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Modaraba Al-Mali

Mission Statement

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

“But Allah hath permitted trade and forbidden usury”

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

Our Vision

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

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

Modaraba Al-Mali

CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Hamid	Chairman
	<u>In Alphabetical Order</u>	
	Mr. Asad Alim	Director
	Mr. Hasan Aziz Bilgrami	Director
	Mr. Muhammad Faisal Shaikh	Director
	Mr. Tariq Usman Bhatti	Director
	Mr. Zulfiqar Ali	Chief Executive
Audit Committee	Mr. Tariq Usman Bhatti	Chairman
	Mr. Muhammad Hamid	Member
	Mr. Asad Alim	Member
HR & Remuneration Committee	Mr. Asad Alim	Chairman
	Mr. Hasan Aziz Bilgrami	Member
	Mr. Zulfiqar Ali	Member
Management Team	Mr. Zulfiqar Ali	Chief Executive
	Mr. Muhammad Saad	Chief Operating Officer
	Mr. Tahir Zuberi	General Manager Operations
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants A-35, Cawish Court Block # 7&8, KCUSU, Karachi.	
Bankers & Financiers	BankIslami Pakistan Limited Bank Alfalah Limited Meezan Bank Limited	
Registrar & Share Registration Office	Technology Trade (Pvt.) Limited Dagia House, 241-C, Block-2, P.E.C.H.S., Karachi.	
Registered Office	10th Floor, Progressive Square, Opposite Nursery, Sharea Faisal, Karachi. Phone: 34547521-25, Fax: 34547526 E-mail: info@modarabaalmali.com URL: http://www.modarabaalmali.com	

Modaraba Al-Mali

DIRECTORS' REPORT

On behalf of the Board of Directors of BankIslami Modaraba Investments Limited we are presenting the 27th annual report of Modaraba Al-Mali together with Audited Accounts for the year ended June 30, 2013.

1. Operating Results

A summary of operating results for the year ended June 30, 2013 are presented as under:

	(Rs. in "000")	
	2013	2012
Total operating income	<u>100,243</u>	<u>105,617</u>
Net Profit/(loss) for the year	<u>3,092</u>	<u>(2,688)</u>
Appropriations:		
Statutory reserves @ 20% (2012 : Nil)	<u>618</u>	--
	2,474	(2,688)
Un-appropriated loss brought forward	<u>(64,002)</u>	<u>(61,314)</u>
Un-appropriated loss carried forward	<u>(61,528)</u>	<u>(64,002)</u>
Earnings/(Loss) per certificate of Rs. 10/- each	<u>0.17</u>	<u>(0.15)</u>

Under the provision of Modaraba Ordinance, 1980, the management company is entitled to a fee equivalent to 10% of the profit of the Modaraba. However, keeping in view the performance of the Modaraba, the Board of Directors has decided to waive the management fee for the year under review. This will enable the Modaraba to distribute some profits to its certificate holders.

2. Profit distribution

The Directors are pleased to announce cash dividend @ 1.25% i.e Re.0.125 per certificate for the year ended 30th June 2013.

3. Statutory reserve

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

4. Operational review

The Modaraba earned profit of Rs. 0.17 per certificate during the current financial year as compared to loss of Rs. 0.15 per certificate during the corresponding year ended June 30, 2012. The Modaraba managed to come out of red mainly due to the recoveries from the classified portfolio and gain on disposal of an old investment. The Administrative costs were kept under control despite high inflation. During the year under review, it was decided to restructure the business lines of the Modaraba by switching from non-financing businesses to sharia compliant financing activities. Accordingly the process of disposal of non-financing segments of the Modaraba as running business units has been initiated with the plan to complete this transition by the end of this year.

5. Future Prospects

As stated above, the management intends to focus on Sharia compliant financing activities in the future. It is hopeful that the process of disposal of substantial portion of assets pertaining to non-financial business will be completed within the FY-2014. The liquidity generated through these disposals and will be used in building a high quality financing portfolio. Strenuous efforts will continue to be made for recovery of stuck-up funds of the Modaraba and to further control the operating cost. We hope that these steps will lead to improved performance of the Modaraba in coming years.

Modaraba Al-Mali

6. Corporate Governance

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

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

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

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

Proper books of account have been maintained;

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

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

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

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

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

7. Pattern of certificate holding

Pattern of certificate holding is annexed to this report.

8. Attendance of Board Meetings

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

Name of Directors	No. of Meetings attended	Leave of Absence	Remarks
In Alphabetic Order			
Mr. Asad Alim	5	--	
Mr. Hasan Aziz Bilgrami	4	1	
Mr. Muhammad Faisal Shaikh	--	--	Appointed w.e.f.23-9-2013
Mr. Muhammad Hamid	5	--	
Mr. Muhammad Imran	2	--	
Mr. Mujtaba Hussain Kazmi	1	1	
Mr. S. Shah Sajid Hussain	1	1	
Mr. Tariq Usman Bhatti	5	--	
Mr. Zulfiqar Ali-CEO	5	--	

Modaraba Al-Mali

During the year, Mr. Muhammad Imran, Mr. Mujtaba Hussain Kazmi and Mr. Shah Sajid Hussain resigned from the Board. The Board placed on record its appreciation of their services and contribution towards management of the Modaraba.

9. Attendance of Audit Committee

In all, four Audit Committee meetings of the Modaraba were held during the year. Attendance of each member is appended hereunder

Name of Members	No. of Meetings attended	Leave of Absence	Remarks
Mr. Tariq Usman Bhatti	4	--	
Mr. Muhammad Hamid	4	--	
Mr. S. Shah Sajid Hussain	1	1	
Mr. Asad Alim*	--	--	Appointed w.e.f. 25-4-2013

10. Human Resource & Remuneration Committee

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

1.	Mr. Asad Alim	Chairman
2.	Mr. Hasan Aziz Bilgrami	Member
3.	Mr. Zulfiqar Ali	Member

11. External Auditors Observations in Review Report on CCG

The external auditors have drawn attention on some matters regarding the compliance with the best practices of Code of Corporate Governance. In this regard it is submitted that:

- The casual vacancy in the Board could not be filled in prescribed time as a proposed director withdrew his consent due to his personal reasons and the other did not complete the formalities required under the regulations. However, now the Board has made all the appointments and there is no vacancy in the Board.
- Orientation course for the directors will be arranged shortly.
- The closed period for the meeting dated March 19, 2013 was not determined since the decision was material in relation to the disposal of a substantial portion of non financial assets of the Modaraba but it could not materially affect the market price of the Modaraba certificates. Further, we would also like to confirm that the directors and management did not trade in certificates of Modaraba before or after the said meeting.

12. Credit Rating

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

On behalf of the Board

Karachi:
October 4, 2013

-- sd --
Zulfiqar Ali
Chief Executive

Modaraba Al-Mali

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، و الصلاة والسلام على سيد الأنبياء والمرسلين، و
على آله وأصحابه أجمعين، و بعد

Report of the Shari'ah Adviser

I have conducted the Shari'ah review of Modaraba Al-Mali managed by BankIslami Modaraba Limited for the year ended June 30, 2013 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that in my opinion:

- i. the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
- ii. the agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed in accordance with the formats approved by the Religious Board and all the related conditions have been met;
- iii. to the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit regulations for Modarabas
- iv. the earnings that have been realized from the sources or by means prohibited by Shari'ah have been credited to charity accounts.

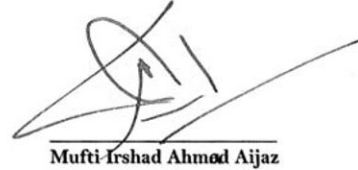
Recommendation(s):

In order to strengthen the Shari'ah compliance, I recommend that SOPs should be developed for every product or mode of business.

Conclusion:

