



Modaraba Al Mali

Managed by:

BankIslami Modaraba Investments Ltd.



ANNUAL REPORT 2009



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Mission Statement

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

"But Allah hath permitted trade and forbidden usury"

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

Our Vision

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

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

Corporate Informatin

Board of Directors	<p>In alphabetical order Mr. Asad Alim Mr. Hasan Aziz Bilgrami Mr. Muhammad Hamid Mr. Muhammad Imran Mr. Mujtaba Hussain Kazmi Mr. S. Shah Sajid Hussain Mr. Tariq Usman Bhatti Mr. Zulfiqar Ali</p>	<p>Director Director Director Director Director Director Director Chief Executive</p>
Audit Committee	<p>Mr. Hasan Aziz Bilgrami Mr. Muhammad Hamid Mr. Tariq Usman Bhatti</p>	<p>Member / Director Member / Director Member / Director</p>
Management Team	<p>Mr. Zulfiqar Ali Mr. Muhammad Saad Syed Ahmed Asim Mr. Tahir Zuberi</p>	<p>Chief Executive Chief Operating Officer CFO / Company Secretary Head of Operations</p>
Company Secretary	<p>Syed Ahmed Asim</p>	
Auditors	<p>KPMG Taseer Hadi & Co., Chartered Accountants First Floor, Shaikh Sultan Trust Building No. 2, Beaumont Road, Karachi</p>	
Bankers & Financers	<p>BankIslami Pakistan Limited Bank Alfalah Limited - Islamic Banking Al-Baraka Islamic Bank B.S.C. (E.C.) Allied Bank Limited Meezan Bank Limited Faysal Bank Limited</p>	
Registrar & Share Registration Office	<p>Technology Trade (Pvt.) Limited Dagia House, 241-C, Block-2, P.E.C.H.S., Karachi.</p>	
Registered Office	<p>10th Floor, Progressive Square, Opposite Nursery, Sharea Faisal, Karachi. Phone: (92-21) 34547521-5 Fax: (92-21) 34547526 E-mail: info@modarabaalmali.com URL: www.modarabaalmali.com</p>	

Directors' Report

On behalf of the Board of Directors of BankIslami Modaraba Investments Limited, we are presenting the 23rd annual report of Modaraba Al-Mali together with Audited Accounts for the year ended June 30, 2009.

1. Operating Results

A summary of operating results for the year ended June 30, 2009 are presented as under:

	(Rs. in "000")	
	2009	2008
Total operating income	30,258	36,620
Net (loss) / profit for the year	(22,287)	6,121
Appropriations:		
Final dividend for 2008 @ 2.50% (2007 : Nil)	(4,606)	-
Statutory reserves Nil (2008: 20%)	-	(1,224)
	(26,893)	4,897
Un-appropriated loss brought forward	(1,352)	(6,249)
Un-appropriated loss carried forward	(28,245)	(1,352)
(Loss) / earnings per certificate of Rs. 10/- each	(1.21)	0.33

2. Profit distribution

Due to loss during the year, the Directors have not declared any dividend for the year ended 30th June 2009.

3. Statutory reserve

As per Prudential Regulations issued by Securities & Exchange Commission of Pakistan, Modarabas are required to transfer a minimum 20% and maximum 50% post-tax profit to statutory reserves. However, as the Modaraba has incurred loss during the year, no appropriation has been made towards statutory reserves.

4. Operational review

The Modaraba incurred loss of Rs. 1.21 per certificate during the current financial year as compared to profit of Rs. 0.33 per certificate during the corresponding year ended June 30, 2008. As submitted earlier through our quarterly reports, inability of our major mobile tower customer to pay its dues and the resultant provision there against, remain the main cause for the loss. However, the said client is reportedly coming out of its financial crisis and is expected to shortly clear its dues to the Modaraba. During the year under review, the Modaraba succeeded in increasing the occupancy ratio of its tower sites to 67%.

5. Future Prospects

The management is making enormous efforts for establishing diversified and sustainable revenue streams for the Modaraba. With the revival of our anchor customer and addition of further new tenants, the mobile tower division is expected to contribute substantially towards the profitability of the Modaraba. The fuel station project, which was stagnant since last year, has been started and it is expected to become operational in the first quarter of the year 2010. Besides, improving the performance of its current business segments, the Modaraba has successfully entered into the business of providing one window maintenance solutions to the banks and telecom companies. Our first contract for providing maintenance service to 74 branches of an Islamic bank has been executed and we expect rapid growth in this business in the coming years. With all these developments, the management is hopeful that the Modaraba will be able to generate stable returns for its Certificate holders in the years to come.

6. Corporate Governance

The modarabas are required to comply with various requirements of the Code of Corporate Governance (CCG) issued by the SECP and enforced through listing regulations of the Stock Exchanges in Pakistan. Your management has taken significant steps in line with the requirements formulating a vision and mission statement, over all corporate strategy, strengthened internal audit function, constituting an Audit Committee and adoption of Charter of Audit Committee.

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

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

Financial statements present fairly the state of affairs, the results of its operations, cash flow and change in equity.

Proper books of account have been maintained.

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

International Accounting Standards, as applicable to modarabas in Pakistan, have been followed in preparation of financial statements. The system of internal control is sound in design and has been effectively implemented and monitored.

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

There has been no material departure from the best practice of Corporate Governance applicable at 30 June 2009.

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

Modaraba Al Mali

7. Pattern of certificate holding

Pattern of certificate holding is annexed to this report.

8. Audit Committee

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

1. Mr. Hasan Aziz Bilgrami
2. Mr. Muhammad Hamid
3. Mr. Tariq Usman Bhatti

9. Attendance of Board Meetings

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

Name of Directors	No. of Meetings	Leave of Absence	Remarks
Mr. S. Iradat Husain	05	01	
<i>In Alphanumeric Order</i>			
Mr. Asad Alim	05	01	
Mr. Hasan Aziz Bilgrami	06	-	
Mr. Muhammad Imran	06	-	
Mr. Mujtaba Hussain Kazmi	05	01	
Mr. S. Shah Sajid Hussain	03	-	(Appointed on 12th January 2009)
Mr. Tariq Usman Bhatti	02	04	
Mr. Zulfiqar Ali-CEO	06	-	

With deep sorrow, we report the demise of our Chairman, Mr. S. Iradat Husain who left us on July 9, 2009. The Board considers it as an irreparable loss and places on record its appreciation for his services and contribution towards the management of the Modaraba.

10. Credit Rating

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

The directors take this opportunity to extend their appreciation and thanks to the certificate holders for their trust in the Modaraba, to the Regulators for their guidance and to all members of management and staff for their hard work and commitment.

On behalf of the Board

Karachi:
October 03, 2009

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Zulfiqar Ali
Chief Executive Officer
Board of Director

Key Operating and Financial Data

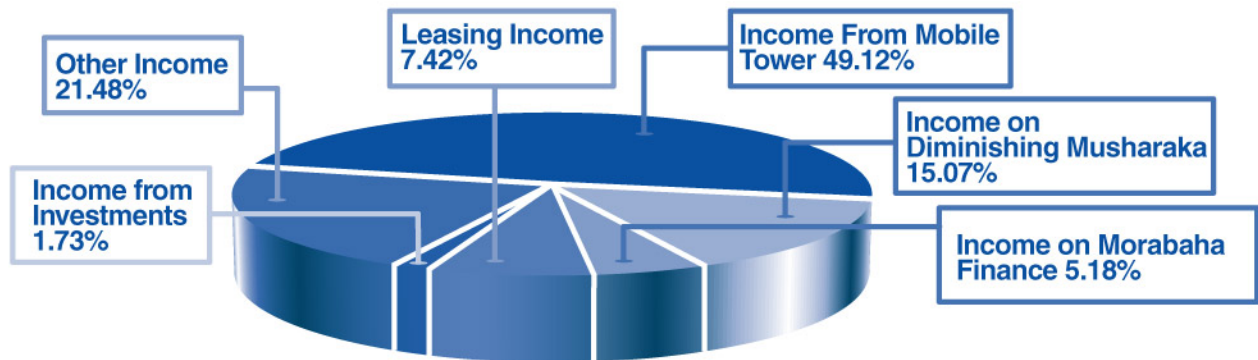
Balance Sheet Summary		(Rupees in Million)					
Year Ended June 30,		2004	2005	2006	2007	2008	2009
EQUITY							
Issued, subscribed and paid up capital		182.57	182.57	182.57	184.23	184.23	184.23
Statutory Reserves		45.76	48.53	54.23	54.23	55.45	55.45
Revenue Reserves and unappropriated profit / (loss)		5.60	16.68	30.88	(5.70)	(0.30)	(27.73)
Total Equity		233.93	247.78	267.68	232.76	239.38	211.95
LIABILITIES							
Long Term Morabaha and Musharika-		-	-	-	-	-	-
Liability against Ijarah finances		-	-	24.09	21.08	12.41	5.07
Customer Security Deposit		24.04	26.65	22.49	33.95	9.10	9.24
Others		-	-	2.18	3.02	-	-
		24.04	26.65	48.76	58.05	21.51	14.31
Current Liabilities							
Current Maturity of Long Term Morabaha and Musharika		1.05	-	-	-	-	-
Short term Morabaha and Musharika		-	34.93	162.75	-	-	-
Other Current Liabilities		61.14	28.98	43.96	20.05	48.27	36.62
Total Current Liabilities		62.19	63.91	206.71	20.05	48.27	36.62
Total Liabilities		320.16	338.34	523.15	310.86	309.15	262.88
ASSETS							
Assets Leased Out		-	-	-	-	-	5.49
Net investment in Ijarah		111.68	87.62	74.08	33.28	7.35	0.69
Assets in Own Use		11.35	26.85	13.11	73.79	125.64	124.21
Long Term Morabaha and Musharika		11.02	7.53	9.96	0.51	0.06	32.82
Long Term Investment		-	-	17.95	-	27.55	33.10
Other Long Term Assets		0.08	32.14	65.55	20.67	3.16	3.16
		134.13	154.14	180.65	128.25	163.76	199.47
Current Assets							
Short Term Morabaha and Musharika		43.08	50.26	197.25	79.75	12.03	25.28
Current maturity of Net investment in Ijarah		85.92	60.48	55.52	34.51	22.43	5.84
Short Term Investment		29.60	19.98	11.90	5.03	5.50	-
Other Current Assets		4.18	31.50	70.44	18.29	33.16	21.80
Cash and Bank Balance		23.26	21.98	7.39	45.03	72.28	10.49
Total Current Assts		186.04	184.20	342.50	182.61	145.40	63.41
Total Assets		320.17	338.34	523.15	310.86	309.16	262.88

