for / (reversal of) impairment loss	8,052,324	(4,191,734)
	16,947,814	(950,965)
(Increase) / decrease in current assets		
Ijarah finance	370,511	26,654
Receivable against operating lease rentals and maintenance service	17,990,181	2,583,811
Advances, deposits, prepayments and other receivables	(7,118,849)	(5,059,593)
Inventory	6,332,943	(3,474,740)
	17,574,786	(5,923,868)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(1,049,179)	(1,755,033)
Security deposits received / (paid)	(5,586,357)	10,848,590
	(6,635,536)	9,093,557
	3,508,059	5,665,983
Income tax paid	(6,633,753)	(4,048,689)
Profit paid during the year	(2,012,005)	-
Net cash flows (used in) / generated from operating activities	(5,137,699)	1,617,294
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment - own use	(2,105,863)	(885,098)
Proceeds from disposal of property and equipment - own use	14,680,500	1,186,320
Purchase of property and equipment- Ijarah	(24,665,280)	(13,116,500)
Proceeds from disposal of property- Ijarah	1,374,041	4,916,573
Addition to property and equipment - operating lease	(12,286)	-
Proceeds from disposal of property and equipment - operating lease	23,997,932	1,000,000
Redemption of long term investments	-	13,200,000
Net cash flows generated from investing activities	13,269,044	6,301,295
C CASH FLOWS FROM FINANCING ACTIVITIES		
Long term deposits received / (paid)	12,932,870	(8,162,121)
Net cash flows generated from / (used in) financing activities	12,932,870	(8,162,121)
Net increase / (decrease) in cash and cash equivalents	21,064,215	(243,532)
Cash and cash equivalents at beginning of the year	8,756,698	9,000,230
Cash and cash equivalents at end of the year	29,820,913	8,756,698

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

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Modaraba Al-Mali

STATEMENT OF CHANGES IN EQUITY

For The Year Ended June 30, 2014

	Certificate capital	Reserves			Total reserves	Total
		Capital reserves	Revenue reserve	(Accumulated loss)		
		Certificate premium	Statutory reserve *			
-----Rupees-----						
Balance at June 30, 2012	184,239,450	511,409	55,452,920	(64,002,488)	(8,038,159)	176,201,291
Comprehensive income						
Profit for the year ended June 30, 2013	-	-	-	3,092,751	3,092,751	3,092,751
Other comprehensive income	-	-	-	-	-	-
	-	-	-	3,092,751	3,092,751	3,092,751
Transfer to statutory reserve	-	-	618,550	(618,550)	-	-
Balance at June 30, 2013	184,239,450	511,409	55,452,920	(61,528,287)	(4,945,408)	179,294,042
Profit for the year ended June 30, 2014	-	-	-	(24,721,532)	(24,721,532)	(24,721,532)
Other comprehensive income	-	-	-	1,673,117	1,673,117	1,673,117
	-	-	-	(23,048,415)	(23,048,415)	(23,048,415)
Profit distribution for the year @ Re. 0.125 per certificate	-	-	-	(2,302,993)	(2,302,993)	(2,302,993)
Balance at June 30, 2014	184,239,450	511,409	56,071,470	(86,879,695)	(30,296,816)	153,942,634

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

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Modaraba Al-Mali

NOTES TO THE FINANCIAL STATEMENT

For The Year Ended June 30, 2014

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 was engaged in the business of leasing, murabaha, 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 Limited. Registered office is situated at Progressive Square, Shabrae Faisal, Karachi, in the province of Sindh.

The Board of Directors in its meeting held on March 19, 2013 decided to dispose of non-financing businesses / segments i.e. 'Maintenance Services', 'Mobile Towers' and 'Fuel Station'. During the year the management disposed of 'Maintenance Services' and 'Mobile Tower' segments. The management is in process of identifying disposal avenues along with fair price determination of 'Fuel Station' business.

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 4.2 & 8)
- ii) provision for impairment loss (Note 21)
- iii) depreciation on property and equipment - own/ijarah (Note 12 & 13)
- iv) provision against non-performing Ijarah portfolio, investments, musharaka and murabaha finances and other receivables (Note 21)
- v) defined benefit plan - staff gratuity (Note 14.4)
- vi) Contingencies (Note 17)

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3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

3.1 Adoption of New Standards, and Amendments and Interpretations to the published approved accounting standards:

The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 1 - Presentation of Financial Statements - Clarification of Requirements for Comparative information	'Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment - Classification of servicing equipment	'Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 19 - Employee Benefits	'Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	'Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	'Effective from accounting period beginning on or after January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	'Effective from accounting period beginning on or after January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	'Effective from accounting period beginning on or after January 01, 2013

Modaraba Al-Mali

New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 19 Employee Benefits: Employee contributions	Effective from accounting period beginning on or after July 01, 2014
IAS 27 (Revised 2011) - Separate Financial Statements	Effective from accounting period beginning on or after January 01, 2015.
IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures	Effective from accounting period beginning on or after January 01, 2015
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	Effective from accounting period beginning on or after January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	Effective from accounting period beginning on or after January 01, 2014
IFRS 10 - Consolidated Financial Statements	Effective from accounting period beginning on or after January 01, 2015.
IFRS 11 - Joint Arrangements	Effective from accounting period beginning on or after January 01, 2015
IFRS 12 - Disclosure of Interests in Other Entities	Effective from accounting period beginning on or after January 01, 2015
IFRS 13 - Fair Value Measurement	Effective from accounting period beginning on or after January 01, 2015
IFRIC 21 - Levies	Effective from accounting period beginning on or after January 01, 2014

Modaraba Al-Mali

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

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 recognized 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 after taking into account residual value, if any. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of use.

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 whereby the cost of an asset less salvage value is written off over the period of the Ijarah, which is considered to be the estimated useful life of the asset. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the corresponding assets and are included in the profit and loss account, in the period in which these arise.

Allowance for non-performing Ijarah 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.

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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 6). Modaraba also entered into sub-Ijarah / lease arrangements, where Modaraba takes certain assets on Ijarah and sub let it to its customers. Ijarah rentals expense and Ijarah rentals income is recognised on accrual basis on these assets. Since the assets are taken on sub-lease / Ijarah, therefore, no assets are recorded in the books.

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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 Fuel and lubricants

Fuel 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.

Modaraba Al-Mali

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 non-financial assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in 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

Modaraba Al-Mali

estimated for the transaction over the period.

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

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 murabaha 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 Defined benefit plan - staff gratuity

The Modaraba participates in an approved group funded gratuity scheme for all its permanent employees, who have completed minimum qualifying period of service. The group comprises 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, 2014 under the 'Projected Unit Credit Actuarial Cost Method'. Consequent to the revision of IAS 19 "Employee Benefits" which is effective for annual periods beginning on or after January 1, 2013, the Modaraba has changed its accounting policy wherein the actuarial gain and losses on employees' retirement benefit plans are recognised immediately in other comprehensive income. Previously, the actuarial gains / losses in excess of the corridor limit were recognised in profit and loss account over the remaining service life of the employees. In addition, past service cost and curtailments are recognised in the profit and loss account, in the period in which a change takes place. The comparative figures have not been restated for change in accounting policy due to immaterial impact.