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

Date: October 01, 2013


Mufti Irshad Ahmad Aijaz

Modaraba Al-Mali

KEY OPERATING AND FINANCIAL DATA

Balance Sheet Summary		(Rupees in Million)				
Year Ended June 30,	2008	2009	2010	2011	2012	2013
EQUITY						
Issued, subscribed and paid up capital	184.24	184.24	184.24	184.24	184.24	184.24
Statutory Reserves	55.45	55.45	55.45	55.45	55.45	56.58
Revenue Reserves and unappropriated profit	(0.30)	(27.73)	(40.65)	(60.80)	(63.49)	(61.53)
Total Equity	239.39	211.96	199.04	178.89	176.20	179.29
LIABILITIES						
Liability against Ijarah finances	12.40	5.07	-	-	-	-
Customer Security Deposit	9.10	9.24	10.46	10.60	22.89	33.74
Others	-	-	-	-	-	-
Total Liabilities	21.50	14.31	10.46	10.60	22.89	33.74
Current Liabilities						
Short term Morabaha and Musharika	-	-	-	-	-	-
Other Current Liabilities	48.27	36.62	39.35	23.56	28.03	26.28
Total Current Liabilities	48.27	36.62	39.35	23.56	28.03	26.28
Total Liabilities	309.16	262.89	248.85	213.05	227.12	239.31
ASSETS						
Assets Leased Out	-	5.49	6.63	6.47	14.52	18.96
Net investment in Ijarah	7.35	0.69	-	-	-	-
Assets in Own Use	125.64	124.21	131.25	132.72	123.44	115.46
Long Term Morabaha and Musharika	0.06	32.82	8.79	-	-	-
Long Term Investment	27.54	33.10	22.27	-	-	-
Other Long Term Assets	3.15	3.15	1.49	2.52	11.94	20.10
Total Long Term Assets	163.74	199.46	170.43	141.71	149.90	154.52
Current Assets						
Short Term Morabaha and Musharika	12.03	25.28	21.63	8.22	-	-
Current maturity of Net investment in Ijarah	22.43	5.83	3.82	3.75	3.75	3.75
Short Term Investment	5.50	-	12.50	9.75	6.00	-
Other Current Assets	33.17	21.82	39.35	46.39	58.83	72.29
Cash and Bank Balance	72.28	10.49	1.12	3.23	8.64	8.75
Total Current Assets	145.41	63.42	78.42	71.34	77.22	84.79
Total Assets	309.15	262.88	248.85	213.05	227.12	239.31
Income Statement Highlights		(Rupees in Million)				
Year Ended June 30,	2008	2009	2010	2011	2012	2013
INCOME						
Lease	27.76	21.79	21.25	30.36	29.30	23.46
Musharika and Morabaha	8.74	7.80	7.45	3.18	0.66	-
Capital Gain on Investments	(0.06)	-	-	-	-	7.20
Dividend	0.17	-	-	-	-	-
Certificate of Investment	5.07	-	-	-	-	-
Maintenance services	-	-	26.89	42.82	69.10	68.82
Other	3.81	8.95	5.91	9.12	6.69	7.96
Total Income	45.49	38.54	61.50	85.48	105.75	107.44
EXPENSES						
Operating	28.92	39.65	68.94	79.46	102.45	104.00
Financial	2.79	2.25	1.14	0.16	-	-
Amortization, depreciation	9.88	1.67	2.84	3.51	3.01	4.19
Provision for doubtful receivables	(2.22)	17.25	1.49	22.36	2.74	(4.19)
Management fee	-	-	-	-	-	-
Profit / (loss) before taxation	6.12	(22.28)	(12.91)	(20.01)	(2.43)	3.44
Taxation	-	-	-	0.14	0.25	0.35
Net profit / (loss)	6.12	(22.28)	(12.91)	(20.15)	(2.68)	3.09
APPROPRIATIONS						
Total Dividend	4.61	-	-	-	-	-
Statutory Reserves	1.22	-	-	-	-	-
VALUE OF INVESTMENT OF						
Provident Fund	6.28	-	-	-	-	-
Gratuity Fund	4.53	-	-	-	-	-

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

Modaraba Al-Mali

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Modaraba Al-Mali
For the year ended June 30, 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance for the year ended June 30, 2013.

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

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

Category	Names
Independent Directors	Mr. Muhammad Hamid
	Mr. Tariq Usman Bhatti
Executive Directors	None
Non-Executive Directors	Mr. Hasan Aziz Bilgrami
	Mr. AsadAlim
	Mr. Muhammad Faisal Shaikh

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

2. The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year three casual vacancies occurred on the Board of Directors of the Company on various dates the status of which is as under:
 - a) Two vacancies occurred on October 25, 2012 and on the same date appointment were made subject to the approval of Registrar. On February 27, 2013 one of the applications was not approved whereas in case of other appointment the consent was withdrawn by the appointed person. Second appointments were made on July 17, 2013 and August 20, 2013. The approval of Registrar was received for the appointment made on August 20, 2013 whereas the approval is still awaited for the other application.
 - b) Another vacancy occurred on February 1, 2013 and appointment was made on July 17, 2013 for which the approval of the Registrar is still awaited.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over 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.

Modaraba Al-Mali

9. Two of the directors are exempted from the directors' certification requirement prescribed under clause (xi) of CCG. From this year at least one director will be provided training each year as required under CCG. Further, Board members are fully aware of their duties and responsibilities under the relevant laws and regulations, including the Code of Corporate Governance. They are experienced individuals and few of them are also on Board of other listed companies however no orientation course was arranged during the year.
10. The Board has approved appointment of CFO and Company Secretary, including their remuneration and terms and conditions of employment. There was no new appointment of Company Secretary, CFO or Head of Internal Audit during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, majority of whom are non-executive directors including the chairman.
18. The Board of the Company has outsourced the internal audit function to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's certificates, was determined and intimated to directors, employees and stock exchanges, except in case of one meeting of the Board held on March 19, 2013 in which the decision for the disposal of the non-financing businesses / segments was approved by the directors; however the decision was intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the matter in clause 4 above.

Karachi:
October 4, 2013

On behalf of the Board
-- sd --
Zulfiqar Ali
Chief Executive

Modaraba Al-Mali

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of BankIslami Modaraba Investments Limited (the Modaraba Management Company) representing Modaraba Al-Mali (the Modaraba), for the year ended June 30, 2013, to comply with the relevant 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 Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba Management Company to comply with the Code.

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

Further, Listing Regulations of the Stock Exchanges require the Modaraba Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2013.

We draw attention to the following paragraphs of the statement;

- (a) Paragraph 4 regarding three casual vacancies which could not be filled within 90 days.
- (b) Paragraph 9 regarding non-arrangement of orientation course of directors of the Modaraba Management Company.
- (c) Paragraph 21 regarding non-determination and intimation of closed period before a material business decision.

-- sd --

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi:
October 4, 2013

Engagement Partner
Mushtaq Ali Hirani

Modaraba Al-Mali

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of Modaraba Al-Mali as at June 30, 2013 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a/ in our opinion, proper books of account have been kept by the Modaraba Management Company in respect of Modaraba Al-Mali as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b/ in our opinion:
 - i. the balance sheet and the related profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in agreement with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii. the business conducted, investments made and expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- c/ in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2013 and of the profit, its cash flows and changes in equity for the year then ended, and
- d/ in our opinion, no Zakat is deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

- sd -

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi:
October 4, 2013

Engagement Partner
Mushtaq Ali Hirani

Modaraba Al-Mali

BALANCE SHEET As at June 30, 2013

ASSETS	Note	2013	2012
		------(Rupees)-----	
Current Assets			
Cash and bank balances	5	8,756,698	9,000,230
Ijarah finance	6	3,755,007	3,755,007
Murabaha finance	7	-	-
Investments	8	-	6,000,000
Receivable against operating lease / Ijarah rentals and maintenance services	9	36,672,311	35,091,042
Advances, deposits, prepayments and other receivables	10	28,008,744	19,254,969
Inventory	11	7,594,541	4,119,801
Total current assets		84,787,301	77,221,049
Non-Current Assets			
Property and equipment	12	115,459,805	123,443,024
Property and equipment under ijarah arrangement	13	18,961,743	14,520,589
Long term deposits		20,104,770	11,942,649
Total non-current assets		154,526,318	149,906,262
Total assets		239,313,619	227,127,311
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	14	19,712,574	21,467,607
Current portion of security deposits	15	5,955,506	4,650,107
Unclaimed profit distribution		6,567,310	6,567,310
Total current liabilities		32,235,390	32,685,024
Non-Current Liabilities			
Security deposits	15	27,784,187	18,240,996
Total liabilities		60,019,577	50,926,020
NET ASSETS		179,294,042	176,201,291
REPRESENTED BY			
CAPITAL AND RESERVES			
Issued, subscribed and paid-up	16	184,239,450	184,239,450
Reserves		56,582,879	55,964,329
Accumulated loss		(61,528,287)	(64,002,488)
		(4,945,408)	(8,038,159)
Contingencies and Commitments	17	179,294,042	176,201,291

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

Chief Executive
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Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
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Modaraba Management Company

Modaraba Al-Mali

PROFIT AND LOSS ACCOUNT For The Year Ended June 30, 2013

INCOME	Note	2013	2012
		------(Rupees)-----	
Income from maintenance services		68,817,269	69,101,994
Income from Ijarah finance		23,462,847	29,302,347
Income from operation of fuel station - net	18	2,339,656	758,644
Profit on diminishing musharaka finance		-	377,592
Profit on investments in sukuk certificate		-	27,411
Profit on murabaha finance		-	278,664
Other income	19	5,623,691	5,913,294
		<u>100,243,463</u>	<u>105,759,946</u>
EXPENDITURE			
Depreciation on property and equipment - ijarah	13	4,191,631	3,006,697
Workers' welfare fund		24,516	-
Operating expenses	20	103,971,791	102,446,537
		<u>108,187,938</u>	<u>105,453,234</u>
		(7,944,475)	306,712
Gain on disposal of long term investment	21	7,200,000	-
Reversal of / (provision for) impairment loss		4,191,734	(2,736,881)
		<u>3,447,259</u>	<u>(2,430,169)</u>
Modaraba company's management fee	22	-	-
Profit / (loss) for the year before taxation		<u>3,447,259</u>	<u>(2,430,169)</u>
Taxation	23	(354,508)	(258,595)
Profit / (loss) for the year after taxation		<u>3,092,751</u>	<u>(2,688,764)</u>
Other comprehensive income		-	-
Total profit / (loss) after other comprehensive income		<u>3,092,751</u>	<u>(2,688,764)</u>
Earnings per certificate - basic and diluted	24	<u>0.17</u>	<u>(0.15)</u>