Lease Rentals Receivables Next 12 Months

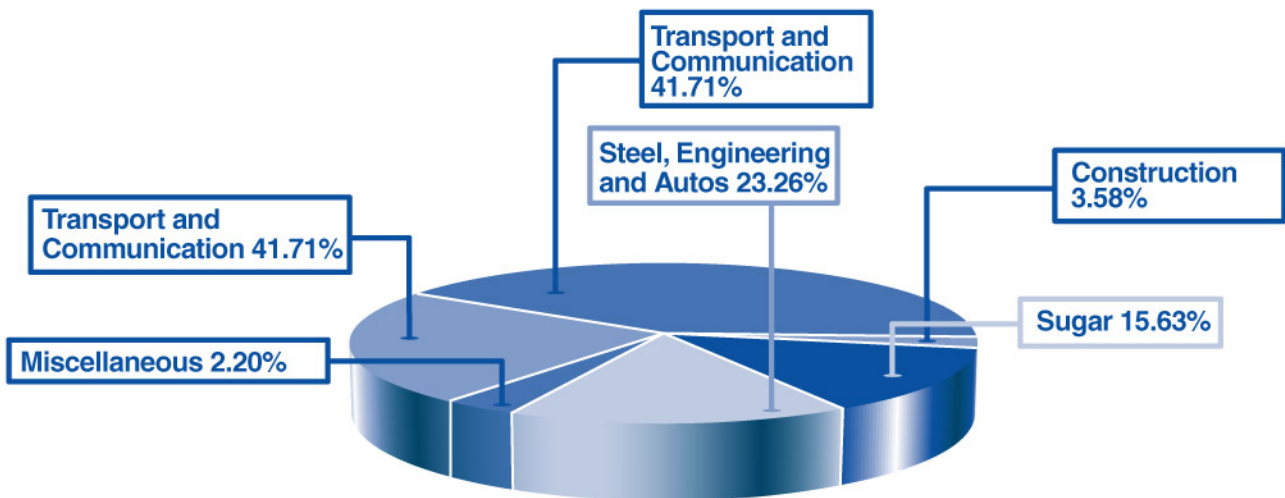
Income Statement Highlights		(Rupees in Million)					
Year Ended June 30,		2004	2005	2006	2007	2008	2009
INCOME							
Lease		29.11	24.39	40.55	38.21	27.76	21.79
Musharika and Morabaha		3.23	10.09	16.47	18.54	8.74	7.80
Capital Gain on Investments		6.86	(2.12)	5.30	-	(0.06)	0.66
Dividend		1.81	2.00	0.11	0.16	0.17	-
Certificate of Investment		0.06	-	-	-	5.07	-
Other		1.20	2.48	25.18	2.54	3.81	8.28
Total Income		42.27	36.84	87.61	59.45	45.49	38.53
EXPENSES							
Operating		10.36	14.82	32.69	31.96	28.92	29.79
Financial		0.75	1.24	11.32	10.86	2.79	2.25
Amortization, Depreciation		1.59	1.70	8.30	9.32	9.88	11.53
Provision for Doubtful receivables		(8.03)	3.69	3.66	19.03	(2.22)	17.25
Provision for Diminution in value of investment		-	-	-	-	-	-
Management fee		3.76	1.54	3.16	-	-	-
Profit Before Taxation		33.84	13.85	28.48	(11.72)	6.12	(22.29)
Taxation		-	-	-	-	-	-
Net Profit / (Loss)		33.84	13.85	28.48	(11.72)	6.12	(22.29)
APPROPRIATIONS							
Total Dividend		24.65	10.95	22.82	-	4.61	-
Statutory Reserves		6.76	2.77	5.70	5.70	1.22	-
VALUE OF INVESTMENT OF							
Provident Fund	1.94						
Gratuity Fund	1.24						

Note: Above figures are based on respective audited accounts for the year ended June 30, 2009 of the funds.

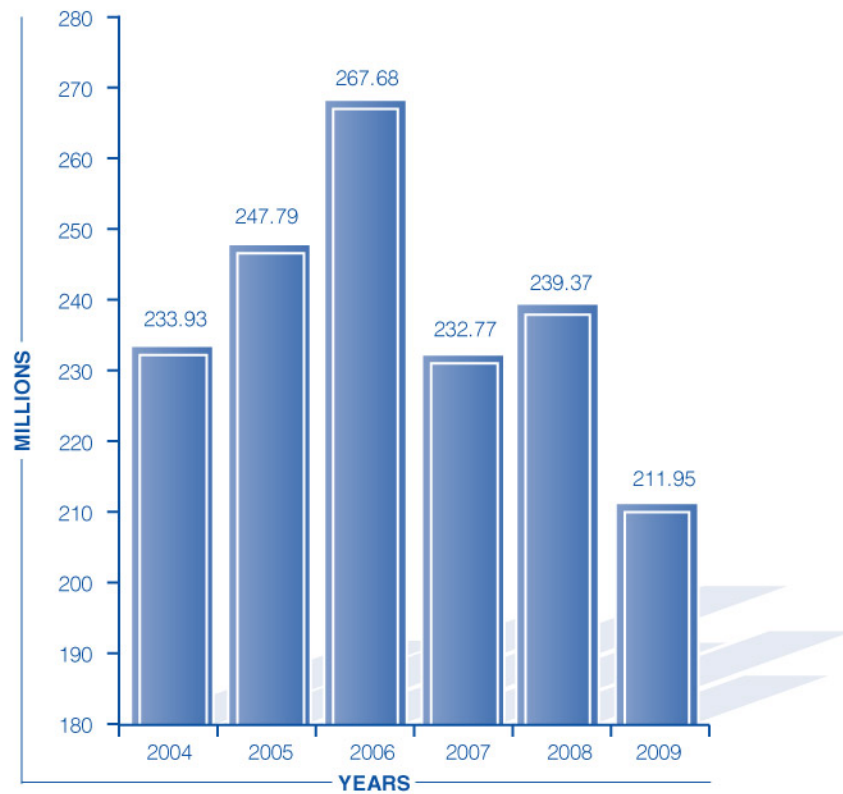
REVENUE ANALYSIS



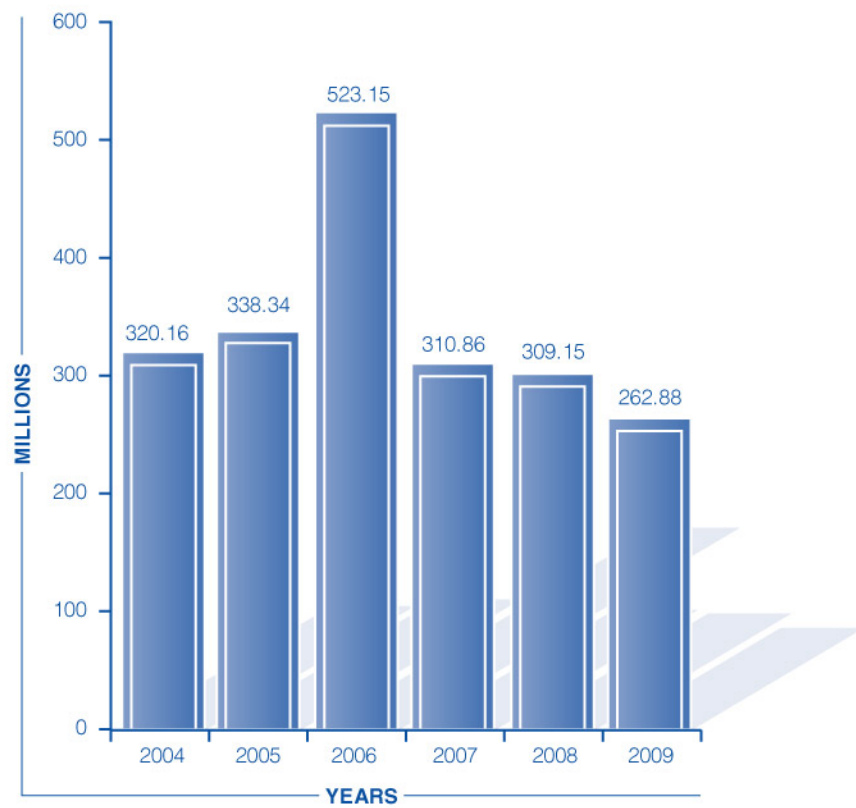
SECTOR WISE EXPOSURE



EQUITY GROWTH



BALANCE SHEET GROWTH



Statement of Compliance with the code of Corporate Governance

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

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

The Modaraba Al-Mali has applied principles contained in Code in the following manner:

1. All the Directors of the Management Company are non-executive directors, except the Chief Executive of the Modaraba Company.
2. The Directors of the management company have confirmed that none of them are serving as director in ten or more listed companies.
3. All the resident directors of the Management Company have confirmed that they are registered as tax payers and to the best of our knowledge, none of them have defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non Banking Financial Company or, being a member of a Stock Exchanges, have been declared as a defaulter by the Stock Exchange.
4. The directors filled casual vacancy occurring in the Board within the stipulated time.
5. The Modaraba Management Company has prepared a 'Statement of Ethics and Business Practice' which have been signed by all the directors and employees of the Modaraba.
6. The Board has developed a Vision & Mission statement, overall corporate strategy and certain significant policies. Record of particulars of significant policies along with dates on which they were approved or amended has been maintained. Arrangements have been made for the preparation of other relevant significant policies. The management is in the process of reviewing the materiality level of the Modaraba.
7. All the powers of board have been duly exercised within the defined management structure, performance tracking system and control mechanism. Decisions on material transactions, including the appointment and determination of remuneration and terms and conditions of the employment of the Chief Executive Officer have been taken by the board.
8. The meetings of the board were presided by the Chairman 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. An orientation course for the directors of the Management Company is planned to be shortly conducted. However the Board Members are fully aware of their duties and responsibilities under the relevant laws, including the Code of Corporate Governance. They are experienced individuals and few of them are also on the Board of other listed companies.
10. There was no new appointment of the CFO and Company Secretary (both being the same person), including his remuneration and terms and conditions of employment, as determined by the CEO.
11. The Director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the modaraba were duly endorsed by the Chief Executive and the Chief Financial Officer before the approval of the board.
13. The Directors, Chief Executive Officer 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 code.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors of the Management Company, including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of the interim and final results of the Modaraba, as required by the Code. The terms of reference of the Committee have been formed and advised to the committee for compliance.
17. The Board of Directors of the Management Company has outsourced the internal audit function to Mehmood Idrees Qamar & Co., Chartered Accountants who are considered suitably qualified and experienced for our purposes and are conversant with the policies and procedures of the Modaraba. Their representative work and report is in accordance with an agreed scope and time frame.
18. The statutory auditors of the modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the modaraba and that the firm and all its partners are in the compliance with International Federation of Accounts (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.
20. We confirm that all material principles contained in the code have been complied with.

On behalf of the Board

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Zulfiqar Ali
Chief Executive Officer

Karachi:
October 03, 2009

Review Report to the Certificate Holders on Statement of Compliance with the Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of BankIslami Modaraba Investments Limited (the Modaraba Company) in respect of Modaraba Al Mali (the Modaraba) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba Management Company personnel and review of various documents prepared by the Modaraba Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal control.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as at 30 June 2009.

Karachi:
October 03, 2009

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KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Modaraba Al Mali ("the Modaraba") as at 30 June 2009 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 purpose of our audit.

These financial statements are the Modaraba 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 statement in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of Modaraba Al Mali as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied except for the changes described in Note 2.4 with which we concur;
 - ii) the expenditures incurred during the year was for the purpose of the Modaraba's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba.
- c) in our opinion and to the best of our information and according to the explanation given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the central Zakat Fund established under section 7 of that Ordinance.