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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 recognized 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 murabaha finances, deposits, other receivables, excluding taxation. Lease rentals receivable, musharaka, murabaha 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.

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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 (Seen note 29).

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.

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.

4.20 Earnings per certificate

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

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	<i>Note</i>	2014	2013
		-----(<i>Rupees</i>)-----	
5. CASH AND BANK BALANCES			
With banks:			
in profit and loss sharing accounts	5.1	29,499,647	8,065,652
balance with State Bank of Pakistan		<u>11,516</u>	<u>3,395</u>
		29,511,163	8,069,047
On hand:			
Cash in hand		297,750	686,801
Security stationery		<u>12,000</u>	<u>850</u>
		<u>29,820,913</u>	<u>8,756,698</u>

5.1 These carry profit ranging from 3.5% to 6.25% (2013: 3.49% to 6.08%) per annum.

6. IJARAH FINANCE

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

Minimum lease payments due		40,762,309	41,262,309
Residual value of leased assets		<u>3,755,007</u>	<u>3,755,007</u>
Total receivable		44,517,316	45,017,316

Suspended lease income (including unearned income)		(7,539,349)	(7,668,838)
Provision for impairment loss against potential lease losses	21	<u>(33,222,960)</u>	<u>(33,593,471)</u>
		<u>(40,762,309)</u>	<u>(41,262,309)</u>
		3,755,007	3,755,007

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

7. MORABAHA FINANCE

Considered doubtful		2,517,068	2,517,068
Provision for impairment loss against doubtful recoveries	21	<u>(2,517,068)</u>	<u>(2,517,068)</u>
		-	-

7.1 These represent amount receivable against murabaha transactions i.e. sale of goods on a deferred payment basis at a specified profit margin ranging from 10% to 24% (2013: 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.

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8. INVESTMENTS	Note	2014	2013
		------(Rupees)-----	
<i>Available-for-sale investment</i>			
<i>New Allied Electronics Industries (Private) Limited</i>			
<i>- Sukuk Certificates</i>			
Cost	8.1	4,000,000	10,000,000
Disposed		-	(6,000,000)
Provision for impairment loss against doubtful recovery	21	4,000,000 <u>(4,000,000)</u>	4,000,000 <u>(4,000,000)</u>
		<u>-</u>	<u>-</u>

- 8.1 The Modaraba held 2,000 Sukuk Certificates of Rs.. 5,000/- each. These certificates carry profit at 3 months KIBOR + 220 bps with floor of 7% and cap of 20% payable semi annually. The tenure of the instrument was for five years including a grace period of two years and was 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.

9. RECEIVABLES AGAINST OPERATING LEASE RENTALS AND MAINTENANCE SERVICE		2014	2013
		------(Rupees)-----	
Unsecured			
Considered good			
- Maintenance fee	9.1	10,886,043	32,869,777
- Operating lease rentals of tower and allied equipments	9.1	-	3,843,083
- Ijarah rentals received in advance	9.2	(231,646)	(40,549)
Considered doubtful			
- Maintenance fee		8,027,733	-
- Operating lease rentals of tower and allied equipments		10,194,319	10,194,320
		<u>28,876,449</u>	<u>46,866,631</u>
Provision for impairment loss against doubtful recoveries	21	<u>(18,222,053)</u>	<u>(10,194,320)</u>
		<u>10,654,397</u>	<u>36,672,311</u>

- 9.1 These receivables are related to discontinued operations.

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9.2 Minimum future Ijarah rentals from assets under IFAS-2

	2014		Total
	<i>Due within one year</i>	<i>Due after one year but within five years</i>	
------(Rupees)-----			
Minimum Ijarah payments receivables	25,832,787	25,730,850	51,563,637

	2013		Total
	<i>Due within one year</i>	<i>Due after one year but within five years</i>	
------(Rupees)-----			
Minimum Ijarah payments receivables	38,289,596	40,747,523	79,037,119

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10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2014	2013
		------(Rupees)-----	
<i>Considered good</i>			
Income tax refundable		23,008,251	16,717,025
Advance against property and equipment under Ijarah arrangement		7,513,000	2,447,000
Current portion of long term deposits		-	-
Advances to suppliers		4,053,950	2,416,979
Advances to employees		989,458	47,801
Prepayments		241,706	1,194,904
Other deposits		267,307	2,314,604
		61,899	261,400
Other receivables			
- Commission receivable		-	376,528
- Premises rent receivable	10.1	1,457,738	583,784
- Receivable against common group expenses	10.1	905,895	-
- Receivable against sale of fuel		528,397	661,996
- Receivable against sale of scrap	10.2	849,090	-
- Receivable from management company		26,060	317,330
- Others		1,120,966	669,393
<i>Considered doubtful</i>			
Other receivables			
- Terminated leases		6,242,260	6,242,260
- Miscellaneous amount recoverable from the lessee		1,188,872	1,188,872
- Dividend receivable		16,275	16,275
- Receivable from brokers		22,422	22,422
- Receivable against sale of fuel		355,102	-
- Others		248,732	208,732
		(8,073,663)	7,678,561
Provision for impairment loss against doubtful recoveries	21	(8,073,663)	(7,678,561)
		-	-
		<u>41,023,717</u>	<u>28,008,744</u>

10.1 These are receivable from BankIslami Pakistan Limited (parent company of the management company).

10.2 The amount relates to discontinued operation.

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	Notes	2014	2013
		------(Rupees)-----	
11. INVENTORY			
Stores		-	607,502
Consumables		1,469,543	3,372,645
Fuel and lubricants		1,261,598	3,614,394
		<u>2,731,141</u>	<u>7,594,541</u>
Provision for obsolete / slow moving inventory		(1,469,543)	-
		<u>1,261,598</u>	<u>7,594,541</u>
12. PROPERTY AND EQUIPMENT			
Operating property and equipment - in own use	12.1	77,055,085	92,310,155
Towers and allied equipment - held for operating lease	12.2	350,000	23,149,650
		<u>77,405,085</u>	<u>115,459,805</u>

12.1 Operating property and equipment - in own use

	Cost			Depreciation				Annual rate of depreciation %
	At July 1, 2013	Additions / (disposals) / (transfers)	At June 30, 2014	Accumulated at July 1, 2013	For the year / (on (disposals) (transfers)	Accumulated at June 30, 2014	Carrying value at June 30, 2014	
------(Rupees)-----								
Lease hold land - fuel station	63,848,000	-	63,848,000	-	-	63,848,000	-	-
Building - fuel Station	8,120,655	-	8,120,655	1,115,652	406,032	1,521,684	6,598,971	5
Office premises - lease hold	12,546,257	-	12,546,257	9,312,869	627,312	9,940,181	2,606,076	5
Vehicles - maintenance services	22,614,154	-	-	7,588,423	2,350,228	-	-	5
		(16,903,951)			(7,130,555)			
		(5,701,203) *			(2,808,096)			
Vehicles	4,019,240	1,931,250	9,080,027	2,759,833	1,108,434	5,576,164	3,503,863	20
		(2,580,666)			(1,100,199)			
		5,710,203 *			2,808,096			
Furniture and fixtures	2,903,857	111,613	2,052,601	2,049,763	135,105	1,796,523	256,078	10
		(962,869)			(388,345)			
Office equipment	4,685,105	10,500	3,298,766	3,785,364	427,500	3,125,733	173,033	10 to 50
		(1,396,839)			(1,087,131)			
Computers	2,718,468	52,500	2,717,468	2,533,677	151,645	2,648,404	69,064	33
		(53,500)			(36,918)			
	<u>121,455,736</u>	<u>2,105,863</u>	<u>101,663,774</u>	<u>29,145,581</u>	<u>5,206,256</u>	<u>24,608,689</u>	<u>77,055,085</u>	
		<u>(21,897,825)</u>			<u>(9,743,148)</u>			