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

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Modaraba Al-Mali

CASH FLOW STATEMENT For The Year Ended June 30, 2013

	2013	2012
	-----(<i>Rupees</i>)-----	
A CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	3,447,259	(2,430,169)
Adjustments of non-cash and other items		
Depreciation on:		
Property and equipment- own use	4,778,909	4,719,465
Property and equipment- held for operating lease	2,550,926	3,651,194
Property and equipment - fuel operations	447,273	447,273
Property and equipment - ijarah	4,191,631	3,006,697
Gain on:		
Disposal property and equipment- own use	(95,112)	(68,196)
Disposal property and equipment- held for operating lease	(1,432,858)	(1,350,000)
Disposal of long term investment	(7,200,000)	-
(Reversal of) / Provision for impairment loss	(4,191,734)	2,736,881
	(950,965)	13,143,314
(Increase) / decrease in current assets		
Diminishing musharaka finance	-	8,225,064
Ijarah finance	26,654	-
Morabaha finance	-	4,939,804
Receivable against operating lease rentals and maintenance service	2,583,811	(13,824,816)
Advances, deposits, prepayments and other receivables	(5,059,593)	3,569,417
Inventory	(3,474,740)	(1,488,237)
	(5,923,868)	1,421,232
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(1,755,033)	4,397,734
Security deposits received / (paid)	10,848,590	12,249,750
	9,093,557	16,647,484
	5,665,983	28,781,861
Income taxes paid	(4,048,689)	(4,574,523)
Profit paid on ijarah finance	-	-
Net cash flows generated from operating activities	1,617,294	24,207,338
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment- ijarah	(13,116,500)	(11,701,800)
Proceeds from disposal of property- ijarah	5,916,573	644,000
Proceeds from disposal of property- ijarah	(885,098)	(3,186,973)
Purchase of property and equipment - own use	1,186,320	1,466,150
Proceeds from disposal of property and equipment - own use	13,200,000	3,750,000
Redemption of long term investments	6,301,295	(9,028,623)
Net cash flows used in investing activities		
C CASH FLOWS FROM FINANCING ACTIVITIES		
Long term deposits paid	(8,162,121)	(9,415,750)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(243,532)	5,762,965
Cash and cash equivalents at beginning of the year	9,000,230	3,237,265
Cash and cash equivalents at end of the year	8,756,698	9,000,230

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

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Modaraba Al-Mali

STATEMENT OF CHANGES IN EQUITY For The Year Ended June 30, 2013

	Certificate capital	Reserves			Total reserves	Total
		Capital reserves		Revenue reserve		
		Certificate premium	Statutory reserve *	(Accumulated loss)		
-----Rupees-----						
Balance at July 1, 2011	184,239,450	511,409	55,452,920	(61,313,724)	(5,349,395)	178,890,055
Comprehensive income						
Loss for the year ended June 30, 2012	-	-	-	(2,688,764)	(2,688,764)	(2,688,764)
Other comprehensive income	-	-	-	-	-	-
	-	-	-	(2,688,764)	(2,688,764)	(2,688,764)
Balance at June 30, 2012	184,239,450	511,409	55,452,920	(64,002,488)	(8,038,159)	176,201,291
Comprehensive income						
Profit for the year ended June 30, 2013	-	-	-	3,092,751	3,092,751	3,092,751
Other comprehensive income	-	-	-	-	-	-
	-	-	-	3,092,751	3,092,751	3,092,751
Transfer to statutory reserve	-	-	618,550	(618,550)	-	-
Balance at June 30, 2013	184,239,450	511,409	56,071,470	(61,528,287)	(4,945,408)	179,294,042

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

During the current year, the Modaraba has transferred an amount of Rs. 618,550 which represents 20% of the profit after tax.

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

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Modaraba Al-Mali

NOTES TO THE FINANCIAL STATEMENT *For The Year Ended June 30, 2013*

1. LEGAL STATUS AND NATURE OF BUSINESS

Modaraba Al-Mali ("the Modaraba") is a multipurpose and perpetual Modaraba floated in Pakistan on July 8, 1987 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modaraba Rules, 1981 and is managed by BankIslami Modaraba Investments Limited, a company registered under the Companies Ordinance, 1984. It is engaged in the business of leasing, murabaha, musharaka financing, construction and renting of mobile towers, maintenance services, operation of petrol and diesel filling / service station. The Modaraba is listed on the Karachi, Lahore and Islamabad Stock Exchanges Limited. Registered office is situated at 10th Floor, Progressive Square, Shahr-e Faisal, Karachi, in the province of Sindh.

During the year the Board of Directors in its meeting held on March 19, 2013 decided to dispose off non-financing business/segments i.e. 'Maintenance Services', 'Mobile Towers' and 'Fuel Station'. Management is in process of identifying disposal avenues along with the fair price determination of 'Maintenance Services' and 'Mobile Towers'. Process of disposal of 'Fuel Station' will commence after the disposal of these two segments.

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

2. BASIS OF PREPARATION

2.1 Accounting convention

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

2.2 Critical accounting estimates and judgments

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

- i) classification of investments (Note 4.2 & 8)
- ii) provision for impairment loss (Note 21)
- iii) depreciation on property and equipment - own/ijarah (Note 12 & 13)
- iv) provision against non-performing Ijarah portfolio, investments, musharaka and murabaha finances and other receivables (Note 21)
- v) Staff retirement benefits (Note 22.2)
- vi) Contingencies (Note 17)

Modaraba Al-Mali

3. STATEMENT OF COMPLIANCE

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

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

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Modaraba:

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
IAS 1 - Presentation of Financial Statements (Amendment)	July 01, 2012
IFAS 3 - Islamic Financial Accounting Standard 3 "Profit and loss sharing on deposits"	June 12, 2013

Standards, interpretations and amendments to the published approved accounting standards not yet effective:

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

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
IAS 1 - Presentation of Financial Statements –Clarification of Requirements for Comparative information (Amendment)	January 01, 2013
IAS 16 - Property, Plant and Equipment Classification of servicing equipment (Amendment)	January 01, 2013

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Amendments to IAS 19 - Employee Benefits January 1, 2013

The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. However, management has not performed detailed analysis of the impact of the application of the amendments and hence not yet quantified the extent of the impact.

IAS 32 Financial Instruments: Presentation Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction January 01, 2014

IAS 32 Financial Instruments: Presentation Offsetting financial assets and financial liabilities January 01, 2014

IAS 34 - Interim Financial Reporting Interim reporting of segment information for total assets and total liabilities (Amendment) January 01, 2013

IFRS 7 Financial Instruments Disclosures - Offsetting financial assets and financial liabilities (Amendment) January 01, 2013

FRIC 20 - Stripping Costs in the Production Phase of a Surface Mine January 1, 2013

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

IFRS 1 – First Time Adoption of International Financial Reporting Standards

IFRS 9 – Financial Instruments

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 27 (Revised 2011) - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11

IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

4. SIGNIFICANT ACCOUNTING POLICIES

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

Modaraba Al-Mali

4.1 Property and equipment

4.1.1 Owned

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

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

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

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

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

4.1.2 Under ijarah arrangements

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

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

4.1.3 Capital work-in-progress

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

4.2 Investments

All investments are initially recognised at cost, being the fair value of the consideration given, including the transaction costs associated with the investment, except in case of held for trading

Modaraba Al-Mali

investments, if any, in which case these transaction costs are charged off to the profit and loss account. All regular way of purchases and sale of investments are recognised / derecognised on the trade date. At initial recognition, these are categorised and accounted for as follows:

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

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

4.2.2 Available for sale

Investment securities held by the Modaraba which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently measured at fair value. The investments for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognised in profit and loss as other comprehensive income.

4.2.3 Held to maturity

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

4.2.4 Derecognition

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

4.3 Ijarah finance

Ijarah agreements commencing up to 30 June 2008 are accounted for as finance lease and are included in the financial statements as "Net investment in Ijarah finance" at an amount equal to the present value of the lease payments, including estimated residual value (Refer note 6). Modaraba also entered into sub-Ijarah / lease arrangements, where Modaraba takes certain assets on Ijarah and sub let it to its customers. Ijarah rentals expense and Ijarah rentals income is recognised on accrual basis on these assets. Since the assets are taken on sub-lease / Ijarah, therefore, no assets are recorded in the books.

4.4 Receivable from terminated / matured contracts

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

4.5 Inventory

Modaraba Al-Mali

4.5.1 Stores and consumables

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

4.5.2 Fuel and lubricants

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

4.6 Impairment

4.6.1 Financial assets

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

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

4.6.2 Available-for-sale investments

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

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

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring

Modaraba Al-Mali

after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

4.6.3 Non-financial assets

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

Where impairment loss for asset subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognised as income.

4.7 Revenue recognition

4.7.1 Ijarah income / Operating lease income

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

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

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

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

4.7.2 Income on sukuk securities and bank deposits

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

4.7.3 Morabaha and musharaka finances

Profit from musharaka transactions is recognised on the basis of pro rata accrual of the profit

Modaraba Al-Mali

estimated for the transaction over the period.

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

4.7.4 Dividend income

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

4.7.5 Gains / Losses on sale of investments

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

4.7.6 Income on maintenance services

Income on maintenance services is recognised on accrual basis.

4.7.7 Income from operation of fuel station

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

4.7.8 Unrealised income on non-performing assets

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

4.8 Employees' benefits

4.8.1 Staff gratuity

The Modaraba participates in an approved group funded gratuity scheme for all its employees, who have completed minimum qualifying period of service. The group comprises of BankIslami Modaraba Investments Limited and Modaraba Al-Mali. Consolidated fund is being maintained for the employees of the group. Contributions to the fund are made on the basis of actuarial recommendation normally carried out on a yearly basis. The latest valuation was carried out as at June 30, 2013 under the projected unit credit method. Unrecognised actuarial gains / losses exceeding ten percent of the greater of the present value of defined benefit obligation or the fair value of plan assets are recognised in the profit and loss account over the expected average remaining working lives of the employees participating in the plan.

4.8.2 Staff provident fund

The Modaraba contributes to an approved group fund scheme covering all its employees who

Modaraba Al-Mali

are eligible under the scheme. Equal monthly contributions are made by the Modaraba and the employees to the fund at 8.33% of the basic salary.