Karachi:
October 03, 2009

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KPMG Taseer Hadi & Co.
Chartered Accountants

Modaraba Al Mali

Balance Sheet

As at 30 June 2009

	Note	2009	2008
ASSETS			
Bank balances	4	10,489,533	72,278,019
Short-term investments	5	-	5,503,618
Morabaha finance - short term	6	3,718,685	12,035,080
Current portion of net investment in Ijarah finance	7	5,836,305	22,434,510
Current maturity of diminishing musharaka and investments	10.5	21,562,660	-
Advances, deposits, prepayments and other receivables	9	21,800,334	33,158,354
Total current assets		63,407,517	145,409,581
Net investment in Ijarah finance / assets under Ijarah arrangements	7	6,184,464	7,345,191
Diminishing musharaka finances	8	32,820,691	-
Morabaha finance - long term	6	-	55,487
Long term investment	10	33,103,509	27,545,169
Long term deposits	11	3,156,465	3,156,465
Fixed assets	12	124,211,460	125,644,177
Total non-current assets		199,476,589	163,746,489
Total assets		262,884,106	309,156,070
LIABILITIES			
Current maturity of liability against Ijarah finance	13	7,454,252	6,495,229
Creditors, accrued and other liabilities	14	17,342,705	16,640,619
Current maturity of security deposits	15	5,224,007	18,801,212
Unclaimed profit distribution		6,600,650	6,329,148
Total current liabilities		36,621,614	48,266,208
Liability against Ijarah finance	13	5,067,941	12,408,670
Security deposits liability	15	9,236,287	9,101,500
Total non-current liabilities		14,304,228	21,510,170
Total liabilities		50,925,842	69,776,378
NET ASSETS	Rupees	211,958,264	239,379,692
FINANCED BY			
CAPITAL AND RESERVES			
Certificate capital			
Authorised - 30,000,000 (2008: 30,000,000)			
Modaraba certificates of Rs.10/- each	Rupees	300,000,000	300,000,000
Issued, subscribed and paid-up	16	184,239,450	184,239,450
Reserves:			
Certificate premium		511,409	511,409
Statutory reserve		55,452,920	55,452,920
Unrealised gain on available-for-sale investment securities	5 & 10.3.1	-	528,618
Accumulated loss		(28,245,515)	(1,352,705)
		27,718,814	55,140,242
	Rupees	211,958,264	239,379,692
Contingencies	17		

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Profit and loss Account

For the year ended 30 June 2009

	Note	2009	2008
Income from Ijarah finance (leasing arrangements)	18	21,791,535	27,765,637
Profit on morabaha finances		1,996,275	8,743,726
Profit on diminishing Musharaka finances		5,805,608	-
Other operating income - net	19	664,778	110,484
		<u>30,258,196</u>	<u>36,619,847</u>
Profit distribution on borrowings	20	2,253,509	2,798,084
Depreciation on assets under Ijarah arrangements	7.2	1,662,674	-
Operating costs	21	39,654,767	38,800,552
		<u>43,570,950</u>	<u>41,598,636</u>
		(13,312,754)	(4,978,789)
Impairment loss - net	22	(17,250,743)	2,217,770
		<u>(30,563,497)</u>	<u>(2,761,019)</u>
Other income	23	8,276,673	8,881,809
		<u>(22,286,824)</u>	<u>6,120,790</u>
Modaraba company's management fee (Loss) / profit for the year before taxation	14.3	-	-
		<u>(22,286,824)</u>	<u>6,120,790</u>
Taxation	24	-	-
(Loss) / profit for the year after taxation		<u>(22,286,824)</u>	<u>6,120,790</u>
(Loss) / earnings per certificate - basic and diluted	25	Rupees <u>(1.21)</u>	<u>0.33</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Cash Flow Statement

For the year ended 30 June 2009

	Note	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / profit for the year		(22,286,824)	6,120,790
Adjustment of non-cash and other items	26	<u>30,066,963</u>	<u>10,247,369</u>
		7,780,139	16,368,159
(Increase) / decrease in operating assets			
Advances, deposits, prepayments and other receivables		3,839,109	(12,840,807)
Short term morabaha finances		3,636,195	67,653,261
Net investment in Ijarah / assets under Ijarah arrangements		15,525,007	39,310,366
Diminishing musharaka finances		(54,383,351)	-
Long term morabaha finances		55,487	454,857
		(31,327,553)	94,577,677
Increase / (decrease) in operating liabilities			
Creditors, accrued and other liabilities		702,086	2,952,533
Ijarah Finance liability - net		(6,381,706)	(5,191,095)
Customers' security deposits received - net		(13,442,418)	(6,050,827)
		(19,122,038)	(8,289,389)
		(42,669,452)	102,656,447
Income tax paid - net		(480,381)	(1,071,242)
Profit distribution on borrowings		(2,253,509)	(2,798,084)
Net cash flows from operating activities		<u>(45,403,342)</u>	<u>98,787,121</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(5,935,342)	(63,318,293)
Proceeds from sale of fixed assets		(2,196,756)	1,631,500
Proceeds from sale of short term investment		5,664,778	-
Dividend received		-	169,875
Purchase of investments		(9,583,340)	(10,000,000)
Net cash flows from investing activities		<u>(12,050,660)</u>	<u>(71,516,918)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit distribution to the certificate holders		(4,334,484)	(30,216)
Net cash flows from financing activities		<u>(4,334,484)</u>	<u>(30,216)</u>
Net decrease in cash and cash equivalents		(61,788,486)	27,239,987
Cash and cash equivalents at beginning of the year		72,278,019	45,038,032
Cash and cash equivalents at end of the year	Rupees	<u>10,489,533</u>	<u>72,278,019</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Statement of Changes in Equity

For the year ended 30 June 2009

	Certificate capital	Capital reserve Certificate premium	Capital (statutory reserve) *	Reserves Unrealised gain on remeasurement of available for sale investments	Revenue reserve (Accumulated loss)/ unappropriated profit	Total reserves	Total	
Balance as at 30 June 2007	184,239,450	511,409	54,228,762	36,711	(6,249,337)	48,527,545	232,766,995	
Changes in equity for the year ended 30 June 2008								
Unrealised gain on available-for-sale investment securities (recognized in equity)	-	-	-	491,907	-	491,907	491,907	
Net profit for the year	-	-	-	-	6,120,790	6,120,790	6,120,790	
Transfer to statutory reserves during the year	-	-	1,224,158	-	(1,224,158)	-	-	
Total recognised profit for the year	-	-	1,224,158	491,907	4,896,632	6,612,697	6,612,697	
Balance as at 30 June 2008	184,239,450	511,409	55,452,920	528,618	(1,352,705)	55,140,242	239,379,692	
Changes in equity for the year ended 30 June 2009								
Transfer to Profit and loss account on disposal of available-for-sale investments	-	-	-	(503,618)	-	(503,618)	(503,618)	
Reversal of revaluation of available-for-sale investments securities	-	-	-	(25,000)	-	(25,000)	(25,000)	
Net loss for the year	-	-	-	-	(22,286,824)	(22,286,824)	(22,286,824)	
Total recognised loss for the year	-	-	-	(528,618)	(22,286,824)	(22,815,442)	(22,815,442)	
Final dividend for the year ended 30 June 2008	-	-	-	-	(4,605,986)	(4,605,986)	(4,605,986)	
Balance as at 30 June 2009	Rupees	184,239,450	511,409	55,452,920	-	(28,245,515)	27,718,814	211,958,264

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

The annexed notes from 1 to 31 form an integral part of these financial statements.

Chief Executive
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
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Modaraba Management Company

Director
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Modaraba Management Company

Notes to the Financial Statements

For the year ended 30 June 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

Modaraba Al-Mali ("the Modaraba") is a multipurpose and perpetual Modaraba floated in Pakistan on 8 July 1987 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, Progressive Square, Shahra-e-Faisal, Karachi and is managed by BankIslami Modaraba Investments Limited, a company registered under the Companies Ordinance, 1984. It is engaged in the business of leasing, morabaha, musharika financing, trading and renting of mobile towers and other related business. In addition the Modaraba is also in the process of setting up a petrol and diesel filling / service station. The Modaraba is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the "historical cost convention", except that certain investments, are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the functional currency of the Modaraba. All financial information presented in Pakistani rupee has been rounded to the nearest rupee.

2.4 Initial application of a standard or an interpretation

Following standards, amendments and interpretations became effective during the current year

- Islamic Financial Accounting Standard-2 'Ijarah'- The Modaraba applied this standard to all Ijarah contracts entered on or after 1 July 2008 as allowed by Securities and Exchange Commission of Pakistan vide Letter No. SC/MR/RW/SCM/2009 dated 9 March 2009. The standard requires all Ijarah rentals to be recognised in income on accrual basis as and when the rentals become due and assets under Ijarah arrangements to be depreciated over the period of the lease in accordance with IAS 16 'Property, Plant and Equipment'. If the Modaraba had continued to account for Ijarah contracts commencing on or after 1 July 2008 as finance leases, the effect on the financial statements would have been as follows:

	(Rupees)
- Increase in net profit for the year	342,069
- Net decrease in investment in Ijarah finance	541,035

In a similar manner, the above standard in respect of asset acquired under the Ijarah arrangements executed after 1 July 2008 requires that Ujarah (lease) payments should be recognised as an expense in the profit and loss account on a straight line basis over the Ijarah (lease) term under the accrual basis. However, no such arrangements were executed by the Modaraba after 1 July 2008.

Notes to the Financial Statements

For the year ended 30 June 2009

- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard did not have any significant impact on the Modaraba's financial statements other than increase in disclosures.
- Other Standards / interpretations that became effective during the period but did not affect the Modaraba's financial statements are as follows:
 - IAS 29 – Financial Reporting in Hyperinflationary Economies.
 - IFRIC 13 – Customer Loyalty Programmes.
 - IFRIC 14 – IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction.

2.5 New accounting standards and IFRIC interpretations that are not yet effective

Following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 July 2009:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.
- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Modaraba's financial statements.
- Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Modaraba's financial statements.
- Amendment to IFRS 2 - Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Modaraba's financial statements.
- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard will not effect the Modaraba's financial statements.

Notes to the Financial Statements

For the year ended 30 June 2009

- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of this standard is not likely to have an effect on the Modaraba's financial statements.
- IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Modaraba's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Since the Modaraba's operations are limited to one segment only, the application of this standard will not have any effect on the Modaraba's financial statements.
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The IFRIC is not relevant to the Modaraba's operations.
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Modaraba's operations.
- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Modaraba's 2010 financial statements. These amendments are unlikely to have an impact on the Modaraba's financial statements.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Modaraba's financial statements.
- IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Modaraba's financial statements.
- IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a Modaraba distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Modaraba does not distribute non-cash assets to its certificate holders, this interpretation has no impact on the Modaraba's financial statements.

Notes to the Financial Statements

For the year ended 30 June 2009

- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the Modaraba's operations.
- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the Modaraba's operations.
- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment is not likely to have an effect on Modaraba's financial statements.
- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on Modaraba's financial statements.
- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Modaraba's 2011 financial statements. These amendments are unlikely to have an impact on the Modaraba's financial statements.
- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amount of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is as follows:

Provision against non-performing leasing portfolio, investments, musharaka and morabaha finances and other receivables

The Modaraba reviews its portfolio of lease / Ijarah finance, investments, musharaka and morabaha finances and other receivables on a regular basis to assess amount of non-performing portfolio and provision required there against. A change of circumstances may require the Modaraba to recognise a provision for impairment against these balances which may then be recognised in the period in which the changes occur.

Income taxes

The income of non-trading modaraba is exempt from tax provided that not less than 90% of its profits as reduced by the amount transferred to statutory reserves are distributed to certificate holders. Accordingly provision for tax and deferred tax is not made in the financial statements as the Modaraba expects to distribute profits (if any), as stated above.

For the purposes of estimating the income tax currently payable by the Modaraba (if so required), the management considers the current income tax laws and the decisions of the appellate authorities on certain issues.

Staff retirement benefits

Certain actuarial assumptions have been used (as disclosed in note 21.1.8 to these financial statements) for the actuarial valuation of staff retirement benefit. Changes in these assumptions in future years may effect the liability under this scheme in those years. This change in assumption would be recorded in the year in which the assumptions change.

Investments stated at fair value

Management determines fair value of certain investments by using quotations from the active market wherever available. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and judgement (e.g. valuation, interest rates, etc.) and therefore, cannot be determined with precision.

Classification of investments

- In classifying investments as 'held to maturity', the Modaraba follows the guidance given in the approved accounting standard on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgement, the Modaraba evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading', or 'held to maturity', are classified as 'available for sale'. These essentially are those investments that are held for an undefined period and may be sold in response to the need for liquidity or changes in market rates.

Depreciation and amortisation of operating fixed assets

In making estimates of the depreciation / amortisation method and the related useful lives of the fixed asset, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Modaraba. The method applied and the related useful lives is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method and the related useful lives is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies".

Notes to the Financial Statements

For the year ended 30 June 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Employees' benefits

3.1.1 Staff gratuity

The Modaraba participates in an approved group funded gratuity scheme for all its employees, who have completed minimum qualifying period of service. The group comprises of BankIslami Modaraba Investments Limited and Modaraba Al-Mali. Consolidated fund is being maintained for the employees of the group. Contributions to the fund are made on the basis of actuarial recommendation normally carried out on a yearly basis. The latest valuation was carried out as at 30 June 2009 under the projected unit credit method. Unrecognised actuarial gains / losses exceeding ten percent of the greater of the present value of defined benefit obligation or the fair value of plan assets are recognised in the profit and loss account over the expected average remaining working lives of the employees participating in the plan.