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For comparative period - 2013

	Cost			Depreciation			Annual rate of depreciation %	
	At July 1, 2012	Additions/ (disposals)	At June 30, 2013	Accumulated at July 1, 2012	For the year / (on disposals)	Accumulated at June 30, 2013		Carrying value at June 30, 2013
------(Rupees)-----								
Lease hold land - fuel station	63,848,000	-	63,848,000	-	-	-	63,848,000	-
Building - fuel Station	8,120,655	-	8,120,655	709,620	406,032	1,115,652	7,005,003	5
Office premises - lease hold	12,546,257	-	12,546,257	8,685,950	626,919	9,312,869	3,233,388	5
Vehicles - maintenance services	23,309,894	670,000	22,614,154	5,319,693	2,713,791	7,588,423	15,025,731	20
Vehicles	4,074,140	98,000	4,019,240	2,441,159	397,193	2,759,833	1,259,407	20
Furniture and fixtures	2,942,169	-	2,903,857	1,923,686	140,043	2,049,763	854,094	10
Office equipment	4,760,707	117,098	4,685,105	3,307,842	598,419	3,785,364	899,741	10 to 50
Computers	2,718,468	-	2,718,468	2,189,892	343,785	2,533,677	184,791	33
	885,098	121,455,736	24,577,842	5,226,182	29,145,581	92,310,155		
	(1,749,652)			(658,443)				

12.1.1 Depreciation charged for the year includes depreciation related to fuel station on account of building and office premises amounting to Rs. 446,107 (2013: 447,273)

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

Particulars	Cost	Accumulated depreciation	Carrying value	Sale proceed	Gain / (loss) on disposal	Mode of disposal	Particulars	Address
------(Rupees)-----								
Vehicle	13,730,283	5,392,602	8,337,681	9,300,000	962,319	Negotiation / tender	Wadiwala Caterers	Shop #:17 Farrukh Hieghts Opp: Amber Auditorium Bahadurabad, Karachi"
	545,500	305,215	240,285	480,000	239,715	Negotiation	Muhammad Asif Maqsood	House #:164 Street #:26 Bihar Colony I. Road Lyari Town Karachi"
	1,298,535	742,872	555,663	835,000	279,337	Negotiation	Tower Share (Private) Limited	Plot #:40 Sector 15 Korani Industrial Area Karachi"
	1,266,430	701,770	564,660	845,000	280,340	Negotiation	Mr. Noor Muhammad	B-1 New memon Plaza □ Garden West Jam Street Karachi
	1,504,769	601,988	902,781	1,733,000	830,219	Negotiation	Khursheed Khan	B-6 cotton export society, Sector 51-A, Gulshan-e-Maymar Karachi
	1,139,000	492,675	646,325	815,000	168,675	Negotiation	Various	
Furniture & fixtures	447,412	131,758	315,654	117,000	(198,654)	Negotiation	Umair Ahmed	House No B-173, Shadman Town, Malir Colony, Karachi
Office equipment	747,652	559,812	187,840	277,200	89,360	Negotiation	Various	
Other	1,218,244	814,456	403,788	278,300	(125,488)	Negotiation	Various	
2014 Rupees	21,897,825	9,743,148	12,154,677	14,680,500	2,525,823			
2013 Rupees	1,749,652	658,444	1,091,208	1,186,320	95,112			

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12.2 Towers and allied equipment - held for operating lease

	Cost at July 1, 2013	Additions / (disposals)	Cost at June 30, 2014	Accumulated depreciation / impairment at July 1, 2013	Depreciation charge for the year	Impairment charge for the year	Disposal	Accumulated depreciation / impairment at June 30, 2014	Carrying value at June 30, 2014	Annual rate of depreciation %
----- (Rupees) -----										
Towers with allied equipment	49,400,678	(47,184,125)	2,216,553	26,726,639	-	-	(24,860,086)	1,866,553	350,000	5
Other allied equipment	24,741,087	12,286	2,127,811	24,265,476	-	-	(22,137,665)	2,127,811	-	20
		(22,625,562)								
	74,141,765	12,286	4,344,364	50,992,115	-	-	(46,997,751)	3,994,364	350,000	
		(69,809,687)								

For comparative period - 2013

	Cost at July 01, 2012	Disposal	Cost at June 30, 2013	Accumulated depreciation / impairment at July 1, 2012	Depreciation charge for the year	Impairment charge for the year	Disposal	Accumulated depreciation / impairment at June 30, 2013	Carrying value at June 30, 2013	Annual rate of depreciation %
----- (Rupees) -----										
Towers with allied equipment	49,400,678	-	49,400,678	25,042,172	1,684,467	-	-	26,726,639	22,674,039	5
Other allied equipment	26,497,637	(1,756,550)	24,741,087	25,155,567	866,459	-	(1,756,550)	24,265,476	475,611	20
	75,898,315	(1,756,550)	74,141,765	50,197,739	2,550,926	-	(1,756,550)	50,992,115	23,149,650	

12.2.1 Tower and allied equipment is held as idle asset and carried at impaired value.

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

Particulars	Cost	Accumulated depreciation	Carrying value	Sale proceed	Gain/(loss) on disposal	Mode of disposal	Particulars	Address
----- (Rupees) -----								
Towers and other allied equipment	53,358,073	32,251,830	21,106,243	23,000,000	1,893,757	Negotiation	Tower Share (Private) Limited	Plot 40, Sector 15 Korangi Industrial Area Karachi
Towers and other allied equipment	16,451,614	14,745,921	1,705,693	997,932	(707,761)	Negotiation	Muhammad Fiaz	F-11 4, Islamabad
2014 Rupees	69,809,687	46,997,751	22,811,936	23,997,932	1,185,996			
2013 Rupees	1,756,550	1,756,550	-	1,000,000	1,000,000			

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12.3 Depreciation charge for the year

		2014	2013
	Notes	-----	(Restated) ----- (Rupees)-----
Operating expenses	20	1,207,353	1,149,576
Fuel station business	18	446,107	447,273
Discontinued operations:			
- Towers and allied equipment		-	2,550,926
- Maintenance services		3,552,796	3,629,333
		<u>5,206,256</u>	<u>7,777,108</u>

13. PROPERTY & EQUIPMENT UNDER IJARAH ARRANGEMENT

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

	Cost			Accumulated Depreciation			Life (Years)	
	At July 1, 2013	Additions/ disposals	At June 30, 2014	At July 1, 2013	Charge for the year / (on disposal)	At June 30, 2014		Carrying value at June 30, 2014
	----- (Rupees)-----							
Generators	10,819,800	8,288,280	19,108,080	946,768	3,103,782	4,050,550	15,057,530	3 to 4
Vehicles	12,270,000	16,377,000 (1,371,000)	27,276,000	3,181,289	4,767,364 (467,052)	7,481,601	19,794,399	3
	<u>23,089,800</u>	<u>24,665,280</u> (1,371,000)	<u>46,384,080</u>	<u>4,128,057</u>	<u>7,871,146</u> (467,052)	<u>11,532,151</u>	<u>34,851,929</u>	