4.8.3 Staff compensated absences

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

4.9 Taxation

4.9.1 Current

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

4.9.2 Deferred

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

4.10 Financial assets

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

4.11 Financial liabilities

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

4.12 Cash and cash equivalents

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

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4.13 Provisions

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

4.14 Trade and other payables

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

4.15 Segment information

Operating segments are reported in a manner consistent with the internal reporting (Seen note 28).

4.16 Profit distribution to the certificate holders

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

4.17 Liabilities against assets acquired under ijarah arrangements

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

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

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

4.19 Offsetting of financial assets and financial liabilities

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

4.20 Earnings per certificate

Earnings per certificate is calculated by dividing the profit after taxation for the year by the weighted average number of certificates outstanding during the year.

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	<i>Note</i>	2013	2012
		-----(<i>Rupees</i>)-----	
5.	CASH AND BANK BALANCES		
	With banks:		
	in profit and loss sharing accounts	8,065,652	8,626,602
	balance with State Bank of Pakistan	<u>3,395</u>	<u>3,395</u>
		8,069,047	8,629,997
	On hand:		
	Cash in hand	686,801	356,633
	Security stationery	<u>850</u>	<u>13,600</u>
		<u>8,756,698</u>	<u>9,000,230</u>
5.1	These carry profit ranging from 3.49% to 6.08% (2012: 5% to 6.02%) per annum.		
6.	IJARAH FINANCE		
	Ijarah contracts commenced upto June 30, 2008 - accounted for as finance leases		
	Minimum lease payments due	41,262,309	41,362,309
	Residual value of leased assets	<u>3,755,007</u>	<u>3,755,007</u>
	Total receivable	45,017,316	45,117,316
	Suspended lease income (including unearned income)	(7,668,838)	(7,742,184)
	Provision for impairment loss against potential lease losses	21 <u>(33,593,471)</u>	<u>(33,620,125)</u>
		<u>(41,262,309)</u>	<u>(41,362,309)</u>
		<u>3,755,007</u>	<u>3,755,007</u>
6.1	These ijarah finances are fully provided and the remaining amount represents amount of security deposit to be adjusted at the time of settlement with the defaulted parties. Since the finance is non-performing no income is accrued on it in accordance with the Prudential Regulations for Modarabas.		
7.	MORABAHA FINANCE		
	Considered doubtful	2,517,068	2,517,068
	Provision for impairment loss against doubtful recoveries	21 <u>(2,517,068)</u>	<u>(2,517,068)</u>
		-	-
7.1	These represent amount receivable against murabaha transactions i.e. sale of goods on a deferred payment basis at a specified profit margin ranging from 10% to 24% (2012: 10% to 24%) per annum. Since the finance is non-performing no income is accrued on it in accordance with the Prudential Regulations for Modarabas.		

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8. INVESTMENTS

Available-for-sale investments

<i>Number of shares / certificates</i>		Notes	Cost		
			2013	2012	
<i>2013</i>	<i>2012</i>		----- <i>(Rupees)</i> -----		
Unlisted Shares		Al Hamra Hills (Private) Limited (shares of Rs. 10/- each) (Holding 2.12%)	8.1	-	-
1,800,000	1,800,000				
Sukuk Certificates		New Allied Electronics Industries (Private) Limited (certificates of Rs. 5,000/- each)	8.2	-	6,000,000
2,000	2,000				
				-	<u>6,000,000</u>

8.1 Al Hamra Hills (Private) Limited - Ordinary shares

The Registrar Modaraba, Securities and Exchange Commission of Pakistan vide its letter dated November 1, 2004, 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 as to engage in venture capital business. 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.

In previous years the management of Modaraba had made provision for impairment against the whole amount of investment of Rs. 17,520,169 due to the fact that the investee company was under severe financial crisis and the management was not certain about the future cash-inflows from this investment. However, during the current year all the shares in the investee company have now been sold @ Rs. 4/- per share.

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

Cost		10,000,000	10,000,000
Amount realized during the year		<u>(6,000,000)</u>	<u>-</u>
		4,000,000	10,000,000
Provision for impairment loss against doubtful recovery	21	<u>(4,000,000)</u>	<u>(4,000,000)</u>
		-	6,000,000
Current portion		<u>-</u>	<u>(6,000,000)</u>
		-	-

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

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8.2.2 Last redemption / coupon was received on December 17, 2008 and accordingly the Modaraba had made a provision of Rs. 4 million. No further provision was made keeping in view the available lien on available securities, which was realized by the Modaraba during the year. No accrual of profit has been made on this investment.

		2013	2012
9. RECEIVABLES AGAINST OPERATING LEASE RENTALS AND MAINTENANCE SERVICE		-----	-----
		<i>(Rupees)</i>	
Unsecured			
Considered good			
- Maintenance fee	9.1	32,869,777	30,956,294
- Operating lease rentals of tower and allied equipments	9.2	3,843,083	3,222,195
- Ijarah rentals	9.3	(40,549)	912,553
Considered doubtful			
- Operating lease rentals of tower and allied equipments		10,194,320	14,359,400
		<u>46,866,631</u>	<u>49,450,442</u>
Provision for impairment loss against doubtful recoveries	21	<u>(10,194,320)</u>	<u>(14,359,400)</u>
		<u>36,672,311</u>	<u>35,091,042</u>

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

9.2 Minimum future operating lease rental of towers and allied equipments

	<i>2013</i>			<i>Total</i>
	<i>Due within one year</i>	<i>Due after one year but within five years</i>	<i>Due after five years</i>	
	----- <i>(Rupees)</i> -----			
Minimum lease payments receivables	15,043,781	62,377,005	7,923,261	85,344,047

	<i>2012</i>			<i>Total</i>
	<i>Due within one year</i>	<i>Due after one year but within five years</i>	<i>Due after five years</i>	
	----- <i>(Rupees)</i> -----			
Minimum lease payments receivables	15,372,168	89,199,844	14,225,480	118,797,492

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9.3 Minimum future Ijarah rentals from assets under IFAS-2

		<i>2013</i>		
		<i>Due within one year</i>	<i>Due after one year but within five years</i>	<i>Total</i>
		-----(<i>Rupees</i>)-----		
Minimum lease payments receivables		38,289,596	40,747,523	79,037,119
		<i>2012</i>		
		<i>Due within one year</i>	<i>Due after one year but within five years</i>	<i>Total</i>
		-----(<i>Rupees</i>)-----		
Minimum lease payments receivables		24,979,253	38,176,706	63,155,959

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10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Notes	2013 -----(<i>Rupees</i>)-----	2012
Advances - considered good			
- Income tax		16,717,025	13,022,843
- Advance to suppliers		2,494,801	-
- Employees		1,194,904	1,034,597
		20,406,730	14,057,440
Current portion of long term deposits		2,416,979	-
Other deposits		261,400	446,400
Prepayments		2,314,604	2,693,654
Other receivables - considered good			
- Commission receivable		376,528	513,097
- Premises rent receivable		583,784	420,000
- Receivable against sale of fuel		661,996	465,102
- Others		986,723	659,276
Other receivables - considered doubtful			
- Terminated leases		6,242,260	6,242,260
- Miscellaneous amount recoverable from the lessee		1,188,872	1,188,872
- Dividend receivable		16,275	16,275
- Receivable from brokers		22,422	22,422
- Others		208,732	208,732
		7,678,561	7,678,561
Provision for impairment loss against doubtful recoveries	21	(7,678,561)	(7,678,561)
		-	-
		28,008,744	19,254,969
 11. INVENTORY			
Stores		607,502	335,280
Consumables		3,372,645	2,833,388
Fuel and lubricants		3,614,394	951,133
		7,594,541	4,119,801
 12. PROPERTY AND EQUIPMENT			
Operating property and equipment - in own use	12.1	92,310,155	97,742,448
Towers and allied equipment - held for operating lease	12.2	23,149,650	25,700,576
		115,459,805	123,443,024

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12.1 Operating property and equipment - in own use

	Cost			Depreciation			Annual rate of depreciation %	
	At July 1, 2012	Additions/ (disposals)	At June 30, 2013	Accumulated at July 1, 2012	For the year / (on disposals) 2013	Accumulated at June 30, 2013		Carrying value at June 30, 2013
------(Rupees)-----								
Lease hold land - fuel station	63,848,000	-	63,848,000	-	-	-	63,848,000	-
Building - fuel Station	8,120,655	-	8,120,655	709,620	406,032	1,115,652	7,005,003	5
Office premises - lease hold	12,546,257	-	12,546,257	8,685,950	626,919	9,312,869	3,233,388	5
Vehicles - maintenance services	23,309,894	670,000	22,614,154	5,319,693	2,713,791	7,588,423	15,025,731	20
		(1,365,740)			(445,061)			
Vehicles	4,074,140	98,000	4,019,240	2,441,159	397,193	2,759,833	1,259,407	20
		(152,900)			(78,519)			
Furniture and fixtures	2,942,169	-	2,903,857	1,923,686	140,043	2,049,763	854,094	10
		(38,312)			(13,966)			
Office equipment	4,760,707	117,098	4,685,105	3,307,842	598,419	3,785,364	899,741	10 to 50
		(192,700)			(120,897)			
Computers	2,718,468	-	2,718,468	2,189,892	343,785	2,533,677	184,791	33
	122,320,290	885,098	121,455,736	24,577,842	5,226,182	29,145,581	92,310,155	
		(1,749,652)			(658,443)			

12.1.1 Depreciation charged for the year includes depreciation related to fuel station on account of building and office premises amounting to Rs. 447,273 (2012: 447,273)