3.1.2 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.

3.1.3 Staff compensated absences

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

3.2 Fixed assets

3.2.1 Tangible - in own use

Owned

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

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

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

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

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

For the year ended 30 June 2009

Leased

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation and impairment losses, if any. Finance charge on lease obligation is recognised in the profit and loss account over the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding balance.

Depreciation, repair and maintenance, other subsequent costs and gain and disposal of assets subject to finance lease is recognised in the same manner as for owned assets.

3.2.2 Operating lease

Leases which do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as "operating lease". The Modaraba has leased out mobile towers to certain operators under operating lease arrangements (refer note 12.2).

These leased out assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged on these assets in the same manner as assets in own use. Subsequent additions to these assets, normal repairs and maintenance and gain on the sale of these assets are also accounted for in the same manner as the above assets in own use.

3.2.3 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.

3.3 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. After initial recognition these are categorised and accounted for as follows:

3.3.1 Held-to-maturity

Investments with fixed maturity where the management has both the intent and ability to hold till maturity are classified as held to maturity. These investments are stated at amortised cost.

3.3.2 Financial instruments held for trading

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

After initial recognition, these investments are remeasured at fair value determined with reference to the year-end quoted rates (equity shares and investments of closed ended funds at respective stock exchange rates, while the units of open ended funds at their declared net asset value per unit). Gains or losses on investments on remeasurement of these investments are recognised in profit and loss account currently.

Notes to the Financial Statements

For the year ended 30 June 2009

3.3.3 Available-for-sale

Investments which do not fall under the above categories are classified as being available-for-sale and are stated at fair value. Gains or losses on available-for-sale investments on subsequent remeasurement are recognized directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at which time cumulative gain or loss previously reported in the equity is included in current year's profit and loss account.

All investments classified as available-for-sale are initially recognized at cost inclusive of transaction costs and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial year (as explained above). Fair value of unquoted investments is estimated based on appropriate valuation method if it is practicable to determine it.

3.4 Net Investment in Ijarah Finance / Assets leased under Ijarah arrangements

Ijarah agreements commencing upto 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 2.4 also).

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

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

3.5 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 judgement of management, whichever is higher. Bad debts are written off when identified.

3.6 Revenue recognition

3.6.1 Ijarah 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 time proportion basis.

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.

3.6.2 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).

Modaraba Al Mali

Notes to the Financial Statements

For the year ended 30 June 2009

3.6.3 Income on debt investment securities and bank deposits

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

3.6.4 Morabaha and musharaka finances

The Modaraba follows the finance method in recognising income on morabaha and musharaka finance. Under this method the unearned income i.e. the excess of aggregate morabaha and musharaka installments over the cost of the asset under morabaha facility is deferred and then amortised over the term of the morabaha / musharaka, so as to produce a constant rate of return on morabaha / musharaka finances. Documentation charges, front-end fee and other morabaha and musharaka income are recognised as income on a receipt basis.

3.6.5 Dividend income

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

3.6.6 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.

3.6.7 Unrealised income on non-performing assets

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

3.7 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates realizable, 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. Due to loss, no provision for taxation for the current year has been made in these financial statements.

Deferred

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

3.8 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and the Modaraba intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

For the year ended 30 June 2009

3.9 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and bank balances.

3.10 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.

3.11 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.

3.12 Profit distribution to the certificate holders

Profit distributions to the certificate holders is recognised as a liability in the period in which the distributions are approved.

3.13 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 is recognised in the profit and loss account using the effective mark-up method (refer note 3.2.1 also).

3.14 Impairment

Financial assets

Impairment / provision against the Ijarah / leasing arrangements is recognised in accordance with the requirements of the prudential regulations.

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial assets 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.

All impairment losses are recognised in 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.

Non-financial assets

The carrying amounts of the other assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense 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.

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Notes to the Financial Statements

For the year ended 30 June 2009

3.15 Segment reporting

A business segment is a distinguishable component of the Modaraba that is engaged in providing related products or services and which is subject to risks and rewards that are different from those of other segments. The Modaraba's primary format for segment reporting is based on 'business segments' as the Modaraba conducts its operations only in Pakistan.

3.16 Morabaha borrowings and financings

Consequent to adoption of Islamic Financial Accounting Standards 1 - Morabaha, issued by the Institute of Chartered Accountants of Pakistan, the Modaraba accounts for morabaha as follows:

- Funds disbursed for purchase of goods are recorded as 'Advance for morabaha'. On culmination of morabaha i.e. on sale of goods to the customers, morabaha financings are recorded at the deferred sale price net of profit.
- Goods purchased but remaining unsold at the balance sheet date are recorded as inventories.
- Profit on morabaha is recognised on an accrual basis. However, profit for the period from the date of disbursement to the date of culmination of morabaha is recognised immediately upon the later date.
- Funds received against sale of goods are recorded as 'morabaha payable'. On the culmination of morabaha i.e. on purchase of goods from the counter party, morabaha payables are recorded at the deferred purchase price net of expense.
- Expense on morabaha is recognised on accrual basis. However, expense for the period from the date of receipt to the date of culmination of morabaha is recognised immediately upon the later date.

3.17 Inventories

These represent inventories, if any, acquired under the Morabaha financing arrangements. The Modaraba values its inventories at the lower of cost and net realisable value. Cost of inventories represents the actual purchase made by the Modaraba or by the customer as an agent on behalf of the Modaraba from the funds disbursed for the purposes of culmination of morabaha. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

3.18 Musharaka finance (lendings)

These are initially recognised at cost, less attributable transactions costs. Subsequent to initial recognition, this is stated at original cost less principal repayment.

4. BANK BALANCES

		2009	2008
<i>With banks:</i>			
In Islamic bank profit and loss sharing accounts	4.1	10,221,581	12,182,524
Balance with State Bank of Pakistan- current account		3,952	3,744
In current accounts		261,400	75,721
In term deposit accounts (with Islamic Bank)		-	60,000,000
		<u>10,486,933</u>	<u>72,261,989</u>
<i>On hand:</i>			
Security stationery		2,600	16,030
	Rupees	<u>10,489,533</u>	<u>72,278,019</u>

4.1 These carry profit rates ranging from 4.90% to 5.47% (2008: 3.09% to 5.72% per annum). This include a balance of Rs 1.084 million with a related party (30 June 2008: Rs.8.19 million).

Notes to the Financial Statements

For the year ended 30 June 2009

5. SHORT-TERM INVESTMENTS

Available-for-sale investments - listed securities

Number of units		Market value	
2009	2008	2009	2008
		(Rupees)	
OPEN ENDED MUTUAL FUND			
-	107,285	-	5,503,618
Meezan Islamic Income Fund			

As of 30 June 2009, unrealized gain on revaluation of above units amounted to Rs. Nil (2008: Rs. 0.503 million).

6. MORABAHA FINANCES - secured

		2009	2008
6.1 Long term			
Considered good		55,487	123,315
Current maturities shown under current assets		(55,487)	(67,828)
	Rupees	-	55,487
6.2 Short term			
Current maturities shown under current assets	6.1	55,487	67,828
Considered - good		3,663,198	11,967,252
- impaired balance		8,220,104	3,539,904
		11,938,789	15,574,984
Impairment loss against doubtful debts		(8,220,104)	(3,539,904)
	Rupees	3,718,685	12,035,080

6.3 The details of the gross balance and unearned income of Morabaha balances are as follows:

	2009		2008	
	Long term	Short term	Long term	Short term
Morabaha finance - gross	-	3,891,070	66,047	12,232,253
Deferred Morabaha income	-	(86,909)	(10,560)	(185,960)
Profit receivable shown in other assets	-	(85,476)	-	(11,213)
	Rupees	3,718,685	55,487	12,035,080

6.4 The above represents amount receivable against Morabaha transactions i.e. sale of goods on a deferred payment basis at a specified profit margin ranging from 10 % to 24 % (2008: 10% to 24%) per annum. The facilities are secured by personal guarantees of the directors, equitable mortgage of property, etc. These morabaha finances are due between July 2009 to June 2010.

6.5 Above morabaha finance receivables include non-performing balances of Rs. 8.22 million (2008: Rs. 8.41 million) on which income is not being accrued in accordance with the Prudential Regulations for Modarabas.

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Notes to the Financial Statements

For the year ended 30 June 2009

7. NET INVESTMENT IN IJARAH FINANCE / ASSETS UNDER IJARAH ARRANGEMENTS		2009	2008
Ijarah contracts commencing upto 30 June 2008 - accounted for as finance leases	7.1	6,530,543	29,779,701
Ijarah contracts commencing 1 July 2008 - accounted for under IFAS 2	7.2	5,490,226	-
		<u>12,020,769</u>	<u>29,779,701</u>
Current portion of net investment in Ijarah finance		<u>(5,836,305)</u>	<u>(22,434,510)</u>
	Rupees	<u>6,184,464</u>	<u>7,345,191</u>

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

	2009			2008		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
Minimum lease payments receivable	42,284,567	248,500	42,533,067	45,053,336	5,932,500	50,985,836
Residual value of leased assets	5,224,007	456,000	5,680,007	18,801,212	1,811,500	20,612,712
Lease contracts receivable	47,508,574	704,500	48,213,074	63,854,548	7,744,000	71,598,548
Unearned lease income (including suspended income)	(7,805,501)	(10,262)	(7,815,763)	(8,124,521)	(398,809)	(8,523,330)
Impairment against potential lease losses (against principal amount)	(33,866,768)	-	(33,866,768)	(33,295,517)	-	(33,295,517)
	(41,672,269)	(10,262)	(41,682,531)	(41,420,038)	(398,809)	(41,818,847)
Rupees	<u>5,836,305</u>	<u>694,238</u>	<u>6,530,543</u>	<u>22,434,510</u>	<u>7,345,191</u>	<u>29,779,701</u>

7.1.1 The Modaraba has entered into certain lease agreements with profit rates ranging from 10% to 24% (2008: 10% to 24%) per annum. The agreements mature between August 2009 to January 2011. These are generally secured against leased assets, personal guarantees and promissory notes, etc. given by the lessees.

7.2 Assets under Ijarah arrangements

The following is a statement of assets leased out

	Cost			Accumulated depreciation			Written down value as at 30 June 2009	Life (years)
	As at 01 July 2008	Additions	As at 30 June 2009	As at 01 July 2008	For the year	As at 30 June 2009		
	(Rupees)							
Plant and Machinery	-	6,440,000	6,440,000	-	1,610,000	1,610,000	4,830,000	3
Vehicles	-	712,900	712,900	-	52,674	52,674	660,226	3
	-	<u>7,152,900</u>	<u>7,152,900</u>	-	<u>1,662,674</u>	<u>1,662,674</u>	<u>5,490,226</u>	

Notes to the Financial Statements

For the year ended 30 June 2009

7.2.1 Contractual rentals receivable

	2009				2008			
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Total	Due within one year	Due after one year but within five years	Due after five years but within ten years	Total
Total future rentals receivable	2,810,665	3,381,045	-	6,191,710	-	-	-	-

8. DIMINISHING MUSHARAKA - secured	2009	2008
Considered good	48,966,691	-
Receivable within one year shown under current assets	(16,146,000)	-
	<u>32,820,691</u>	<u>-</u>

Above facilities carry profit rates ranging from 18.34% to 19.44% to per annum. These facilities mature between January 2011 to December 2011. These are secured against the charge on specific assets.