For comparative period - 2013

	Cost			Accumulated Depreciation			Life (Years)	
	At July 1, 2012	Additions/ disposals	At June 30, 2013	At July 1, 2012	Charge for the year	At June 30, 2013		Carrying value at June 30, 2013
	----- (Rupees)-----							
Generators	3,279,800	8,465,000 (925,000)	10,819,800	959,544	727,224 (740,000)	946,768	9,873,032	3 to 4
Vehicles	16,114,000	4,651,500 (8,495,500)	12,270,000	3,913,667	3,464,407 (4,196,785)	3,181,289	9,088,711	3
	<u>19,393,800</u>	<u>13,116,500</u> (9,420,500)	<u>23,089,800</u>	<u>4,873,211</u>	<u>4,191,631</u> (4,936,785)	<u>4,128,057</u>	<u>18,961,743</u>	

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14. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Notes	2014	2013
Creditors		-	2,809,774
Accrued liabilities	14.1	12,667,026	12,103,153
Ijarah rentals	14.2	2,283,123	991,886
Charity and donation	14.3	1,809,345	1,736,850
Defined benefit plan - staff gratuity	14.4	(1,962,840)	269
Advance from customers		250,520	556,600
Others		1,943,104	1,514,042
		<u>16,990,278</u>	<u>19,712,574</u>

14.1 This includes amount payable in respect of staff compensated absences amounting Rs. 1,348,912 (2013: Rs. 2,293,012).

14.2 Ijarah rentals payable

This includes rentals payable 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>Total</i>
	----- <i>(Rupees)</i> -----		
Total future rentals payables	8,974,167	4,194,742	13,168,909

For comparative period - 2013

	<i>Due within one year</i>	<i>Due after one year but within five years</i>	<i>Total</i>
	----- <i>(Rupees)</i> -----		
Total future rentals payables	23,991,444	19,161,051	43,152,495

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

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

14.4 Defined benefit plan - staff gratuity

	Notes	2014	2013
		----- <i>(Rupees)</i> -----	
Present value of defined benefit obligation and assets of the fund			
Present value of defined benefit obligation		2,775,218	5,613,411
Fair value of allocated plan assets		(4,738,058)	(5,323,150)
(Surplus) / deficit		(1,962,840)	290,261
Unrecognized actuarial loss		-	(289,992)
Net defined benefit (asset) / liability recognized in the balance sheet		<u>(1,962,840)</u>	<u>269</u>

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Movement in amount payable to the defined benefit plan:	2014	2013
	------(Rupees)-----	
Opening net defined benefit liability	269	-
Expense recognised in profit and loss account	915,203	1,083,863
Contributions made during the year	(1,205,195)	(1,083,594)
Remeasurement gain recognised in other comprehensive income	<u>(1,673,117)</u>	<u>-</u>
Closing net defined benefit (asset) / liability	<u>(1,962,840)</u>	<u>269</u>

Movement in amount (receivable from) / payable to the defined benefit plan

Opening balance	269	-
Amount charge in profit and loss account	915,203	1,083,863
Remeasurement gain recognised in other comprehensive income	(1,673,117)	(1,083,594)
Contribution to the fund during the year	<u>(1,205,195)</u>	<u>-</u>
Closing balance	<u>(1,962,840)</u>	<u>269</u>

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:

Current service cost	884,897	892,226
Interest cost	660,287	661,189
Expected return on plan assets	(629,981)	(476,551)
Actuarial loss	<u>-</u>	<u>6,999</u>
	<u>915,203</u>	<u>1,083,863</u>
Actual return on plan assets	<u>341,229</u>	<u>300,691</u>

Out of total charges for the year Rs. 20,916 (2013: Rs. 23,274) relates to the employees of fuel station operation, Rs. 574,223 (2013: Rs. 676,624) is charged to operating expenses and Rs. 320,064 (2013: 383,965) relates to discontinued operations.

Movement in the present value of defined benefit obligation

Present value of defined benefit obligation at the beginning of the year	5,613,411	4,677,753
Current service cost	884,897	892,226
Interest cost	660,287	661,189
Benefits paid	(2,131,516)	(145,135)
Remeasurement gain for the year	<u>(2,251,861)</u>	<u>(472,622)</u>
Present value of defined benefit obligation at the end of the year	<u>2,775,218</u>	<u>5,613,411</u>

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	2014	2013
	------(Rupees)-----	
Movement in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	5,323,150	4,084,000
Expected return to plan assets	629,981	476,551
Contributions	1,205,195	1,083,594
Benefit paid	(2,131,516)	(145,135)
Remeasurement loss for the year	(288,752)	(175,860)
Fair value of plan assets at the end of the year	4,738,058	5,323,150

Re-measurement gain recognised in other comprehensive income

Re-measurement: Actuarial loss / (gain) on obligation□		
Loss due to change in financial assumptions□	30,733	-
Gain due to change in experience adjustments	(2,282,594)	-
Loss due to re-measurement of return on plan assets□	288,752	-
Remeasurement loss of prior period□	289,992	-
Re-measurement gain recognised in other comprehensive income	(1,673,117)	-

Composition of plan assets

Debt instruments	3,719,478	2,655,402
Bank deposits	715,963	2,503,874
Others	302,617	163,874
	4,738,058	5,323,150

Actuarial assumptions

The principal assumptions used in the actuarial valuation carried out as of June 30, 2014, using the 'Projected Unit Credit' method, are as follows:

	%	%
Expected rate of increase in salary	13.5%	11%
Discount rate used to determine the actuarial present value of obligation	13.5%	11%
Expected rate of return on plan assets	13.5%	11%
Expected mortality rate□	SLIC (2001-05) with 1 year set back	SLIC (2001-05) with 1 year set back
Expected withdrawal rate	Age dependent	Age dependent

Fair value of plan assets has been determined by the actuarial valuer based on the assumption that gratuity payable in respect of June 2014 amounting to Rs. 76,284 has been paid before June 30, 2014.

Expected accrual of expenses in respect of gratuity scheme in the next financial year on the advice of the actuary is Rs. 20,605/-

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The scheme exposes the Modaraba to the following actuarial risks:

Salary risk□

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

Mortality / withdrawal risk□

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

Investment risk□

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

In case of the funded plans, the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure that long-term investments are in line with the obligation under the defined benefit plan. The Modaraba actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the defined benefit plan obligations. The Modaraba has not changed the process used to manage its risks from previous periods. Investments are well diversified. A large portion of the plan assets in the year 2014 consists of Term Deposit Receipts.□

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

Sensitivity analysis□

The calculation of defined benefit obligation is sensitive to assumptions set out above. The following table summarises how the defined benefit obligation at the reporting period would have increased / (decreased) as a result of change in respective assumptions by one percent.