For comparative period - 2012

	Cost			Depreciation			Annual rate of depreciation %	
	At July 1, 2011	Additions/ (disposals)	At June 30, 2012	Accumulated at July 1, 2011	For the year / (on disposals) 2012	Accumulated at June 30, 2012		Carrying value at June 30, 2012
------(Rupees)-----								
Lease hold land - fuel station	63,848,000	-	63,848,000	-	-	-	63,848,000	-
Building - fuel Station	8,120,655	-	8,120,655	303,587	406,033	709,620	7,411,035	5
Office premises - lease hold	12,546,257	-	12,546,257	8,058,637	627,313	8,685,950	3,860,307	5
Vehicles - maintenance services	21,575,094	1,734,800	23,309,894	2,544,919	2,774,774	5,319,693	17,990,201	20
Vehicles	4,074,140	-	4,074,140	1,968,102	473,057	2,441,159	1,632,981	20
Furniture and fixtures	2,464,374	477,795	2,942,169	1,805,606	118,080	1,923,686	1,018,483	10
Office equipment	4,031,241	769,466	4,760,707	3,000,261	347,580	3,307,842	1,452,865	10 to 50
		(40,000)			(39,999)			
Computers	3,109,732	204,912	2,718,468	2,318,214	419,901	2,189,892	528,576	33
		(596,176)			(548,223)			
	119,769,493	3,186,973	122,320,290	19,999,326	5,166,738	24,577,842	97,742,448	
		(636,176)			(588,222)			

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

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Carrying value</i>	<i>Sale proceed</i>	<i>Gain/(loss) on disposal</i>	<i>Mode of disposal</i>	<i>Particulars</i>	<i>Address</i>
----- <i>(Rupees)</i> -----								
Vehicle	1,469,640	474,581	995,059	1,110,000	114,941	Insurance claim	Pak Kuwait Takaful Company Limited	Finance & Trade Center 4th Floor Shahrah-e-Faisal Karachi
Vehicle	49,000	49,000	-	8,000	8,000	Negotiation	Syed Imran Ali	Race Terrace B-15 BufferZone Karachi
Furniture & Fixture	28,512	10,458	18,054	7,800	(10,254)	Negotiation	Ashfaq Hussain	House #:145 Sector 4D1 New TownShip Lahore
Office equipment	24,500	5,091	19,409	-	(19,409)	Insurance claim	Pak Kuwait Takaful Company Limited	Finance & Trade Center 4th Floor Shahrah-e-Faisal Karachi
Office equipment	8,200	8,200	-	300	300	Negotiation	Syed Khurram Abidi	Flat #:D-9 Bhayani View Block M.,North Nazimabad
Office equipment	14,300	10,494	3,806	5,700	1,894	Negotiation	Khursheed Alam	House #:13 Street #:82 Mohallah Farooqabad Lahore
Office equipment	22,000	16,126	5,874	4,500	(1,374)	Negotiation	Saeed Akhter	Zila Ghaziabad Near Board Wali Masjid Lahore
Office equipment	65,000	34,257	30,743	23,600	(7,143)	Negotiation	Muhammad Umair Ahmed	B-173 Shadman Town Mali Colony Karachi
Office equipment	63,000	46,200	16,800	25,420	8,620	Negotiation	Saif Ur Rehman	D-16 Ambreen Apartments Block #2 Gulshan-e-Iqbal Karachi
Office equipment	5,500	4,037	1,463	1,000	(463)	Negotiation	Syed Ibad Ul Hasan	1729/14 Dastagir Society F.B.Area Krachi
2013 Rupees	1,749,652	658,444	1,091,208	1,186,320	95,112			
2012 Rupees	636,176	588,222	47,954	116,150	68,196			

12.2 Towers and allied equipment - held for operating lease

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

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12.2.1 Tower and allied equipments includes six idle towers at impaired value of Rs. 2,055,696.

For comparative period - 2012

	<i>Cost at July 1, 2011</i>	<i>Disposal</i>	<i>Cost at June 30, 2012</i>	<i>Accumulated Depreciation/ impairment at July 1, 2011</i>	<i>Depreciation/ charge for the year</i>	<i>Impairment charge for the year</i>	<i>Disposal</i>	<i>Accumulated Depreciation/ impairment at June 30, 2012</i>	<i>Carrying value at June 30, 2012</i>	<i>Annual rate of depreciation %</i>
	------(Rupees)-----									
Towers with allied equipment	49,400,678	-	49,400,678	19,399,094	2,036,985	3,606,093	-	25,042,172	24,358,506	5
Other allied equipment	29,132,462	(2,634,825)	26,497,637	26,176,183	1,614,209	-	(2,634,825)	25,155,567	1,342,070	20
	<u>78,533,140</u>	<u>(2,634,825)</u>	<u>75,898,315</u>	<u>45,575,277</u>	<u>3,651,194</u>	<u>3,606,093</u>	<u>(2,634,825)</u>	<u>50,197,739</u>	<u>25,700,576</u>	

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

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Carrying value</i>	<i>Sale proceed</i>	<i>Gain/(loss) on disposal</i>	<i>Mode of disposal</i>	<i>Particulars</i>	<i>Address</i>
	------(Rupees)-----							
Equipment	1,756,550	1,756,550	-	1,000,000	1,000,000	Negotiation	Zoha Power	106/1 Meerahan Road Lahore Cantt Lahore
2013 Rupees	<u>1,756,550</u>	<u>1,756,550</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>			
2012 Rupees	<u>2,634,825</u>	<u>2,634,825</u>	<u>-</u>	<u>1,350,000</u>	<u>1,350,000</u>			

13. PROPERTY & EQUIPMENT UNDER IJARAH ARRANGEMENT

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

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

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For comparative period - 2012

	<i>Cost</i>			<i>Accumulated Depreciation</i>			<i>Life (Years)</i>	
	<i>At July 1, 2011</i>	<i>Additions/ disposals</i>	<i>At June 30, 2012</i>	<i>At July 1, 2011</i>	<i>Charge for the year</i>	<i>At June 30, 2012</i>		<i>Carrying value at June 30, 2012</i>
----- <i>(Rupees)</i> -----								
Generators	7,365,000	2,354,800	9,719,800	5,926,232	829,312	6,755,544	2,964,256	3
Vehicles	6,767,000	9,347,000	9,674,000	1,736,282	2,177,385	(1,882,333)	11,556,333	3
		(6,440,000)			(5,796,000)			
	14,132,000	11,701,800	19,393,800	7,662,514	3,006,697	4,873,211	14,520,589	
		(6,440,000)			(5,796,000)			

	Notes	2013	2012
		----- <i>(Rupees)</i> -----	
14. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		2,809,774	4,289,803
Accrued liabilities	14.1	12,103,153	7,684,299
Ijarah rentals	14.2	991,886	653,623
Charity and donation	14.3	1,736,850	5,538,436
Staff gratuity	14.4	269	-
Advance from customers		556,600	1,938,720
Others		1,514,042	1,362,726
		<u>19,712,574</u>	<u>21,467,607</u>

14.1 This include amount payable in respect of staff compensated absences amounting Rs. 2,293,012 (2012: Rs. 2,513,400).

14.2 Ijarah rentals payable

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

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

For comparative period - 2012

	<i>Due within one year</i>	<i>Due after one year but within five years</i>	<i>Total</i>
	----- <i>(Rupees)</i> -----		
Total future rentals payables	18,817,414	15,665,264	34,482,678

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

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

14.4 Defined benefit plan - gratuity

	Notes	2013	2012
		-----(<i>Rupees</i>)-----	
Present value of plan assets and present value of obligation:			
Present value of defined benefit obligation		5,613,411	4,677,753
Fair value of allocated plan assets		(5,323,150)	(4,084,000)
Deficit		290,261	593,753
Unrecognised actuarial gain / (loss)		(289,992)	(593,753)
Net liability recognised on the balance sheet		269	-

Movement in amount payable to the defined benefit plan:

Opening balance		-	1,086
Charge for the year	20.2.3	1,083,863	989,428
Contribution to the fund during the year		(1,083,594)	(990,514)
Closing balance		269	-

Amount charged to the profit and loss account:

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

Current service cost		892,226	823,163
Mark-up cost		661,189	576,436
Expected return on plan assets		(476,551)	(419,384)
Actuarial loss		6,999	9,213
		1,083,863	989,428
Actual return on plan assets		300,691	272,384

Out of total charges for the year Rs. 23,274 relates to the employees of fuel operation and Rs. 1,060,329 charged to operating expenses.