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good			
- Advances		2,314,412	562,835
- Advance tax		2,912,866	2,432,485
		<u>5,227,278</u>	<u>2,995,320</u>
Advance against future Morabaha finance		-	8,067,487
Deposits		52,400	93,400
Prepayments	9.1	7,139,521	6,844,266
Other receivables			
- Terminated leases	9.2	-	-
- Miscellaneous amount recoverable from the lessees		1,368,239	1,655,900
- Impairment loss against doubtful debts	9.3	(1,368,239)	(1,385,648)
		-	270,252
Dividend receivable - doubtful		16,275	186,150
Impairment loss against doubtful debts	9.4	(16,275)	(16,275)
		-	169,875
Receivable against sale of shares		-	9,834,026
Profit accrued on morabaha finances, sukuk investment certificates and diminishing musharaka finances		1,299,905	283,355
Receivable from brokers - considered doubtful		22,422	22,422
Impairment loss against doubtful debts	9.3	(22,422)	(22,422)
		-	-
Others	9.4	16,586,596	5,089,038
Impairment loss against doubtful debts	9.3	(8,505,366)	(488,665)
Balance considered good		8,081,230	4,600,373
		<u>9,381,135</u>	<u>15,157,881</u>
	Rupees	<u>21,800,334</u>	<u>33,158,354</u>

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Notes to the Financial Statements

For the year ended 30 June 2009

9.1 Prepayments includes prepaid rent of Rs. 6.46 million (2008: Rs. 6.23 million) in respect of the sites hired for mobile towers installation.

9.2	Details of terminated leases are as follows:		2009	2008
	Considered doubtful		<u>6,242,260</u>	<u>6,242,260</u>
			6,242,260	6,242,260
	Impairment loss against doubtful debts	9.3	<u>(6,242,260)</u>	<u>(6,242,260)</u>
	Net closing balance	Rupees	<u>-</u>	<u>-</u>

9.3 Total provision against these impaired debts at the year-end amounted to Rs. 16.15 million (2008: Rs. 8.155 million). The details of movement in impairment loss during the year is given in note 22 to these financial statements.

9.4 This includes an amount of Rs. 7.74 million (2008: Rs. 3.053 million) due from the lessees in respect of the lease rentals under operating leases of 17 towers and other running expenses.

10. LONG-TERM INVESTMENT

10.1 Available-for-sale investments

<u>Number of shares / certificates</u>				<u>Cost</u>	
2009	2008			2009	2008
Unlisted shares					
1,800,000	1,800,000	Al Hamra Hills (Private) Limited (shares of Rs. 10 each)	10.2	17,520,169	17,520,169
Sukuk Certificates					
2,000	2,000	New Allied Electronics Industries (Private) Limited (of Rs. 5,000 each)	10.3	4,333,340	10,025,000
3,000	-	Haq Bahu Sugar Mills (Private) Limited (of Rs. 5,000 each)	10.4	<u>11,250,000</u>	-
			Rupees	<u>33,103,509</u>	<u>27,545,169</u>

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

Modaraba holds 1,800,000 ordinary shares of Rs. 10 each in Al-Hamra Hills (Private) Limited, which represents 2.12% of issued share capital of the investee company.

10.3	Sukuk Certificates of New Allied Electronics Industries (Private) Limited		2009
	Cost		10,000,000
	Provision for impairment		<u>(4,000,000)</u>
			6,000,000
	Shown in current maturity	10.5	<u>(1,666,660)</u>
		Rupees	<u>4,333,340</u>

Notes to the Financial Statements

For the year ended 30 June 2009

10.3.1 This represents Sukuk certificates of New Allied Electronics Industries (Private) Limited. The investee company is under financial crisis. Accordingly the Management Company has made a provision of Rs. 4 million against the gross exposure of Rs. 10 million, which the management company considers is sufficient keeping in view the security held. Accordingly, the Management Company of the Modaraba is of the view that no additional provision for impairment against the net exposure of Rs. 6 million as at the year end is required as it believes that it will be able to recover the amount at which it is carried at the year end.

Unrealised mark-up of Rs. 1.01 million for the period from 3 December 2008 to 30 June 2009 has been suspended. Mark-up is payable on semi annual basis.

These certificates carries profit at 3 months KIBOR +220 bps with floor of 7% and cap of 20% payable semi annually. The tenor of the above instrument is for five years including a grace period of two years and is repayable in six equal consecutive semi annual instalments from 29 May 2010 to 29 November 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 guarantees of the sponsoring directors.

As of 30 June 2009, unrealized gain on revaluation of above certificates amounted to Rs. Nil (2008: Rs. 0.025 million).

10.4 Sukuk Certificates of Haq Bahu Sugar Mills (Private) Limited	2009	2008
Sukuk Certificates of Haq Bahu Sugar Mills (Private) Limited	15,000,000	-
Shown in current maturity	(3,750,000)	-
10.5 Rupees	<u>11,250,000</u>	<u>-</u>

These certificates carries profit at 6 months KIBOR + 325 bps with floor of 11% and cap of 30% payable semi annually. The tenor of the above instrument is for three years including a grace period of one year and is repayable in four equal consecutive semi annual instalments from 13 February 2010 to 12 February 2013. These certificates are secured against first pari passu charge on all present and future assets of the company with 25% margin & personal guarantee of sponsoring directors. These certificates are not quoted and are being carried in the financial statements at cost (as it is not practicable to determine fair value, however, the financial impact is not likely to be material).

10.5 Current maturity of investments and diminishing Musharaka

Sukuk certificates of New Allied Electronics Industries (Private) limited	10.3	1,666,660	-
Sukuk certificates of Haq Bahu Sugar Mills (Private) Limited	10.4	3,750,000	-
Diminishing Musharaka	8	16,146,000	-
Rupees		<u>21,562,660</u>	<u>-</u>

11. LONG TERM DEPOSIT RECEIVABLE

This includes Rs. 3.018 million paid to a leasing company on account of sale and lease back of 8 mobile towers (refer note 13 for details).

12. FIXED ASSETS

Operating fixed assets (excluding towers and allied equipments) - in own use	12.1	9,496,537	10,941,416
Towers and allied equipments - held for operating lease arrangements	12.2	50,302,493	53,648,331
Capital work in progress	12.3	64,412,430	61,054,430
Rupees		<u>124,211,460</u>	<u>125,644,177</u>

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For the year ended 30 June 2009

12.1 Operating fixed assets - in own use

	2009									
	Cost					Depreciation		Net carrying value as at 30 June 2009	Rate of depreciation per annum %	
	As at 1 July 2008	Additions	Disposals	As at 30 June 2009	As at 1 July 2008	For the year / (reversal on disposal)	As at 30 June 2009			
Owned										
Office premises - leasehold	12,546,257	-	-	12,546,257	6,176,698	627,313	6,804,011	5,742,246	5	
Vehicles	3,999,388	847,895	(609,000)	4,238,283	1,871,773	710,673 (609,000)	1,973,446	2,264,837	20	
Furniture and fixtures	2,360,201	-	(369,026)	1,991,175	1,890,727	60,144 (302,731)	1,648,140	343,035	10	
Office equipments	3,001,827	68,000	(239,824)	2,830,003	1,593,491	528,048 (176,841)	1,944,698	885,305	10 to 50	
Computers	1,970,079	100,000	(100,628)	1,969,451	1,403,647	396,924 (92,234)	1,708,337	261,114	33	
2009	Rupees	23,877,752	1,015,895	(1,318,478)	23,575,169	12,936,336	2,323,102 (1,180,806)	14,078,632	9,496,537	
	2008									
	Cost					Depreciation		Net carrying value as at 30 June 2008	Rate of depreciation per annum %	
	As at 1 July 2007	Additions	Disposals	As at 30 June 2008	As at 1 July 2007	For the year / (reversal on disposal)	As at 30 June 2008			
Owned										
Office premises - leasehold	12,546,257	-	-	12,546,257	5,549,385	627,313	6,176,698	6,369,559	5	
Vehicles	3,992,070	1,599,388	(1,592,070)	3,999,388	1,172,002	916,840 (217,069)	1,871,773	2,127,615	20	
Furniture and fixtures	2,351,819	210,419	(202,037)	2,360,201	1,974,634	50,041 (133,948)	1,890,727	469,474	10	
Office equipments	3,624,934	48,500	(671,607)	3,001,827	1,650,938	536,385 (593,832)	1,593,491	1,408,336	10 to 50	
Computers	2,125,963	123,100	(278,984)	1,970,079	1,184,792	427,691 (208,836)	1,403,647	566,432	33	
2008	Rupees	24,641,043	1,981,407	(2,744,698)	23,877,752	11,531,751	2,558,270 (1,153,685)	12,936,336	10,941,416	

Notes to the Financial Statements

For the year ended 30 June 2009

12.2 Towers and allied equipments - held for operating lease arrangements

	2009							
	Cost			Depreciation		Net carrying value as at 30 June 2009	Rate of depreciation per annum %	
	As at 1 July 2008	Additions	As at 30 June 2009	As at 1 July 2008	For the year			As at 30 June 2009
Owned								
Towers with allied equipments	26,414,338	642,500	27,056,838	3,464,312	1,083,050	4,547,362	22,509,476	5
Other allied equipments	17,017,743	3,555,903	20,573,646	7,665,153	3,014,599	10,679,752	9,893,894	20
Leased								
Towers with allied equipments	22,030,590	-	22,030,590	3,478,664	1,347,770	4,826,434	17,204,156	5
Other allied equipments	7,988,366	-	7,988,366	5,194,577	2,098,822	7,293,399	694,967	20
Rupees	73,451,037	4,198,403	77,649,440	19,802,706	7,544,241	27,346,947	50,302,493	
	2008							
	Cost			Depreciation		Net carrying value as at 30 June 2008	Rate of depreciation per annum %	
	As at 1 July 2007	Additions	As at 30 June 2008	As at 1 July 2007	For the year			As at 30 June 2008
Owned								
Towers with allied equipments	26,155,296	259,042	26,414,338	2,399,549	1,064,763	3,464,312	22,950,026	5
Other allied equipments	16,383,889	633,854	17,017,743	4,857,811	2,807,342	7,665,153	9,352,590	20
Leased								
Towers with allied equipments	22,030,590	-	22,030,590	2,130,894	1,347,770	3,478,664	18,551,926	5
Other allied equipments	7,988,366	-	7,988,366	3,095,755	2,098,822	5,194,577	2,793,789	20
Rupees	72,558,141	892,896	73,451,037	12,484,009	7,318,697	19,802,706	53,648,331	

12.2.1 Operating lease rental receivables

	Rupees	2009				2008			
		Not later than one year	Later than one and less than five years	More than five years	Total	Not later than one year	Later than one and less than five years	More than five years	Total
Minimum lease payments receivables		57,810,501	216,390,596	175,943,263	450,144,360	26,835,494	130,597,643	120,077,972	277,511,109

The Modaraba has entered into ten year operating lease agreements with Wireless Loop Operators. Monthly rentals due under these arrangements are to be increased on an annual basis by 8%.

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12.3	Capital work in progress		2009	2008
	Advance payments for the vehicles		1,668,000	-
	Lease hold land and related expenses	12.3.1 Rupees	62,744,430	61,054,430
			64,412,430	61,054,430

12.3.1 This represents a lease hold land acquired by the Modaraba for the purposes of setting up a petrol and diesel filling / service station (filling / service station). The Modaraba, subsequent to the year end, entered in an agreement and a memorandum of understanding with an 'Oil Marketing Company' under which the Modaraba has sub-leased the above land to that company for the purposes of setting up and operating the above referred filling / service station at the Land by the Modaraba. Construction work is expected to commence shortly (and is to be borne by the Modaraba while equipments shall be provided by the company). Initially the sub-lease shall be for 15 years, renewable for further period on a mutually agreed basis. The filling / service station shall be operated by the Modaraba.