	Defined benefit obligation	
	Effect of 1%	
	Increase□	Decrease
	----- Rupees -----	
Discount rate	366,915	434,649
Expected rate of increase in salaries	444,613	380,529

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

The weighted average number of years of defined benefit obligation is 16.17 years as at June 30, 2014.

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Projected benefit payments from gratuity fund are as follows:

	Rupees
For the year 2015□	36,885
For the year 2016□	41,769
For the year 2017□	53,680
For the year 2018□	61,438
For the year 2019□	72,628
For the year 2020 - 24	594,856
For the year 2025 - 29	3,568,886
For the year 2020 - 24	15,828,425

		2014	2013
	Notes	----- <i>(Rupees)</i> -----	
15.□ SECURITY DEPOSITS			
Customers' security deposits	15.1	28,153,336	33,739,693
Current portion		(10,583,356)	(5,955,506)
		<u>17,569,980</u>	<u>27,784,187</u>

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

16.□ CERTIFICATE CAPITAL

Authorized capital

<i>No. of Certificates</i>				
2014	2013		2014	2013
<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>				
2014	2013		2014	2013
		Modaraba certificate of Rs. 10/- each		
13,569,000	13,569,000	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
166,545	166,545	Issued on merger	1,665,450	1,665,450
<u>18,423,945</u>	<u>18,423,945</u>		<u>184,239,450</u>	<u>184,239,450</u>

16.1 2,342,490 certificates of Rs. 10 each are held by Modaraba's Management Company.

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17. CONTINGENCIES AND COMMITMENTS

Contingencies

A suit was filed against the Modaraba in 1994 for Rs. 6.48 million being the 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 challenging the judgment passed by the Banking Court mainly on the point of jurisdiction and limitation stating that the Banking Court has no Jurisdiction. The management of the Modaraba based on the lawyer's opinion is of the view that it stands a fairly good chance for decision of the case in its favour and consequently no provision has been made against this claim in these financial statements.

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

	Notes	2014 ------(Rupees)-----	2013
<i>Commitments</i>			
Future rentals of ijarah finance under IFAS 2 "Ijarah Finance"	14.2	<u>13,168,909</u>	<u>43,152,495</u>

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18. INCOME FROM OPERATIONS OF FUEL STATION - NET

	Notes	2014	2013
		------(Rupees)-----	
<i>Income</i>			
Sale of fuel	18.1	150,198,115	131,010,878
Cost of Sales		(146,409,768)	(126,383,892)
		3,788,347	4,626,986
Rental income	18.2	1,105,000	1,080,000
		4,893,347	5,706,986
 <i>Expenses</i>			
Salaries and allowances□		1,502,872	1,389,427
Rent, rates and taxes□		210,360	153,657
Depreciation□	12.3	446,107	447,273
Generator fuel□		599,730	579,022
Professional fees□		2,550	-
Provision for doubtful receivable□		355,102	-
Electricity□		191,451	146,474
Repairs and maintenance□		350,827	229,818
Security guard□		313,200	228,000
Insurance □		26,641	51,346
Telephone□		45,688	43,301
Entertainment□		25,375	14,805
Printing and stationery□		5,605	1,629
Transportation□		12,800	-
Advertisement□		14,550	18,000
Miscellaneous		117,566	64,578
		4,220,424	3,367,330
 <i>Net income</i>		672,923	2,339,656

18.1 Income relates to the 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.

18.2 Rent is received in respect of the plot of land used for fuel station under a lease deed dated August 13, 2009 with the oil marketing company. Initial term of the rent agreement is for fifteen years.

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	Notes	2014	2013 (Restated)
		----- <i>(Rupees)</i> -----	
19. OTHER OPERATING INCOME - Net			
Rental income	19.1	3,846,569	3,485,743
Gain on disposal of property and equipment		470,093	527,970
Profit on bank balances		558,077	216,506
Other		433,455	269,648
		5,308,194	4,499,867

19.1 This includes rental income earned from letting out of vacant office premises temporarily to BankIslami Pakistan Limited.

20. OPERATING EXPENSES

Salaries, allowances and other benefits		10,200,876	12,308,246
Rent, rates and taxes		258,300	107,399
Depreciation on property and equipment in own use	12.3	1,207,353	1,149,576
Fuel and conveyance		1,188,927	1,362,227
Repairs and maintenance		688,080	1,183,605
Ijarah lease rentals□		119,416	486,588
Legal and professional		1,825,196	891,831
Electricity □		611,507	824,014
Telephone□		520,070	529,186
Travelling and accommodation		-	27,320
Entertainment□		218,641	173,796
Insurance □		207,114	202,008
Printing and stationery□		641,827	638,090
Transportation□		-	500
Auditors' remuneration□		463,400	446,500
Subscription□	20.1	370,046	345,526
Share registrar services□		202,670	202,560
Postage□		96,151	60,462
Advertisement□		239,985	32,800
Others		175,720	353,611
		19,235,279	21,325,845

20.1 Auditors' remuneration

Statutory audit□		300,000	300,000
Review report on statement of compliance with the Code of Corporate Governance□		20,000	20,000
Review of the half yearly financial information		75,000	75,000
Other certifications		10,000	10,000
Out of pocket expenses		58,400	41,500
		463,400	446,500

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21. PROVISION FOR/ (REVERSAL OF) IMPAIRMENT LOSS

	2014							
	<i>Investments</i>	<i>Property and equipment</i>	<i>Ijarah finance</i>	<i>Morabaha finance</i>	<i>Operating lease rentals</i>	<i>Maintenance fee</i>	<i>Other receivables</i>	<i>Total</i>
	(Rupees)							
Opening balance □	4,000,000	8,714,638	33,593,471	2,517,068	10,194,320	-	7,678,561	66,698,058
Provision made during the year □	-	-	-	-	-	8,027,733	395,102	8,422,835
Reversal due to recoveries □	-	-	(370,511)	-	-	-	-	(370,511)
Provision written off □ during the year	-	(7,610,626)	-	-	-	-	-	(7,610,626)
Closing balance	4,000,000	1,104,012	33,222,960	2,517,068	10,194,320	8,027,733	8,073,663	67,139,756

21.1 Provisions made and written off during the year represent provisions against assets relating □ to discontinued operations.

	2013						
	<i>Investments</i>	<i>Property and equipment</i>	<i>Ijarah finance</i>	<i>Morabaha finance</i>	<i>Operating lease rentals</i>	<i>Other receivables</i>	<i>Total</i>
	(Rupees)						
Opening balance	21,520,169	8,714,638	33,620,125	2,517,068	14,359,400	7,678,561	88,409,961
Reversed during the year	-	-	(26,654)	-	(4,165,080)	-	(4,191,734)
Provision written off during the year	(17,520,169)	-	-	-	-	-	(17,520,169)
Closing balance	4,000,000	8,714,638	33,593,471	2,517,068	10,194,320	7,678,561	66,698,058

22. □ 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 profit of the Modaraba. No provision has been made in the current year due to loss for the year.

23. □ TAXATION

Current tax charge represents tax on income under presumptive tax regime. Non-trading income of Modaraba is exempt from tax when the Board of Directors of the Modaraba management company decides to distribute not less than 90% of the profit after tax to the certificate-holders.