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

Present value of defined benefit obligation at the beginning of the year		4,677,753	3,590,733
Current service cost		892,226	823,163
Mark-up cost		661,189	576,436
Benefit paid		(145,135)	(243,643)
Unrecognised actuarial loss / (gain) for the year		(472,622)	(68,936)
Present value of defined benefit obligation at the end of the year		5,613,411	4,677,753

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	2013	2012
	-----(<i>Rupees</i>)-----	
Movement in the fair value of plan assets is as follow:		
Fair value of plan assets at the beginning of the year	4,084,000	3,064,745
Expected return to plan assets	476,551	419,384
Contributions	1,083,594	990,514
Benefit paid	(145,135)	(243,643)
Unrecognised actuarial (loss) / gain for the year	(175,860)	(147,000)
Fair value of plan assets at the end of the year	5,323,150	4,084,000

Composition of plan assets

Debt instruments	2,655,402	2,553,839
Cash	2,503,874	1,365,782
Others	163,874	164,379
	5,323,150	4,084,000

Movement in Actuarial gain / loss over the year:

Unrecognised Actuarial loss at the beginning of the year	593,753	524,902
Actuarial loss recognised during the year	(6,999)	(9,213)
	586,754	515,689
Actuarial loss / (gain) on defined benefit obligation	(472,622)	(68,936)
Actuarial loss / (gain) on plan assets	175,860	147,000
Unrecognised Actuarial loss at the end of the year	289,992	593,753

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

<i>Gratuity Fund</i>	2013	2012	2011	2010	2009
	-----(<i>Rupees</i>)-----				
Present value of defined benefit obligation	5,613,411	4,677,753	3,590,733	2,377,706	1,573,180
Fair value of plan assets	(5,323,150)	4,084,000	(3,064,745)	(2,175,275)	(1,834,858)
Deficit / (Surplus)	290,261	8,761,753	525,988	202,431	(261,678)
<i>Actuarial loss / (gain) on obligation</i>					
Experience adjustment	472,622	68,936	302,538	281,578	119,180
<i>Actuarial gain / (loss) on assets</i>					
Experience adjustment	(175,860)	(147,000)	(19,933)	(176,946)	(46,664)

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	2013	2012
Actuarial assumptions	%	%
Expected rate of increase in salary	11	13
Discount rate used to determine the actuarial present value of obligation	11	13
Expected return on plan assets	11	10.50

Fair value of plan assets has been determined by the actuarial valuer based on the assumption that gratuity payable in respect of June 2013 amounting to Rs. 90,322 has been paid before June 30, 2013.

Expected accrual of expenses in respect of gratuity scheme in the next financial year on the advice of the actuary is Rs. 915,203/-

	Notes	2013	2012
		-----(<i>Rupees</i>)-----	
15. SECURITY DEPOSITS			
Customers' security deposits	15.1	33,739,693	22,891,103
Current portion		<u>(5,955,506)</u>	<u>(4,650,107)</u>
		<u>27,784,187</u>	<u>18,240,996</u>

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

16. CERTIFICATE CAPITAL

Authorized capital

No. of Certificates

	2013	2012		2013	2012
	<u>30,000,000</u>	<u>30,000,000</u>	Modaraba certificate of Rs. 10/- each	<u>300,000,000</u>	<u>300,000,000</u>

Issued, subscribed and paid up capital

No. of Certificates

	2013	2012		2013	2012
	13,569,000	13,569,000	Modaraba certificate of Rs. 10/- each Fully paid in cash	135,690,000	135,690,000
	4,688,400	4,688,400	Issued as fully paid bonus certificates	46,884,000	46,884,000
	<u>166,545</u>	<u>166,545</u>	Issued on merger	<u>1,665,450</u>	<u>1,665,450</u>
	<u>18,423,945</u>	<u>18,423,945</u>		<u>184,239,450</u>	<u>184,239,450</u>

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

17. CONTINGENCIES AND COMMITMENTS

Contingencies

A suit was filed against the Modaraba in 1994 for Rs. 6.48 million being the claim for refund of

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security deposit in respect of a lease finance. The case was decided by the Banking Court in favour of Plaintiff along with 10% mark-up and Modaraba's appeal against this decision was also dismissed by the honorable High Court of Sindh. The Modaraba has filed an appeal in the honorable Supreme Court of Pakistan challenging the judgment passed by the Banking Court mainly on the point of jurisdiction and limitation stating that the Banking Court has no Jurisdiction. The management of the Modaraba based on the lawyer's opinion is of the view that it stands a fairly good chance for decision of the case in its favour and consequently no provision has been made against this claim in these financial statements.

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

	Notes	2013 ----- <i>(Rupees)</i> -----	2012
<i>Commitments</i>			
Future rentals of ijarah finance under IFAS 2 "Ijarah Finance"	14.2	<u>43,152,495</u>	<u>34,482,678</u>
18. INCOME FROM OPERATIONS OF FUEL STATION - NET			
<i>Income</i>			
Sale of fuel	18.1	131,010,878	125,918,687
Cost of Sales		(126,383,892)	(122,398,893)
		4,626,986	3,519,794
Rental income	18.2	1,080,000	940,000
		5,706,986	4,459,794
<i>Expenses</i>			
Salaries and allowances		1,389,427	1,412,869
Generator fuel		579,022	486,884
Depreciation	12.3	447,273	447,273
Professional fees		-	18,700
Electricity		146,474	634,236
Repairs and maintenance		229,818	194,237
Security guard		228,000	216,000
Fuel and conveyance		-	20,410
Insurance		51,346	30,600
Telephone		43,301	52,386
Entertainment		14,805	29,100
Printing and stationery		1,629	10,850
Advertisement		18,000	25,400
Miscellaneous		218,235	122,205
		3,367,330	3,701,150
 <i>Net income</i>		<u>2,339,656</u>	<u>758,644</u>

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

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

	Notes	2013	2012
		----- <i>(Rupees)</i> -----	
19. OTHER OPERATING INCOME - Net			
Rental income	19.1	3,485,743	3,198,444
Gain on disposal of property and equipment		1,527,970	1,418,196
Profit on bank balances		216,506	296,022
Scrap sales		123,824	840,806
Other		269,648	159,826
		5,623,691	5,913,294

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

20. OPERATING EXPENSES

Salaries, allowances and other benefits		35,071,575	35,915,223
Rent, rates and taxes		11,573,805	14,536,403
Depreciation on property and equipment in own use	12.3	4,778,909	4,719,465
Depreciation property and equipment- held for operating lease	12.3	2,550,926	3,651,194
Expenditure on maintenance services		18,184,987	12,828,268
Fuel and conveyance		6,145,179	6,079,509
Repairs and maintenance		6,077,764	5,201,224
Ijarah lease rentals		3,204,555	3,218,459
Security services charges		2,700,000	3,024,000
Legal and professional		1,022,508	1,048,919
Electricity		4,089,785	2,308,566
Telephone		1,945,119	2,054,027
Travelling and accommodation		1,464,328	1,779,681
Entertainment		661,281	1,332,519
Insurance		1,079,229	1,331,031
Printing and stationery		891,673	1,067,762
Transportation		334,475	269,475
Auditors' remuneration	20.1	446,500	412,500
Subscription		353,386	333,689
Share registrar services		202,560	202,560
Postage		165,627	147,314
Advertisement		43,050	86,113
Others		984,570	898,636
		103,971,791	102,446,537

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	2013	2012
	----- <i>(Rupees)</i> -----	
20.1 Auditors' remuneration		
Statutory audit	300,000	300,000
Review report on statement of compliance with the Code of Corporate Governance	20,000	20,000
Review of the half yearly financial statements	75,000	75,000
Other certifications	10,000	10,000
Out of pocket expenses	41,500	7,500
	446,500	412,500

21. PROVISION FOR IMPAIRMENT LOSS

	<i>2013</i>						<i>Total</i>
	<i>Investments</i>	<i>Property and equipment</i>	<i>Ijarah finance</i>	<i>Morabaha finance</i>	<i>Operating lease rentals</i>	<i>Others</i>	
	----- <i>(Rupees)</i> -----						
Opening balance	21,520,169	8,714,638	33,620,125	2,517,068	14,359,400	7,678,561	88,409,961
Reversal due to recoveries	-	-	(26,654)	-	(4,165,080)	-	(4,191,734)
Provision adjusted against investment	(17,520,169)	-	-	-	-	-	(17,520,169)
Closing balance	4,000,000	8,714,638	33,593,471	2,517,068	10,194,320	7,678,561	66,698,058
	<i>2012</i>						
	<i>Investments</i>	<i>Property and equipment</i>	<i>Ijarah finance</i>	<i>Morabaha finance</i>	<i>Operating lease rentals</i>	<i>Others</i>	<i>Total</i>
	----- <i>(Rupees)</i> -----						
Opening balance	21,520,169	5,108,545	33,620,125	7,456,872	10,194,320	7,773,049	85,673,080
Charged during the year	-	3,606,093	-	-	4,165,080	-	7,771,173
Reversed during the year	-	-	-	(4,939,804)	-	(94,488)	(5,034,292)
	-	3,606,093	-	(4,939,804)	4,165,080	(94,488)	2,736,881
Provisions written off during the year	-	-	-	-	-	-	-
Closing balance	21,520,169	8,714,638	33,620,125	2,517,068	14,359,400	7,678,561	88,409,961

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22. MODARABA COMPANY'S MANAGEMENT FEE

The Modaraba Management Company is entitled to remuneration for services rendered to the Modaraba under the provisions of the Modaraba Ordinance, 1980, up to a maximum of 10% per annum of the net profit before tax of the Modaraba. However, keeping in view the performance of the Modaraba the Board of Directors has decided to waive the management fee for the year ended June 30, 2013.

23. TAXATION

Current tax charge represents tax on income under presumptive tax regime. Non-trading income of Modaraba is exempt from tax because the Board of Directors of the Modaraba management company has decided to distribute not less than 90% of the profit after tax to the certificate-holders (Refer note 30).

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

	2013	2012
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24. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Profit / (loss) after tax for the year	<i>Rupees</i>	3,092,751	(2,688,764)
Weighted average number of certificates outstanding during the year	<i>Number</i>	18,423,945	18,423,945
Earnings per certificate	<i>Rupees</i>	0.17	(0.15)

25. TRANSACTIONS WITH RELATED PARTIES

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

Remuneration to the key management personnel (executives), disclosed in note 26 to these financial statements, are determined in accordance with their terms of employment. Contribution to the provident and gratuity funds are made in accordance with the services rules and actuarial advise respectively. Other transactions with related parties are in accordance with the agreed terms.