12.4 Details of disposal of fixed assets are as under:

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of purchasers
Vehicle	609,000	609,000	-	390,000	390,000	Negotiation	Sohail Ahmed - B 20 Ah Hamd Garden, Plot 543, Karachi
Furniture & Fixture	369,026	302,731	66,295	26,111	(40,184)	Negotiation	M/s Abu Bakar & Brothers - Plot # 531, Street # 20, Main Tauheed Commercial Road, Karachi.
Equipments	239,824	176,841	62,983	16,969	(46,014)	Negotiation	
Computer equipments	100,628	92,234	8,394	7,120	(1,274)	Negotiation	
2009	Rupees	1,318,478	1,180,806	137,672	440,200	302,528	
2008	Rupees	2,744,698	1,153,233	1,591,465	1,631,500	40,035	

13. LIABILITY AGAINST IJARAH FINANCE

The Modaraba entered in a sale and lease back arrangement on 31 December 2005 with a leasing company under which 8 towers have been sold and reacquired under finance lease arrangement (sale and lease back). The amount of future payments for the lease and the period in which the lease payments will become due are as follows:

	2009			2008		
	Not later than one year	Later than one year but not later than five years	Total	Not later than one year	Later than one year but not later than five years	Total
Minimum Lease Payments	8,515,956	5,147,954	13,663,910	8,265,644	13,351,020	21,616,664
Financial charges of future period	(1,061,704)	(80,013)	(1,141,717)	(1,770,415)	(942,350)	(2,712,765)
Principal outstanding Rupees	7,454,252	5,067,941	12,522,193	6,495,229	12,408,670	18,903,899

The present value of minimum lease payments has been discounted at six months Karachi Inter Bank Offer Rate (KIBOR) plus a premium of 2.75% (resulting in current effective mark-up rate of 15.62% per annum). The arrangement is for a period of 5 years and will mature on 31 December 2010. Above lease agreements were executed prior to 1 July 2008.

Notes to the Financial Statements

For the year ended 30 June 2009

14. CREDITORS, ACCRUED AND OTHER LIABILITIES		2009	2008
Creditors	14.1	11,055,587	10,828,114
Accrued liabilities	14.2	2,743,774	1,866,408
Management fee payable	14.3	-	-
Others	14.4	3,505,760	3,802,214
Rentals received in advance		37,584	143,883
	Rupees	<u>17,342,705</u>	<u>16,640,619</u>
14.1	This includes Rs. 7.56 million (2008: Rs 7.9 million) payable in respect of the construction of mobile towers.		
14.2	Included in this amount is the liability in respect of staff compensated absences which amounts to Rs. 912,748/- (2008: Rs. 581,783/-).		
14.3	The Modaraba Management Company is entitled to remuneration for services rendered to the Modaraba under the provisions of the Modaraba Ordinance, 1980, up to a maximum of 10% per annum of the net annual profits of the Modaraba. No provision has been made in the current year due to loss for the year.		
14.4	This include late payment charges of Rs. 3.95 million (2008: Rs. 3.8 million) on rentals recovered from the customers of the Modaraba.		
15. SECURITY DEPOSITS LIABILITY			
Customers' security deposits	15.1	6,480,294	20,612,712
Current maturity shown under current liabilities		<u>(5,224,007)</u>	<u>(18,801,212)</u>
		1,256,287	1,811,500
Security deposits in respect of mobile towers		7,980,000	7,290,000
	Rupees	<u>9,236,287</u>	<u>9,101,500</u>
15.1	Represents sum received under Ijarah finance, repayable / adjustable on the expiry of the lease period.		
16. CERTIFICATE CAPITAL			
16.1 Issued, subscribed and paid up capital			
13,569,000 (2008: 13,569,000) Modaraba Certificates of Rs.10 each fully paid in cash		135,690,000	135,690,000
4,688,400 (2008: 4,688,400) Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates		46,884,000	46,884,000
166,545 (2008: 166,545) Modaraba Certificates of Rs. 10 each issued due to merger of former Modaraba Al Tijara		1,665,450	1,665,450
	Rupees	<u>184,239,450</u>	<u>184,239,450</u>

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16.2 Following certificates are held by associated undertakings:

Number of certificates		Name of the entity		2009	2008
2009	2008				
<u>2,342,490</u>	<u>2,039,686</u>	BankIslami Modaraba Investments Limited	Rupees	<u>23,424,900</u>	<u>20,396,860</u>

17. CONTINGENCIES

17.1 A suit was filed against the Modaraba in 1994 for Rs. 6.48 million (2008 : Rs. 6.48 million) being a claim for refund of security deposit in respect of lease finance. The case was decided by the Banking Court in favour of Plaintiff along with 10% mark-up. The Modaraba is now defending the case in honourable High Court of Sindh as the Modaraba has the evidence of the repayment of this amount. The management of the Modaraba based on the lawyer's opinion is of the view that it stands a fairly good chance for decision of the case in its favour and consequently no provision has been made in the accounts against this claim.

17.2 A suit for specific performance of contract, permanent injunction, damages and compensation was filed in the Honourable High Court of Islamabad against the Modaraba for Rs. 643 million (including Rs. 500 million against loss in business due to defamation). The Modaraba had moved an application under the Arbitration Act, 1940 for the stay of suit in view of the Arbitration clause in an agreement with the Plaintiff. Subsequently the Honourable High Court of Islamabad stayed the proceedings and directed that the dispute may be referred to arbitration. Subsequent to the above decision, the matter has not been referred for arbitration by the litigant. The management is of the view that, even if the proceedings are decided under the arbitration agreement, no additional liability (in addition to the amount already recorded - note 14.1) would need to be recorded in this case and as such no provision for the above amount has been made in these accounts.

18. INCOME FROM IJARAH FINANCES

Leasing income	18.1	21,791,535	26,773,447
Consortium lease arrangement fee		-	1,000,000
Loss on termination of leases		-	(7,810)
	Rupees	<u>21,791,535</u>	<u>27,765,637</u>

18.1 This includes Rs. 18.934 million (2008: Rs. 24.048 million) under operating lease / licensing arrangements.

19. OTHER OPERATING INCOME - net (from financial assets)

Gain / (loss) on sale of investments - net		664,778	(59,391)
Dividend income		-	169,875
	Rupees	<u>664,778</u>	<u>110,484</u>

20. PROFIT DISTRIBUTION ON BORROWINGS

Profit on Ijarah finance borrowings (lease liabilities)		2,253,509	2,694,780
Profit on short term morabaha borrowings		-	103,304
Profit on certificate of musharika borrowings		-	-
	Rupees	<u>2,253,509</u>	<u>2,798,084</u>

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For the year ended 30 June 2009

21. OPERATING COSTS		2009	2008
Salaries and allowances		7,989,627	8,998,615
Gratuity	21.1.3	163,000	250,000
Provident fund contribution		334,247	384,887
Compensated absences		406,448	273,422
Subscription		201,437	644,187
Legal and professional charges		1,665,841	839,808
Rent, rates and taxes		9,323,561	7,635,525
Printing and stationery		594,514	408,583
Telephone		671,952	794,606
Postage		235,507	103,309
Fuel and conveyance		936,131	1,179,104
Share registrar services		189,760	156,000
Repairs and maintenance		1,292,990	1,302,957
Travelling and accommodation		390,284	356,902
Security services charges		3,102,500	2,448,000
Advertisement		75,600	166,678
Insurance		494,973	402,137
Auditors' remuneration	21.2	328,600	315,250
Depreciation	12.1&12.2	9,867,343	9,876,967
Electricity		473,781	751,379
Miscellaneous expenses		916,671	1,512,236
	Rupees	<u>39,654,767</u>	<u>38,800,552</u>
21.1 Defined benefit plan - gratuity			
21.1.1 Present value of plan assets and present value of obligation:			
Present value of defined benefit obligation	21.1.4	1,573,180	1,081,000
Fair value of allocated plan assets	21.1.5 & 21.1.6	<u>(1,834,858)</u>	<u>(1,514,000)</u>
Surplus		(261,678)	(433,000)
Unrecognised actuarial gain		261,678	433,000
Net (asset) / liability recognised on the balance sheet	Rupees	<u>-</u>	<u>-</u>
21.1.2 Movement in amount payable to the defined benefit plan:			
Opening balance		-	-
Charge for the year	21.1.3	163,000	250,000
Contribution to the fund during the year		<u>(163,000)</u>	<u>(250,000)</u>
Closing balance	Rupees	<u>-</u>	<u>-</u>

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Notes to the Financial Statements

For the year ended 30 June 2009

21.1.3	Amount charged to the profit and loss account:	2009	2008
	Following amounts have been charged to the profit and loss account during the current year in respect of this scheme:		
	Current service cost	231,000	294,000
	Mark-up cost	142,000	105,000
	Expected return on plan assets	(190,000)	(135,000)
	Unrecognised actuarial loss	(20,000)	(14,000)
	Rupees	<u>163,000</u>	<u>250,000</u>
21.1.4	Movement in the present value of defined benefit obligation is as follow:		
	Present value of defined benefit obligation at beginning of the year	1,081,000	910,000
	Current service cost	231,000	294,000
	Mark-up cost	142,000	105,000
	Benefit paid	-	(18,000)
	Unrecognised actuarial loss / (gain)	119,180	(210,000)
	Present value of defined benefit obligation at end of the year	<u>1,573,180</u>	<u>1,081,000</u>
	Rupees		
21.1.5	Movement in the fair value of plan assets is as follow:		
	Fair value of plan assets at beginning of the year of the year	1,514,000	1,236,000
	Adjustment to opening balance	14,522	-
	Expected return on plan assets	190,000	135,000
	Contributions	163,000	250,000
	Benefit paid	-	(18,000)
	Unrecognised actuarial loss for the year	(46,664)	(89,000)
	Fair value of plan assets at end of the year	<u>1,834,858</u>	<u>1,514,000</u>
	Rupees		
21.1.6	Composition of plan assets		
	Debt instruments	251,657	187,000
	Cash	1,569,687	1,327,000
	Others	13,514	-
	Rupees	<u>1,834,858</u>	<u>1,514,000</u>

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

Gratuity Fund		2009	2008	2007	2006	2005	2004
Present value of defined benefit obligation		1,573,180	1,081,000	910,000	1,578,000	1,170,000	1,186,000
Fair value of plan assets		(1,834,858)	(1,514,000)	(1,236,000)	(1,752,000)	(1,345,000)	(1,333,000)
Surplus	Rupees	<u>(261,678)</u>	<u>(433,000)</u>	<u>(326,000)</u>	<u>(174,000)</u>	<u>(175,000)</u>	<u>(147,000)</u>
Actuarial gain / (loss) on obligation							
Experience adjustment	Rupees	<u>119,180</u>	<u>(210,000)</u>	<u>34,000</u>	<u>13,000</u>	<u>171,000</u>	<u>87,000</u>
Actuarial gain / (loss) on assets							
Experience adjustment	Rupees	<u>(46,664)</u>	<u>(89,000)</u>	<u>186,000</u>	<u>15,000</u>	<u>200,000</u>	<u>2,000</u>

21.1.8 Actuarial assumptions	2009	2008
	(%)	(%)
Expected rate of increase in salary	12	12
Discount rate used to determine the actuarial present value of obligation	12	12
Expected return on plan assets	12	12

21.1.9 Expected accrual of expenses in respect of gratuity scheme in the next financial year on the advice of the actuary is Rs. 54,273.