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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24. Discontinued operations

The Board of Directors in its meeting held on March 19, 2013 decided to dispose of non-financing businesses / segments of the Modaraba i.e. a) mobile towers b) maintenance services and c) fuel station. During the year, the management discontinued mobile towers and maintenance service businesses. The management is in process of identifying disposal avenues along with fair price determination of 'Fuel Station' business, therefore in view of the conditions mentioned in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the Fuel Station business cannot be regarded as discontinued operation and hence has not been classified as 'held for sale'.

24.1 Analysis of profit / (loss) for the year from discontinued operations

The combined results of the discontinued operations (i.e. mobile towers and maintenance services) included in the profit / loss for the year are set out below. The comparative profit / loss and cash flows have been re-presented to include those operations classified as discontinued in the current year.

	<i>Note</i>	2014	2013
		-----(<i>Rupees</i>)-----	
Income		69,763,050	85,729,316
Other gains		4,284,257	1,000,000
		<u>74,047,307</u>	<u>86,729,316</u>
Operating expenses	24.1.1	(81,096,498)	(82,645,946)
(Provision for) / reversal of impairment loss		(8,067,733)	4,165,080
(Loss) / profit for the year from discontinued operations		<u>(15,116,924)</u>	<u>8,248,450</u>

24.1.1 Operating expenses include amount charged in respect of claims by fuel stations amounting to Rs. 7,010,000 (2013: Nil).

24.2 Cash flows from discontinued operations

Net cash inflows from operating activities	10,271,104	3,807,919
Net cash outflows from investing activities	38,666,146	1,357,028
Net cash inflows from financing activities	<u>-</u>	<u>-</u>
	<u>48,937,250</u>	<u>5,164,947</u>

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25. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per certificate of the Modaraba which is based on the following:

		2014	2013
Continuing operations			
Loss after tax for the year	Rupees	(9,604,608)	(5,155,699)
Weighted average number of certificates outstanding during the year	Number	18,423,945	18,423,945
Earnings per certificate	Rupees	(0.52)	(0.28)
Discontinued operations			
(Loss) / profit for the year	Rupees	(15,116,924)	8,248,450
Weighted average number of certificates outstanding during the year	Number	18,423,945	18,423,945
Earnings per certificate	Rupees	(0.82)	0.45

26. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise 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 Modaraba 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 personnel (executives), disclosed in note 26 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 balances with related parties and transactions with them at the year-end, if not mentioned else where, are as follows:

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26.1 Balances outstanding at year end

<i>Relationship</i>	<i>Nature of Transaction</i>	Notes	2014 ------(Rupees)-----	2013
BankIslami Modaraba Investments Limited (the management company)	Amount receivable in respect of fuel insurance premium		<u>26,060</u>	<u>317,330</u>
BankIslami Pakistan Limited (parent company of the management company)	Bank deposits		<u>25,523,703</u>	<u>4,876,356</u>
	Amount payable in respect of ijarah arrangement		<u>2,283,123</u>	<u>991,886</u>
	Amount receivable in respect of maintenance services		<u>10,886,043</u>	<u>11,426,392</u>
	Amount receivable in respect of genset and premises rent income and others		<u>2,363,633</u>	<u>583,784</u>
	Security deposit in respect of ijarah arrangement		<u>11,225,850</u>	<u>22,521,749</u>

26.2 Transactions during the year

<i>Relationship</i>	<i>Nature of Transaction</i>			
BankIslami Pakistan Limited (parent company of the management company)	Maintenance services provided		<u>26,172,002</u>	<u>25,848,385</u>
	Receipt in respect of security deposit		<u>-</u>	<u>6,000,000</u>
	Profit on islamic profit and loss sharing account		<u>523,247</u>	<u>160,331</u>
	Rental income		<u>3,846,569</u>	<u>3,485,743</u>
	Bank charges		<u>16,287</u>	<u>18,193</u>
BankIslami Modaraba Investments Limited (management company)	Lease rentals - ijarah paid		<u>18,117,901</u>	<u>25,621,661</u>
	Management fee	22	<u>-</u>	<u>-</u>
Other Related Parties	Contribution to staff provident fund		<u>248,911</u>	<u>378,112</u>
	Contribution to staff gratuity fund		<u>1,205,195</u>	<u>1,083,594</u>

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27. 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:

	2014			2013		
	Officers (key management personnel)	Other employees	Total	Officers (key management personnel)	Other employees	Total
	(Rupees)					
Salaries	3,882,190	11,442,105	15,324,295	4,742,712	14,479,884	19,222,596
Retirement benefits						
Defined contribution plan - provident fund	46,443	202,468	248,911	81,272	296,840	378,112
Defined benefit plan - gratuity fund	431,304	483,899	915,203	485,684	597,919	1,083,603
House rent allowance	1,746,991	5,127,479	6,874,470	2,134,224	6,504,634	8,638,858
Conveyance and other allowances	748,585	5,333,355	6,081,940	1,031,231	6,106,602	7,137,833
	6,855,513	22,589,306	29,444,819	8,475,123	28,579,581	36,461,002
	3	12	15	3	128	141

Three executives and two officers of the Modaraba are also provided with free use of vehicles owned and maintained by the Modaraba.

28. 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 ijarah deposits, creditor, accrued, unclaimed dividends and other liabilities. The Modaraba's principal financial assets comprise of ijarah finance, receivables against operating lease rentals and maintenance fee and other receivables and cash and bank balances that arise directly from its operations.

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28.1 Financial instruments by category	2014	2013
	------(Rupees)-----	
<i>Financial assets as per balance sheet</i>		
<i>Available for sale</i>		
<i>Loans and receivables</i>		
Cash and bank balance	29,820,913	8,756,698
Investment in Ijarah finance□	3,755,007	3,755,007
Receivable against rentals and maintenance services	10,654,397	36,672,311
Advances, deposits and other receivables	17,748,159	8,977,115
Long term deposits	7,171,900	20,104,770
	69,150,376	78,265,901
 <i>Financial liabilities as per balance sheet at amortized cost</i>		
Security deposits - Ijarah	28,153,336	33,739,693
Creditors accrued and other liabilities	18,953,118	19,712,305
Unclaimed profit distribution	6,858,298	6,567,310
	53,964,752	60,019,308

28.2 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. Currently Modaraba do not have any short term or long term borrowing of any nature. Only major short term liability relates to creditors and accrued expenses. Modaraba has sufficient current assets to meet these liabilities.

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28.2.1 Liquidity and profit 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>
----- <i>(Rupees)</i> -----					
Creditors, accrued and other liabilities	18,953,118	-	-	-	18,953,118
Security deposits	9,208,356	1,375,000	17,569,980	-	28,153,336
Unclaimed profit distribution	6,858,298	-	-	-	6,858,298
	<u>35,019,772</u>	<u>1,375,000</u>	<u>17,569,980</u>	<u>-</u>	<u>53,964,752</u>
<i>For comparative period - 2013</i>					
Creditors, accrued and other liabilities	19,712,305	-	-	-	19,712,305
Security deposits	4,835,506	1,120,000	27,784,187	-	33,739,693
Unclaimed profit distribution	6,567,310	-	-	-	6,567,310
	<u>31,115,121</u>	<u>1,120,000</u>	<u>27,784,187</u>	<u>-</u>	<u>60,019,308</u>

28.3 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 the credit exposure, all transactions with specific counter party and the credit worthiness of counter parties.