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

25.1 Balances outstanding at year end

<i>Relationship</i>	<i>Nature of Transaction</i>	Notes	2013 ----- <i>(Rupees)</i> -----	2012
BankIslami Pakistan Limited (parent company of the management company)	Bank deposits	5.1	<u>4,876,356</u>	<u>2,541,344</u>
	Amount payable in respect of ijarah arrangement		<u>991,886</u>	<u>653,623</u>
	Amount receivable in respect of maintenance services		<u>11,426,392</u>	<u>12,778,974</u>
	Amount receivable in respect of genset and premises rent income and others		<u>583,784</u>	<u>85,815</u>
	Security deposit in respect of ijarah arrangement		<u>22,521,749</u>	<u>11,942,649</u>

25.2 Transactions during the year

<i>Relationship</i>	<i>Nature of Transaction</i>			
BankIslami Pakistan Limited (parent company of the management company)	Maintenance services provided		<u>25,848,385</u>	<u>37,020,549</u>
	Receipt in respect of security deposit		<u>6,000,000</u>	<u>-</u>
	Profit on islamic profit and loss sharing account		<u>160,331</u>	<u>208,464</u>
	Rental income		<u>3,485,743</u>	<u>3,198,444</u>
	Bank charges		<u>18,193</u>	<u>9,764</u>
BankIslami Modaraba Investments Limited (management company)	Lease rentals - ijarah paid		<u>25,621,661</u>	<u>15,827,183</u>
	Management fee	22	<u>-</u>	<u>-</u>
Other Related Parties	Contribution to staff provident fund		<u>378,112</u>	<u>445,856</u>
	Contribution to staff gratuity fund		<u>1,083,594</u>	<u>989,531</u>

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26. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

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

	<i>2013</i>			<i>2012</i>		
	<i>Officers (key management personnel)</i>	<i>Other employees</i>	<i>Total</i>	<i>Officers (key management personnel)</i>	<i>Other employees</i>	<i>Total</i>
	----- (Rupees)-----					
Salaries	4,742,712	14,479,884	19,222,596	4,742,712	14,902,885	19,645,597
Retirement benefits						
Defined contribution plan - provident fund	81,272	296,840	378,112	100,587	345,269	445,856
Defined benefit plan - gratuity fund	485,684	597,919	1,083,603	422,136	567,395	989,531
House rent allowance	2,134,224	6,504,634	8,638,858	2,134,220	6,331,842	8,466,062
Conveyance and other allowances	1,031,231	6,106,602	7,137,833	1,348,856	6,432,190	7,781,046
	<u>8,475,123</u>	<u>27,985,879</u>	<u>36,461,002</u>	<u>8,748,511</u>	<u>28,579,581</u>	<u>37,328,092</u>
	<u>5</u>	<u>138</u>	<u>143</u>	<u>5</u>	<u>128</u>	<u>133</u>

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

27. FINANCIAL RISK MANAGEMENT

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

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

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

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		2013	2012
		-----/(Rupees)-----	
27.1	Financial instruments by category		
	<i>Financial assets as per balance sheet</i>		
	<i>Available for sale</i>		
	Long term investments	-	6,000,000
	<i>Loans and receivables</i>		
	Cash and bank balance	8,756,698	8,643,597
	Diminishing musharaka finance	-	-
	Investment in ijarah finance	3,755,007	3,755,007
	Receivable against operating lease rentals and maintenance service	36,672,311	35,091,042
	Advances, deposits and other receivables	8,977,115	3,538,472
	Long term deposits	22,521,749	11,942,649
		<u>80,682,880</u>	<u>69,327,400</u>
	<i>Financial liabilities as per balance sheet at amortised cost</i>		
	Security deposits - ijarah	33,739,693	22,891,103
	Creditors accrued and other liabilities	19,712,305	21,467,607
	Unclaimed profit distribution	6,567,310	6,567,310
		<u>60,019,308</u>	<u>50,926,020</u>
27.2	Liquidity risk management		

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. Currently Modaraba do not have any short term or long term borrowing of any nature. Only major short term liability relates to creditors and accrued expenses. Modaraba has sufficient current assets to meet these liabilities.

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27.2.1 Liquidity and profit risk table

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

	<i>Less than 6 months</i>	<i>6 months - 1 year</i>	<i>1 - 5 years</i>	<i>More than 5 years</i>	<i>Total Contractual Cashflows</i>
	----- <i>(Rupees)</i> -----				
Creditors, accrued and other liabilities	19,712,305	-	-	-	19,712,305
Security deposits	5,730,606	1,120,000	27,784,187	-	34,634,793
Unclaimed profit distribution	6,567,310	-	-	-	6,567,310
	<u>32,010,221</u>	<u>1,120,000</u>	<u>27,784,187</u>	<u>-</u>	<u>60,914,408</u>
 <i>For comparative period - 2012</i>					
Creditors, accrued and other liabilities	21,467,607	-	-	-	21,467,607
Security deposits	4,533,303	116,800	18,241,000	-	22,891,103
Unclaimed profit distribution	6,567,310	-	-	-	6,567,310
	<u>32,568,220</u>	<u>116,800</u>	<u>18,241,000</u>	<u>-</u>	<u>50,926,020</u>

27.3 Credit risk and concentration of credit

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

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

The Modaraba's maximum exposure to credit risk related to receivable at June 30, 2013 and June 30, 2012 is the carrying amounts of following financial assets.

	2013	2012
	----- <i>(Rupees)</i> -----	
Net investment in ijarah finance / assets under ijarah arrangements	3,755,007	3,755,007
Long term investments	-	6,000,000
Receivable against operating lease rentals and maintenance fee	36,672,311	35,091,042
Bank balances	<u>8,069,047</u>	<u>8,629,997</u>
	<u>48,496,365</u>	<u>53,476,046</u>

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With respect to maintenance service and lease rentals. The Modaraba has adopted a policy of dealing with creditworthy counterparties only. These parties are analysed based on the publicly available information credit ratings and financial statements and financial performance appearing in their annual report.

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

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

<i>Banks</i>	<i>Short Term</i>	<i>Long Term</i>	<i>2013</i>	<i>2012</i>
			-----(<i>Rupees</i>)-----	
BankIslami Pakistan Limited	A1	A	4,876,356	2,541,344
Bank Alfalah Limited	A1+	AA	1,702,467	553,252
Meezan Bank Limited	A-1+	AA-	1,486,829	5,532,006

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

	<i>As at June 30, 2013</i>				
	<i>OAEM</i>	<i>Substandard</i>	<i>Doubtful</i>	<i>Loss</i>	<i>Total</i>
	-----(<i>Rupees</i>)-----				
Ijarah finance	-	-	-	45,017,316	45,017,316
murabaha finance	-	-	-	2,517,068	2,517,068
Receivable against operating lease rentals and maintenance service	-	-	-	10,194,320	10,194,320
Other receivables	-	-	-	7,678,561	7,678,561
	<i>As at June 30, 2012</i>				
	<i>OAEM</i>	<i>Substandard</i>	<i>Doubtful</i>	<i>Loss</i>	<i>Total</i>
	-----(<i>Rupees</i>)-----				
Ijarah finance	-	-	-	45,117,316	45,117,316
murabaha finance	-	-	-	2,517,068	2,517,068
Receivable against operating lease rentals and maintenance service	-	-	-	14,359,400	14,359,400
Other receivables	-	-	-	7,678,561	7,678,561

Total impairment against these assets as at June 30, 2013 is Rs. 53,983,420 (2012 : Rs. 58,175,154).

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

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

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

<i>Sector</i>	<i>2013</i>		<i>2012</i>	
	<i>Rupees</i>	<i>%</i>	<i>Rupees</i>	<i>%</i>
Financial Institutions	270,692	0.43%	270,692	0.43%
Distributors, Wholesalers and Retailers	26,448,264	41.88%	26,548,264	41.69%
Food, Tobacco and Beverages	540,945	0.86%	540,945	0.85%
Chemical, Fertilizer and Pharama	5,753,117	9.11%	6,300,950	9.89%
Textile and Garments	3,621,385	5.73%	3,621,385	5.69%
Steel, Engineering and Autos	9,717,557	15.39%	4,233,217	6.65%
Construction	-	0.00%	704,000	1.11%
Transport and Communication	1,300,563	2.06%	1,300,563	2.04%
Glass, Ceramics and Plastics	1,311,650	2.08%	1,311,650	2.06%
Education	-	0.00%	3,319,000	5.21%
Misc. / Individuals	14,184,043	22.46%	15,529,564	24.39%
	<u>63,148,216</u>	<u>100%</u>	<u>63,680,230</u>	<u>100%</u>

27.4 Market risk

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

27.4.1 Profit rate risk

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

	2013	2012
	-----(<i>Rupees</i>)-----	
<i>Profit bearing financial instruments</i>		
Bank balances	8,065,652	8,626,602
Net investment in ijarah finance / assets under ijarah arrangements	3,755,007	3,755,007
Long term investments	-	6,000,000

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Fair value sensitivity analysis for interest bearing financial instruments

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

27.4.2 Other price risk

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

27.5 Fair value of financial instruments

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

Fair value hierarchy

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

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<i>June 30, 2013</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	-----(<i>Rupees</i>)-----		
Assets carried at fair value			
Available for sale investments	-	-	-
<hr style="border-top: 3px double #000;"/>			
<i>June 30, 2012</i>			
Assets carried at fair value			
Available for sale investments	-	-	6,000,000
<hr style="border-top: 3px double #000;"/>			

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28. INFORMATION ABOUT BUSINESS SEGMENTS