21.2 Auditors' remuneration

Statutory audit	175,000	165,000
Review report on statement of compliance with the Code of Corporate Governance	40,000	40,000
Review of the half yearly financial statements	50,000	70,000
Other certifications	10,000	30,000
Out of pocket expenses	53,600	10,250
	Rupees	
	<u>328,600</u>	<u>315,250</u>

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22. IMPAIRMENT LOSS / (REVERSALS)

	2009				2008				
	Ijarah receivables (Note 7)	Morabaha finance (Note 6)	Investments (Note 10.3)	Others (Note 9.4)	Total	Ijarah receivables (Note 7)	Morabaha finance (Note 6)	Others (Note 9.4)	Total
Opening balance	33,295,517	3,539,904	-	8,155,270	44,990,691	34,583,339	4,053,201	8,571,920	47,208,460
Charged during the year	972,757	4,882,307	4,000,000	8,016,701	17,871,765	25,201	153,633	90,000	268,834
Reversed due to recoveries	(401,506)	(202,107)	-	(17,409)	(621,022)	(1,313,023)	(666,930)	(506,650)	(2,486,603)
Closing balance	<u>33,866,768</u>	<u>8,220,104</u>	<u>4,000,000</u>	<u>16,154,562</u>	<u>62,241,434</u>	<u>33,295,517</u>	<u>3,539,904</u>	<u>8,155,270</u>	<u>44,990,691</u>

Rupees

23. OTHER INCOME

	2009	2008	
Gain on disposal of fixed assets	12.4	302,528	40,037
Rent income		1,691,700	1,337,000
Profit on profit and loss sharing bank balances		643,266	1,449,772
Profit on term deposits with Islamic Banks		2,520,930	4,366,947
Profit on Sukuk Investment certificates		2,920,591	698,636
Others		197,658	989,417
	Rupees	<u>8,276,673</u>	<u>8,881,809</u>

24. TAXATION

24.1 The income of non-trading modaraba is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders. Besides during the year the Modaraba incurred loss.

24.2 The income tax returns of the Modaraba have been filed for the financial year ended 30 June 2003 to 30 June 2008 which are deemed to be assessment order under the Self Assessment Scheme of the Income Tax Ordinance, unless selected for audit by the taxation authorities.

25. (LOSS) / EARNINGS PER CERTIFICATE - basic and diluted

(Loss) / profit after tax for the year	Rupees	<u>(22,286,824)</u>	<u>6,120,790</u>
Weighted average number of certificates outstanding during the year	Number	<u>18,423,945</u>	<u>18,423,945</u>
Basic (loss) / earning per certificate	Rupees	<u>(1.21)</u>	<u>0.33</u>

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

26. ADJUSTMENTS FOR NON-CASH ITEMS (in the cash flow)

Depreciation on assets under Ijarah arrangements	7.2	1,662,674	-
Depreciation	21	9,867,343	9,876,967
Impairment loss	22	17,250,743	(2,217,770)
Gain on disposal of fixed assets	12.4	(302,528)	(40,037)
Profit distribution on borrowings	20	2,253,509	2,798,084
Gain on sale of short term investment	19	(664,778)	-
Dividend income	19	-	(169,875)
	Rupees	<u>30,066,963</u>	<u>10,247,369</u>

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27. TRANSACTIONS WITH RELATED PARTIES

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

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

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

27.1 Balances outstanding at year end			2009	2008
BankIslami Modaraba Investments Limited				
- Management fee payable	14.3	Rupees	-	-
BankIslami Pakistan Limited				
- Profit receivable on term deposits accounts		Rupees	-	172,142
BankIslami Pakistan Limited				
- Bank deposits	4.1	Rupees	1,083,648	68,193,752
Receivable from BankIslami Pakistan Limited for sharing of expenses		Rupees	363,596	1,520,500
Amount payable to BankIslami Pakistan Limited for the purchase of vehicle		Rupees	847,895	-
27.2 Transactions during the year				
BankIslami Modaraba Investments Limited (management company)				
Management fee	14.3	Rupees	-	-
BankIslami Pakistan Limited (holding company of the management company)				
Profit on Islamic profit and loss sharing bank balance		Rupees	391,884	1,008,712
Purchase of vehicle		Rupees	847,895	-
Rental income		Rupees	1,691,700	1,337,000
Bank charges (expense)		Rupees	500	1,503
Profit on Term Deposit receipts		Rupees	1,352,573	4,366,947
Gain on sale of fixed assets		Rupees	-	75,360
Other related parties (other than key management personnel)				
Contributions to staff provident fund		Rupees	334,247	384,887
Contribution to staff gratuity fund and charge for the year	21.1.2 & 21.1.5	Rupees	163,000	250,000

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28. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

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

	2009			2008			
	Officers (key management personnel)	Other employees	Total	Officers (key management personnel)	Other employees	Total	
Salaries	2,147,102	2,339,258	4,486,360	1,839,361	3,346,365	5,185,726	
Retirement benefits							
Defined contribution plan							
- provident fund	178,849	155,398	334,247	143,211	241,676	384,887	
Defined benefit plan							
- gratuity fund	59,010	103,990	163,000	202,497	47,503	250,000	
House rent allowance	966,199	1,047,891	2,014,090	773,698	1,365,816	2,139,514	
Conveyance and other allowances	530,066	1,365,559	1,895,625	506,928	1,439,617	1,946,545	
Rupees	3,881,226	5,012,096	8,893,322	3,465,695	6,440,977	9,906,672	
Number of persons at the end of the year	Number	4	20	24	2	22	24

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

29. FINANCIAL INSTRUMENTS

Financial risk management

The Board of Directors of the management company has the overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

29.1 Credit risk

29.1.1 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, without taking into account the fair value of any collateral. The risk is generally limited to principal amounts and accrued profit thereon, if any. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

Credit risk of the Modaraba arises principally from, net investment in Ijarah finance / assets under Ijarah arrangements, bank balances, morabaha and musharaka finances, investments deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The Modaraba's policy is to enter into financial contracts in accordance with internal risk management policies and the requirements of the Prudential Regulations for Modarabas issued by the SECP. The risk of failure of counterparty exposure causing a loss to the Modaraba is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis, etc., and wher-

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ever avoidable. The Modaraba seeks to manage its credit risk exposure through diversification of leasing / ijarah activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. Cash is held only with reputable banks with high quality credit worthiness. Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.

29.1.2 In summary, compared to the maximum amount included in Balance sheet, the maximum exposure to credit risk as at 30 June 2009 is as follows:

		2009	2008
Available for sale investments		21,000,000	15,528,618
Morabaha finance		3,718,685	12,090,567
Diminishing musharaka		48,966,691	-
Net investment in Ijarah finance / assets under Ijarah arrangements	29.1.2.1	5,540,475	9,166,989
Deposits		3,208,865	3,249,865
Other receivables		9,381,135	23,788,203
Bank balances	29.1.2.2	10,482,981	72,258,245
	Rupees	<u>102,298,832</u>	<u>136,082,487</u>

29.1.2.1 Investment in ijarah finance / assets under ijarah arrangements		12,020,769	29,779,701
Security deposits held		<u>(6,480,294)</u>	<u>(20,612,712)</u>
	Rupees	<u>5,540,475</u>	<u>9,166,989</u>

29.1.2.2 Bank balances include an amount of Rs. 3,952 deposited with the State Bank of Pakistan (2008: Rs. 3,744) and security papers of Rs. 2,600 (2008: Rs. 16,030) which are not considered to carry credit risk.

29.1.3 Details of the industry sector analysis of the Modaraba's above financial instruments exposed to credit risk is given below:

Industry sector	2009		2008	
	(Rupees)	%	(Rupees)	%
Financial Institutions	13,791,166	13.48	82,514,000	60.64
Distributors, wholesalers and retailers	140,298	0.14	9,419,564	6.92
Sugar	15,989,778	15.63	-	-
Steel, engineering and autos	23,796,691	23.26	10,100,000	7.42
Construction	3,663,197	3.58	183,355	0.13
Transport and communication	42,670,811	41.71	13,187,627	9.69
Individuals	2,246,891	2.20	3,766,126	2.77
Energy, oil and gas	-	-	169,875	0.12
Chemical, fertilizer and pharma	-	-	77,934	0.06
Textile and garments	-	-	1,875,715	1.38
Paper and board	-	-	4,875,000	3.58
Brokerage Houses	-	-	9,834,026	7.23
Health care	-	-	-	-
Media and showbiz	-	-	79,265	0.06
	<u>102,298,832</u>	<u>100.00</u>	<u>136,082,487</u>	<u>100.00</u>

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29.1.4 Impairment losses and past due balances

Age analysis of above financial assets is as follows:

	2009		2008	
	Gross	Impairment loss recognised	Gross	Impairment loss recognised
Not past due	114,278,371	12,119,837	97,439,976	8,891,256
Past due 1-90 days	-	-	24,528,324	-
Past due 91-180 days	140,298	-	1,358,337	1,358,337
Past due 181 days-1 year	-	-	22,910,837	661,453
Past due 1 year -2 years	13,564,779	13,564,779	4,205,678	3,449,619
More than 2 years	36,556,818	36,556,818	30,630,026	30,630,026
Rupees	<u>164,540,266</u>	<u>62,241,434</u>	<u>181,073,178</u>	<u>44,990,691</u>

Details of the impairment provisions are given in note 22.

29.2 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected. 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 stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	2009					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to Five years	More than five years
Non-Derivative Financial liabilities						
Liability against Ijarah finance	12,522,193	13,663,910	4,257,978	4,257,978	5,147,954	-
Creditors, accrued and other liabilities	17,305,121	17,305,121	17,305,121	-	-	-
Security deposits	14,460,294	14,460,294	4,568,507	655,500	9,236,287	-
Unclaimed profit distribution	6,600,650	6,600,650	6,600,650	-	-	-
Rupees	<u>50,888,258</u>	<u>52,029,975</u>	<u>32,732,256</u>	<u>4,913,478</u>	<u>14,384,241</u>	<u>-</u>
	2008					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to Five years	More than five years
Non-Derivative Financial liabilities						
Liability against Ijarah finance	18,903,899	21,616,664	4,132,822	4,132,822	13,351,020	-
Creditors, accrued and other liabilities	16,496,736	16,496,736	16,496,736	-	-	-
Security deposits	27,902,712	27,902,712	16,478,788	2,322,424	9,101,500	-
Unclaimed profit distribution	6,329,148	6,329,148	6,329,148	-	-	-
Rupees	<u>69,632,495</u>	<u>72,345,260</u>	<u>43,437,494</u>	<u>6,455,246</u>	<u>22,452,520</u>	<u>-</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June 2009 (and includes both principal and interest payable thereon). The rate of mark-up has been discussed in note 13 to these financial statements.

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The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June 2009 (and includes both principal and interest payable thereon). The rate of mark-up has been discussed in note 13 to these financial statements.

29.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a 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.

29.3.1 Mark-up / profit rate risk

Yield / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in debt securities, and profit and loss sharing bank balances. To enhance the earning potential of the Modaraba, the Modaraba invests in variable rate instruments as most of the instruments currently available are indexed to KIBOR. The Modaraba monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities. Other risk management procedures are the same as those mentioned in the credit risk management.

The following table analyses the Modaraba's interest rate risk exposure, categorised on the basis of the earlier of contractual re-pricing or maturity dates.