The Modaraba is exposed to credit risk mainly from its deposits with banks and financial institutions and receivable against operating lease rentals and maintenance services and other receivables.

The Modaraba's maximum exposure to credit risk related to receivable at June 30, 2014 and June 30, 2013 is the carrying amounts of following financial assets.

	2014	2013
----- <i>(Rupees)</i> -----		
Net investment in Ijarah finance / assets under Ijarah arrangements	3,755,007	3,755,007
Receivable against rentals and maintenance services	10,654,397	36,672,311
Bank balances	29,511,163	8,069,047
	<u>43,920,567</u>	<u>48,496,365</u>

The net investment in Ijarah finance / assets under Ijarah arrangement is secured against customers' security deposit.

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With respect to operating lease rentals and maintenance services, being related to discontinued operations, the Modaraba had adopted a policy of dealing with creditworthy counterparties only. These parties were analyzed based on the publically available information i.e. credit ratings, financial statements and financial performance.

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

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

Banks	Short Term	Long Term	2014	2013
			----- <i>(Rupees)</i> -----	
BankIslami Pakistan Limited	A1	A	25,523,703	4,876,356
Bank Alfalah Limited	A1+	AA	2,177,844	1,702,467
Meezan Bank Limited	A-1+	AA-	1,798,100	1,486,829

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

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

	As at June 30, 2014				
	OAEM	Substandard	Doubtful	Loss	Total
	----- <i>(Rupees)</i> -----				
Ijarah finance	-	-	-	44,517,316	44,517,316
Murabaha finance	-	-	-	2,517,068	2,517,068
Receivable against operating lease rentals and maintenance service	-	-	-	18,222,053	18,222,053
Other receivables	-	-	-	8,073,663	8,073,663

	As at June 30, 2013				
	OAEM	Substandard	Doubtful	Loss	Total
	----- <i>(Rupees)</i> -----				
Ijarah finance	-	-	-	45,117,316	45,117,316
murabaha finance	-	-	-	2,517,068	2,517,068
Receivable against operating lease rentals and maintenance service	-	-	-	14,359,400	14,359,400
Other receivables	-	-	-	7,678,561	7,678,561

Total impairment against these assets as at June 30, 2014 is Rs. 62,035,744 (2013: Rs. 53,983,420).

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Other than this, Modaraba has investmnets in unlisted securities against which impairment of Rs. 4,000,000 has been booked in prior years.

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), murabaha and musharaka portfolio (original Principal) are as under.

Sector	2014		2013	
	Rupees	%	Rupees	%
Financial Institutions	270,692	0.34%	270,692	0.43%
Distributors, Wholesalers and Retailers	26,448,264	33.68%	26,448,264	41.88%
Food, Tobacco and Beverages	540,945	0.69%	540,945	0.86%
Chemical, Fertilizer and Pharama	18,796,091	23.93%	5,753,117	9.11%
Textile and Garments	3,621,385	4.61%	3,621,385	5.73%
Steel, Engineering and Autos	10,681,725	13.60%	9,717,557	15.39%
Transport and Communication	3,315,733	4.22%	1,300,563	2.06%
Glass, Ceramics and Plastics	1,311,650	1.67%	1,311,650	2.08%
Misc. / Individuals	13,551,874	17.26%	14,184,043	22.46%
	<u>78,538,359</u>	<u>100%</u>	<u>63,148,216</u>	<u>100%</u>

28.4 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market profit rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Modaraba incurs financial liabilities to manage its market risk. The Modaraba is exposed to profit rate risks.

28.4.1 Profit rate risk

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

	2014	2013
	------(Rupees)-----	
<i>Profit bearing financial instruments</i>		
Bank balances	29,499,647	8,065,652
Net investment in ijarah finance / assets under ijarah arrangements	3,755,007	3,755,007

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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.

28.4.2 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 profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently Modaraba does not face any risk as none of the financial assets or liabilities are listed on stock exchange or face the risk of change in market price.

28.5 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 murabaha 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.

29. INFORMATION ABOUT BUSINESS SEGMENTS

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

Continuing operations

<i>Financing / Investments</i>	Ijarah, Murabaha and investments
<i>Fuel station</i>	Petrol and diesel filling / service station

Discontinued operations

<i>Maintenance services</i>	Refueling and maintaining gensets, air cons, fire alarm system, self supported towers, and other equipment under the brand name "The Energixers"
<i>Mobile towers</i>	Radio link tower renting services to multiple telecommunication operators

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 2014

	Continuing operations		Discontinued operations		Total
	Financing / Investments	Fuel station	Maintenance services	Mobile towers	
	----- <i>(Rupees)</i> -----				
Revenue	11,492,716	150,198,115	53,833,232	15,929,818	231,453,881
<i>Result</i>					
Profit / (loss) for the year before taxation	3,138,059	672,923	(17,703,621)	2,586,697	(11,305,942)
Profit / (loss) for the year after taxation	3,138,059	330,396	(17,703,621)	2,586,697	(11,648,469)

For comparative period - 2013

	Continuing operations		Discontinued operations		Total
	Financing / Investments	Fuel station	Maintenance services	Mobile towers	
	----- <i>(Rupees)</i> -----				
Revenue	6,674,624	131,010,878	68,941,093	16,788,223	223,414,818
<i>Result</i>					
Profit / (loss) for the year before taxation	8,304,435	2,339,656	2,463,663	5,551,965	18,659,719
Profit / (loss) for the year after taxation	8,304,435	1,985,148	2,463,663	5,551,965	18,305,211

Reconciliation of segment results

Reconciliation of segment results

	2014	2013
	----- <i>(Rupees)</i> -----	
Total results for reportable segments	(11,648,469)	18,305,211
Rental income	3,846,569	3,485,743
Other operating income	991,532	581,266
Operating expenses:		
Salaries, allowances and other benefits	(9,291,515)	(10,996,396)
Depreciation	(1,207,353)	(1,149,576)
Workers' welfare fund	-	(24,516)
Fuel and conveyance	(1,024,908)	(1,212,322)
Other unallocated operating expenses	(6,387,388)	(5,896,659)
(Loss) / profit for the year	<u>(24,721,532)</u>	<u>3,092,751</u>

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2014	Continuing operations		Discontinued operations		Total
	Financing / Investments	Fuel station	Maintenance services	Mobile towers	
----- <i>(Rupees)</i> -----					
<i>Assets and liabilities</i>					
Total assets	57,255,541	74,547,986	11,672,276	1,299,958	144,775,761
Total liabilities	30,992,447	445,311	4,678,129	-	36,115,887
 <i>For comparative period - 2013</i>					
	Financing / Investments	Fuel station	Maintenance services	Mobile towers	Total
----- <i>(Rupees)</i> -----					
<i>Assets and liabilities</i>					
Total assets					
Total liabilities	45,756,221	73,491,328	59,594,674	29,036,998	207,879,221
	34,528,282	224,556	7,592,383	6,360,850	48,706,071