	Mark-up / Profit rate (%)	2009							Sub Total	Non mark-up/ profit bearing	Total
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Profit / mark-up bearing		Over 3 to 5 years	Over 5 years			
					Over 6 months to 1 year	Over 1 to 3 years					
Financial Assets											
Morabaha finances	10 to 24	1,780,873	1,899,902	18,351	19,559	-	-	-	3,718,685	-	3,718,685
Investment	17.59	-	-	-	3,750,000	11,250,000	-	-	15,000,000	23,520,169	38,520,169
Diminishing musharaka	18.34 to 19.44	439,250	878,500	3,495,169	11,333,081	32,820,691	-	-	48,966,691	-	48,966,691
Deposits		-	-	-	-	-	-	-	-	3,208,865	3,208,865
Net investment in Ijarah	10 to 24	923,623	815,179	87,312	186,184	694,238	-	-	2,706,536	9,314,233	12,020,769
Other receivables		-	-	-	-	-	-	-	-	9,381,135	9,381,135
Bank balances	4.90 to 5.47	10,221,581	-	-	-	-	-	-	10,221,581	265,352	10,486,933
	Rupees	13,365,327	3,593,581	3,600,832	15,288,824	44,764,929	-	-	80,613,493	45,689,754	126,303,247
Financial Liabilities											
Security deposits		-	-	-	-	-	-	-	-	14,460,294	14,460,294
Creditors, accrued and other liabilities		-	-	-	-	-	-	-	-	17,305,121	17,305,121
Liability against Ijarah	12.13	-	1,757,888	1,826,533	3,869,830	5,067,942	-	-	12,522,193	-	12,522,193
Unclaimed profit distribution		-	-	-	-	-	-	-	-	6,600,650	6,600,650
	Rupees	-	1,757,888	1,826,533	3,869,830	5,067,942	-	-	12,522,193	38,366,065	50,888,258
On-balance sheet gap - 2009 (a)	Rupees	13,365,327	1,835,693	1,774,299	11,418,994	39,696,987	-	-	68,091,300	7,323,689	75,414,989

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

Modaraba Al Mali

Notes to the Financial Statements

For the year ended 30 June 2009

	Mark-up / Profit rate (%)	2008							Non mark-up/ profit bearing	Total	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Profit / mark-up bearing		Over 3 to 5 years	Over 5 years			Sub Total
				Over 6 months to 1 year	Over 1 to 3 years						
Financial Assets											
Morabaha finances	10 to 24	6,262,484	5,137,978	211,846	422,772	55,487	-	-	12,090,567	-	12,090,567
Long term investment	15.07	-	-	-	-	-	10,025,000	-	10,025,000	17,520,169	27,545,169
Long term deposits		-	-	-	-	-	-	-	-	3,249,865	3,249,865
Short-term investments		-	-	-	-	-	-	-	-	5,503,618	5,503,618
Net investment in Ijarah	10 to 24	897,147	14,868,609	1,281,554	5,387,200	7,345,191	-	-	29,779,701	-	29,779,701
Other receivables		-	-	-	-	-	-	-	-	23,788,203	23,788,203
Bank balances	1.35 to 4.31	12,182,524	-	60,000,000	-	-	-	-	72,182,524	79,465	72,261,989
	Rupees	<u>19,342,155</u>	<u>1,981,407</u>	<u>61,493,400</u>	<u>892,896</u>	<u>7,400,678</u>	<u>10,025,000</u>	<u>-</u>	<u>124,077,792</u>	<u>50,141,320</u>	<u>174,219,112</u>
Financial Liabilities											
Security deposits		-	-	-	-	-	-	-	-	27,902,712	27,902,712
Creditors, accrued and other liabilities		-	-	-	-	-	-	-	-	16,496,736	16,496,736
Liability against Ijarah	12.13	-	1,546,179	1,596,817	3,352,233	12,408,670	-	-	18,903,899	-	18,903,899
Unclaimed profit distribution		-	-	-	-	-	-	-	-	6,329,148	6,329,148
	Rupees	<u>-</u>	<u>1,546,179</u>	<u>1,596,817</u>	<u>3,352,233</u>	<u>12,408,670</u>	<u>-</u>	<u>-</u>	<u>18,903,899</u>	<u>50,728,596</u>	<u>69,632,495</u>
On-balance sheet gap - 2008 (a)	Rupees	<u>19,342,155</u>	<u>435,228</u>	<u>59,896,583</u>	<u>(2,459,337)</u>	<u>(5,007,992)</u>	<u>10,025,000</u>	<u>-</u>	<u>105,173,893</u>	<u>(587,276)</u>	<u>104,586,617</u>

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

At 30 June 2009, details of the interest rate profile of the Modaraba's interest bearing financial instruments were as follows:

Fixed rate instruments		2009	2008
Financial assets	Rupees	<u>3,718,685</u>	<u>12,090,567</u>
Variable rate instruments			
Financial assets	Rupees	<u>76,894,808</u>	<u>111,987,225</u>
Financial liabilities	Rupees	<u>12,522,193</u>	<u>18,903,899</u>

Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and the equity of the Modaraba.

Notes to the Financial Statements

For the year ended 30 June 2009

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased / decreased the loss for the year and equity by Rs. 69,377.

A change of 100 basis points in interest rates on financial liabilities at the reporting date would not have significant effect on equity and loss for the year.

29.3.1.1 Other price risk

Other price risk for the Modaraba represents equity price risks which is the risk of changes in the fair value of equity securities as a result of changes in the value of individual shares. At 30 June 2009, the Modaraba had an investment of Rs. 17.52 million (2008: Rs. 17.52 million) in shares of Al Hamra Hills (Private) Limited (refer note 10 for details). The relative sensitivity of above investment to the change in equity prices with simultaneous effect on the Modaraba's equity has not been disclosed in these financial statements in view of the absence of a market for this category of investment.

29.4 Fair value of financial assets and liabilities

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. Consequently differences can arise between carrying values and the fair value estimates.

The carrying amounts of all financial assets and liabilities reflected in the financial statements are expected to approximate their fair values except for net investments in ijarah finance / assets under ijarah arrangements at fixed rate of return. The fair value of these financial assets cannot be estimated due to the absence of market for such assets.

29.5 Capital risk management

The Modaraba's objective when managing capital is to safe guard the Modaraba's ability to continue as a going concern so that it can continue to provide optimum returns to its certificate holders' and benefits of other stake holders and to maintain a strong capital based to support the sustained development of its businesses.

The Modaraba manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit distributable to certificate holders or issue new certificates.

The Modaraba is not subject to externally imposed capital requirements.

Modaraba Al Mali

Notes to the Financial Statements

For the year ended 30 June 2009

30. INFORMATION ABOUT BUSINESS SEGMENTS

		2009			
		Investment in shares	Ijarah, morabaha & diminishing musharaka	Operating lease of mobile towers	Consolidated
REVENUE	Rupees	<u>3,585,369</u>	<u>10,659,551</u>	<u>18,933,867</u>	<u>33,178,787</u>
RESULT					
Segment result		(414,637)	(13,527,817)	(13,641,155)	(27,583,609)
Other income		-	-	-	5,296,785
Loss for the year				Rupees	<u>(22,286,824)</u>
OTHER INFORMATION					
Capital expenditure		-	1,015,895	4,198,403	5,214,298
Depreciation and amortisation		-	3,985,776	7,544,241	11,530,017
Non cash income		(4,000,000)	(5,234,038)	(8,016,701)	(17,250,739)
ASSETS AND LIABILITIES					
Segment assets		39,509,947	65,720,272	61,960,434	167,190,653
Unallocated corporate assets		-	-	-	95,693,453
Consolidated total assets				Rupees	<u>262,884,106</u>
Segment liabilities		-	6,480,294	28,531,088	35,011,382
Unallocated corporate liabilities		-	-	-	15,914,460
Consolidated total liabilities				Rupees	<u>50,925,842</u>
		2008			
		Investment in shares	Ijarah, morabaha & diminishing musharaka	Operating lease of mobile towers	Consolidated
REVENUE	Rupees	<u>110,484</u>	<u>12,461,330</u>	<u>24,048,033</u>	<u>36,619,847</u>
RESULT					
Segment result		110,484	(3,693,856)	822,353	(2,761,019)
Other income		-	-	-	8,881,809
Profit for the year				Rupees	<u>6,120,790</u>
OTHER INFORMATION					
Capital expenditure		-	1,981,407	892,896	2,874,303
Depreciation and amortisation		-	2,558,270	7,318,697	9,876,967
Non cash expenses		-	(2,217,770)	-	(2,217,770)
ASSETS AND LIABILITIES					
Segment assets		43,052,688	42,151,733	66,013,639	151,218,060
Unallocated corporate assets		-	-	-	157,938,010
Consolidated total assets				Rupees	<u>309,156,070</u>
Segment liabilities		-	27,445,065	31,116,792	58,561,857
Unallocated corporate liabilities		-	-	-	11,214,521
Consolidated total liabilities				Rupees	<u>69,776,378</u>

Notes to the Financial Statements

For the year ended 30 June 2009

30.1 The above mentioned segments do not necessarily match with the organisational structure of the Modaraba.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the board of directors of the Management Company on October 03, 2009.

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

**PATTERN OF CERTIFICATE HOLDING
As at 30, 2009**

Number of Certificate Holders	Certificate Holding		Total Certificate Held	Percentage %
	From	To		
2133	1	100	46,541	0.25
770	101	500	211,024	1.15
355	501	1,000	280,457	1.52
580	1,001	5,000	1,321,894	7.17
161	5,001	10,000	1,203,320	6.53
53	10,001	15,000	666,659	3.62
22	15,001	20,000	377,035	2.05
15	20,001	25,000	335,711	1.82
16	25,001	30,000	441,253	2.39
11	30,001	35,000	361,240	1.96
5	35,001	40,000	189,443	1.03
7	40,001	45,000	299,420	1.63
4	45,001	50,000	192,283	1.04
3	50,001	55,000	156,000	0.85
4	55,001	60,000	227,151	1.23
6	60,001	65,000	378,627	2.06
2	65,001	70,000	137,500	0.75
3	70,001	75,000	221,338	1.20
1	80,001	85,000	83,324	0.45
1	85,001	90,000	85,500	0.46
1	90,001	95,000	92,000	0.50
1	95,001	100,000	292,637	1.59
3	100,001	105,000	207,047	1.12
2	110,001	115,000	341,660	1.85
3	120,001	125,000	615,148	3.34
5	125,001	130,000	255,988	1.39
2	140,001	145,000	144,310	0.78
1	145,001	150,000	148,652	0.81
1	155,001	160,000	158,500	0.86
1	165,001	170,000	336,000	1.82
1	175,001	180,000	175,029	0.95
2	195,001	200,000	200,000	1.09
1	210,001	215,000	212,500	1.15
1	250,001	255,000	250,500	1.36
1	260,001	265,000	265,000	1.44
1	375,001	380,000	379,500	2.06
1	395,001	400,000	400,000	2.17
1	410,001	415,000	410,486	2.23
1	455,001	460,000	457,500	2.48
1	485,001	490,000	489,581	2.66
1	495,001	500,000	499,782	2.71
1	575,001	580,000	575,300	3.12
1	1,035,001	1,040,000	1,037,460	5.63
1	1,420,001	1,425,000	1,421,250	7.71
1	1,840,001	1,845,000	1,842,395	10.00
4188			18,423,945	100.00

CATEGORIS OF CERTIFICATE HOLDING As at June 30, 2009

Categories of Certificate Holders	Number	Certificate 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.			
Invest Corporation of Pakistan	2	794	0.004
National Bank of Pakistan Trustee Department	2	144,404	0.784
IDBP (ICP Unit)	1	498	0.003
Sub Total	5	145,696	0.791
Public Sector Company & Corporation			
Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modaraba's and Mutual Funds	20	1,731,612	9.399
Joint Stock Companies & Others	44	950,794	5.161
Individuals	4,118	13,253,353	71.935
Sub Total	4,182	15,935,759	86.495
Total	2,751	18,423,945	100

NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 10th Annual Review Meeting of certificate holders of Modaraba Al-Mali will be held on Monday the 26th October, 2009 at 8 a.m. at Pakistan American Culture Centre (PACC), 11 Fatima Jinnah Road, Karachi to review the performance of the Modaraba for the year ended June 30, 2009 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular number 4/2004 by Registrar Modaraba Companies and Modarabas.

On behalf of the Board

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Syed Ahmed Asim
Company Secretary

Date: October 03, 2009

Note:

1. The Modaraba Certificate transfer book shall remain closed from Monday the October 19, 2009 to Monday the October 26, 2009 (both days inclusive) to determine the names of Certificate Holders entitled to attend the Annual Review Meeting. Transfers received in order at the registrar's office of the Modaraba up to the close of the business on Monday the October 17, 2009 will be treated in time for the entitlement to attend Annual Review Meeting.
2. The certificate holders are advised to notify to the registrar of Modaraba Al-Mali, any change in their addresses.
3. CDC certificate holders desiring to attend the meeting are requested to bring their original NIC, Account, and Participant's ID number, for identification purpose.

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