Reconciliation of segments' assets and liabilities

	Assets	
	2014	2013
----- <i>(Rupees)</i> -----		
Total for reportable segments	143,734,426	207,879,221
Advance income tax	23,008,251	16,717,025
Property and equipment	5,998,645	3,954,515
Cash and bank balance	29,820,913	8,756,698
Other unallocated assets	3,382,311	2,006,160
Total as per balance sheet	<u>205,944,546</u>	<u>239,313,619</u>
	Liabilities	
	2014	2013
----- <i>(Rupees)</i> -----		
Total for reportable segments	40,575,887	48,706,071
Unclaimed profit distribution	6,858,298	6,567,310
Charity and donations payable	1,809,345	1,736,850
Other unallocated liabilities	2,758,382	3,009,346
Total as per balance sheet	<u>52,001,912</u>	<u>60,019,577</u>

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OTHER INFORMATION

2014	Continuing operations			Discontinued operations		
	Financing / Investments	Fuel station	Maintenance services	Mobile towers	Unallocated	Consolidated
	------(Rupees)-----					
Capital expenditure	-	-	-	-	2,105,863	2,105,863
Depreciation	7,871,146	446,107	3,552,796	-	1,207,353	13,077,402
Provision for / (reversal of) impairment loss	(370,511)	355,102	8,067,733	-	-	8,052,324
Salaries, allowances and other benefits	909,361	1,502,872	17,741,071	-	9,291,515	29,444,819
Rent, rates and taxes	54,201	210,360	860,733	7,548,507	204,099	8,877,900
Expenditure on maintenance services	-	-	18,873,670	-	-	18,873,670
Provision for obsolete / slow moving inventory	-	-	1,469,543	-	-	1,469,543
Ijarah lease rentals	17,971,769	-	26,716	-	119,416	18,117,901
Advertisement	-	14,550	36,352	-	239,985	290,887
Income tax	-	342,527	-	-	-	342,527

For comparative period - 2013

	Continuing operations			Discontinued operations		
	Financing / Investments	Fuel station	Maintenance services	Mobile towers	Unallocated	Consolidated
	------(Rupees)-----					
Capital expenditure	-	-	670,000	-	215,098	885,098
Depreciation	4,191,631	447,273	3,629,333	2,550,926	1,149,576	11,968,739
Reversal of impairment loss	7,226,654	-	-	4,165,080	-	11,391,734
Salaries, allowances and other benefits	937,954	1,389,427	22,763,329	-	11,370,292	36,461,002
Rent, rates and taxes	-	153,657	3,343,240	8,123,166	107,399	11,727,462
Expenditure on maintenance services	-	-	18,184,987	-	-	18,184,987
Provision for obsolete / slow moving inventory	-	-	-	-	-	-
Ijarah lease rentals	-	-	2,717,967	-	486,588	3,204,555
Advertisement	-	-	10,250	-	32,800	43,050
Income tax	-	354,508	-	-	-	354,508

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Three major clients contributing more than 10% to the revenue of the Modaraba aggregated o Rs. 62,798,593 (2013: Rs. 72,318,426) under maintenance services, mobile towers and other operating income during the year.

30. □ CAPITAL RISK MANAGEMENT

The Modaraba manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. □

Currently the Modaraba is fully financed by equity capital and do not have any debt capital. 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.

During the year the Modaraba has disposed of 'Maintenance Services and 'Mobile Tower' businesses / segments in order to divert its focus and resources more on financing operations. The management is in process of identifying disposal avenues along with fair price determination of 'Fuel Station' business.

The Modaraba is not subject to externally imposed capital requirements.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the board of directors of the Management Company on September 30, 2014

32. GENERAL

Figures have been rounded off to the nearest Rupee.

Chief Executive
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

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PATTERN OF CERTIFICATE HOLDING

As at June 30, 2014

Number of Certificate Holding	Certificate Holding		To Certificate Held	Percentage %
	From	To		
2016	1	100	42,800	0.23
640	101	500	177,006	0.96
318	501	1,000	249,137	1.35
523	1,001	5,000	1,196,847	6.50
140	5,001	10,000	1,051,603	5.71
50	10,001	15,000	645,464	3.50
22	15,001	20,000	380,347	2.06
12	20,001	25,000	259,564	1.41
4	25,001	30,000	103,425	0.56
8	30,001	35,000	262,676	1.43
4	35,001	40,000	149,493	0.81
4	40,001	45,000	173,182	0.94
4	45,001	50,000	187,283	1.02
3	50,001	55,000	159,000	0.86
3	55,001	60,000	175,786	0.95
5	60,001	65,000	314,120	1.70
2	65,001	70,000	136,500	0.74
3	70,001	75,000	221,838	1.20
1	75,001	80,000	76,999	0.42
1	80,001	85,000	83,324	0.45
1	85,001	90,000	85,500	0.46
1	95,001	100,000	96,250	0.52
1	100,001	105,000	102,047	0.55
1	110,001	115,000	114,660	0.62
3	120,001	125,000	368,432	2.00
1	125,001	130,000	127,216	0.69
1	155,001	160,000	158,500	0.86
1	165,001	170,000	166,000	0.90
2	175,001	180,000	351,029	1.91
2	195,001	200,000	400,000	2.17
1	205,001	210,000	207,500	1.13
1	210,001	215,000	212,500	1.15
1	240,001	245,000	243,000	1.32
2	250,001	255,000	500,988	2.72
1	265,001	270,000	265,500	1.44
1	300,001	305,000	303,515	1.65
1	375,001	380,000	379,500	2.06
1	395,001	400,000	400,000	2.17
1	475,001	480,000	478,500	2.60
1	495,001	500,000	499,782	2.71
1	695,001	700,000	700,000	3.80
1	975,001	980,000	979,487	5.32
1	1,420,001	1,425,000	1,421,250	7.71
1	1,840,001	1,845,000	1,842,395	10.00
1	1,970,001	1,975,000	1,974,000	10.71
3,793			18,423,945	100

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PATTERN OF CERTIFICATE HOLDING

As at June 30, 2014

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	12,305	0.067
IDBP (ICP Unit)	1	498	0.003
Sub Total	3	13,597	0.074
Public Sector Company & Corporation			
Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modaraba's and Mutul Funds	18	1,475,480	8.008
Joint Stock Companies & Others	34	648,956	3.522
Individuals	3,737	13,943,422	75.681
Sub Total	3,789	16,067,858	87.212
Total	3,793	18,423,945	100.000

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NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that 14th Annual Review Meeting of Modaraba Al Mali will be held on 29th October 2014 at 03:30 p.m. at the 602, 6th Floor, Progressive Centre, P.E.C.H.S., Shara e Faisal, Karachi

On behalf of the Board

-- sd --

Zafar Ahmed Khan
Company Secretary

Date: September 30, 2014

Note:

1. Certificate Transfer Book of the Modaraba will remain closed from 22th October 2013 to 29th October 2014 (both days inclusive) and no transfer will be accepted during this period. The certificate holders whose names appear in the Register of certificate holders as at the close of business on 21st October 2014 will be considered in time for the purpose of determination of their respective entitlement(s), if any, and eligibility to attend the Annual Review Meeting.
2. Certificate holders are requested to promptly notify the Modaraba of any change in their address, if applicable.
3. CDC certificate Holder desiring to attend the meeting are requested to bring their original CNIC, Account, and Participant's ID number, for identification purpose.