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

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

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

SEGMENT RESULTS 2013

	<i>Maintenance services</i>	<i>Fuel station</i>	<i>Mobile towers</i>	<i>Financing / Investments</i>	<i>Consolidated</i>
	(Rupees)				
<i>Revenue</i>	68,941,093	131,010,878	16,788,223	6,674,624	223,414,818
<i>Result</i>					
Profit / (loss) for the year before taxation	2,463,663	2,339,656	5,551,965	8,304,435	18,659,719
Profit / (loss) for the year after taxation	2,463,663	1,985,148	5,551,965	8,304,435	18,305,211
<i>For comparative period - 2012</i>					
	<i>Maintenance services</i>	<i>Fuel station</i>	<i>Mobile towers</i>	<i>Financing / Investments</i>	<i>Consolidated</i>
	(Rupees)				
<i>Revenue</i>	69,101,994	125,918,687	24,617,464	4,684,883	224,323,028
<i>Result</i>					
Profit / (loss) for the year before taxation	4,085,060	758,644	(905,978)	5,742,076	9,679,802
Profit / (loss) for the year after taxation	4,085,060	500,049	(905,978)	5,742,076	9,421,207

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Reconciliation of segment results

	<i>2013</i>	<i>2012</i>
	-----(<i>Rupees</i>)-----	
Total results for reportable segments	18,305,211	9,421,207
Rental income	3,485,743	3,198,444
Other operating income	581,266	524,044
Operating expenses:		
Salaries, allowances and other benefits	(10,996,396)	(5,188,227)
Depreciation	(1,149,576)	(1,193,528)
Workers' welfare fund	(24,516)	-
Fuel and conveyance	(1,212,322)	(1,105,337)
Other unallocated operating expenses	(5,896,659)	(8,345,367)
Profit after tax as per profit and loss account	3,092,751	(2,688,764)

2013

	<i>Maintenance services</i>	<i>Fuel station</i>	<i>Mobile towers</i>	<i>Financing/ Investments</i>	<i>Consolidated</i>
	-----(<i>Rupees</i>)-----				
<i>Assets and liabilities</i>					
Total assets	59,594,674	73,491,328	29,036,998	48,173,200	210,296,200
Total liabilities	7,592,383	224,556	6,360,850	34,528,282	48,706,071

For comparative period - 2012

	<i>Maintenance services</i>	<i>Fuel station</i>	<i>Mobile towers</i>	<i>Financing/ Investments</i>	<i>Consolidated</i>
	-----(<i>Rupees</i>)-----				
<i>Assets and liabilities</i>					
Total assets	60,568,214	73,913,083	30,851,024	34,422,366	199,754,687
Total liabilities	7,121,226	475,037	8,797,271	20,012,149	36,405,683

Reconciliation of segments' assets and liabilities

	<i>Assets</i>	
	<i>2013</i>	<i>2012</i>
	-----(<i>Rupees</i>)-----	
Total for reportable segments	207,879,221	199,754,687
Advance income tax	16,717,025	13,022,843
Property and equipment	3,954,515	4,921,043
Cash and bank balance	8,756,698	8,643,597
Other unallocated assets	2,006,160	785,141
Total as per balance sheet	239,313,619	227,127,311

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	Liabilities	
	2013	2012
	----- <i>(Rupees)</i> -----	
Total for reportable segments	48,706,071	36,405,683
Unclaimed profit distribution	6,567,310	6,567,310
Charity and donations payable	1,736,850	5,538,436
Other unallocated liabilities	3,009,346	2,414,591
Total as per balance sheet	60,019,577	50,926,020

OTHER INFORMATION

	<i>Maintenance services</i>	<i>Fuel station</i>	<i>Mobile towers</i>	<i>Financing/ Investments</i>	<i>Unallocated</i>	<i>Consolidated</i>
	----- <i>(Rupees)</i> -----					
Capital expenditure	670,000	-	-	-	215,098	885,098
Depreciation	2,713,791	447,273	2,550,926	4,191,631	2,065,118	11,968,739
Provision for impairment loss	-	-	4,165,080	7,226,654	-	11,391,734
Salaries, allowances and other benefits	22,763,329	1,389,427		937,954	11,370,292	36,461,002
Rent, rates and taxes	3,343,240	-	8,059,516	-	107,399	11,510,155
Expenditure on maintenance services	18,184,987	-	-	-	-	18,184,987
Ijarah lease rentals	2,717,967	-	-	-	486,588	3,204,555
Advertisement	-	-	-	-	43,050	43,050
Income tax	-	354,508	-	-	-	354,508

For comparative period - 2012

	<i>Maintenance services</i>	<i>Fuel station</i>	<i>Mobile towers</i>	<i>Financing/ Investments</i>	<i>Unallocated</i>	<i>Consolidated</i>
	----- <i>(Rupees)</i> -----					
Capital expenditure	3,057,173	-	-	-	129,800	3,186,973
Depreciation	3,525,915	447,273	3,651,194	3,006,697	1,193,528	11,824,607
Provision for impairment loss	-	-	-	4,939,804	94,488	5,034,292
Salaries, allowances and other benefits	29,724,545	1,412,869	825,000	875,914	4,489,764	37,328,092
Rent, rates and taxes	4,311,021	30,640	8,962,535	-	1,232,207	14,536,403
Expenditure on maintenance services	12,828,268	-	-	-	-	12,828,268
Ijarah lease rentals	3,218,459	-	-	-	-	3,218,459
Advertisement	57,350	-	-	-	28,763	86,113
Income tax	-	258,595	-	-	-	258,595

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Three major clients contributing more than 10% to the revenue of the Modaraba aggregated to Rs. 72.3 million (2012: Rs. 58.9 million) under maintenance services, mobile towers and other operating income during the year.

29. CAPITAL RISK MANAGEMENT

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

Currently the Modaraba is fully financed by equity capital and do not have any debt capital. The Modaraba manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. It is the Modaraba's practice to distribute at least 90% of the profit earned during the period to its certificate holders in order to avail tax exemption under clause 100 of Part I of the Second Schedule to Income Tax Ordinance 2001. However in order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit distributable to certificate holders or issue new certificates.

During the year Board of Directors of the management company decided to focus on financing business and dispose of all non-financial business, therefore since the date of the decision the management is exploring the opportunities of disposing its non-financing businesses and utilize the proceeds from disposal for the purpose of expanding financing business operations.

The Modaraba is not subject to externally imposed capital requirements.

30. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Management Company in their meeting held on October 4, 2013 has approved final cash dividend of 0.125 per certificate. The financial statements of the Modaraba for the year ended June 30, 2013 do not include the effect of the final dividend which will be accounted for in the financial statements of the Modaraba for the year ending June 30, 2014.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the board of directors of the Management Company on October 4, 2013.

32. GENERAL

Figures have been rounded off to the nearest Rupee.

Chief Executive
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

Director
BankIslami Modaraba Investments Limited
Modaraba Management Company

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PATTERN OF CERTIFICATE HOLDING

As at June 30, 2013

Number of Certificate Holding	Certificate Holding		To Certificate Held	Percentage %
	From	To		
2021	1	100	42,917	0.23
653	101	500	179,925	1.00
308	501	1,000	240,743	1.36
541	1,001	5,000	1,235,153	6.64
148	5,001	10,000	1,139,084	5.61
50	10,001	15,000	641,980	3.21
24	15,001	20,000	411,647	2.44
15	20,001	25,000	333,931	1.31
9	25,001	30,000	243,925	1.17
5	30,001	35,000	167,176	1.08
4	35,001	40,000	148,993	0.81
4	40,001	45,000	173,182	1.63
4	45,001	50,000	192,283	0.77
4	50,001	55,000	213,500	1.13
3	55,001	60,000	171,433	1.26
6	60,001	65,000	374,521	1.00
3	65,001	70,000	204,499	1.11
6	70,001	75,000	436,263	1.60
1	80,001	85,000	83,324	0.45
1	85,001	90,000	85,500	0.93
1	90,001	95,000	94,000	1.01
2	95,001	100,000	196,250	0.52
2	100,001	105,000	207,037	1.12
2	110,001	115,000	229,099	1.23
3	120,001	125,000	368,432	2.00
1	125,001	130,000	127,216	0.69
1	145,001	145,000	146,000	0.78
1	155,001	160,000	158,500	0.86
1	165,001	170,000	166,000	0.90
2	175,001	180,000	351,029	0.95
1	210,001	200,000	212,500	1.09
1	235,001	215,000	238,000	2.31
1	240,001	255,000	244,500	2.72
2	250,001	270,000	500,988	2.88
1	265,001	290,000	265,500	1.55
1	290,001	380,000	293,015	2.06
1	375,001	385,000	379,500	2.08
1	395,001	400,000	400,000	2.17
1	410,001	415,000	410,486	2.23
1	480,001	485,000	484,500	2.63
1	490,001	490,000	494,987	2.66
1	495,001	500,000	499,782	2.71
1	695,001	700,000	700,000	3.80
1	1,270,001	1,215,000	1,273,000	6.58
1	1,420,001	1,425,000	1,421,250	7.71
1	1,840,001	1,845,000	1,842,395	10.00
3843			18,423,945	100

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PATTERN OF CERTIFICATE HOLDING

As at June 30, 2013

Categories of Certificate Holders	Number	Certificates Held	Percentage %
Associated Companies, Undertakings, and Related Parties.			
BankIslami Modaraba Investments Ltd.,	1	2,342,490	12.714
Sub Total	1	2,342,490	12.714
N.I.T. & I.C.P.			
Investment Corporation of Pakistan	1	794	0.004
National Bank of Pakistan Trustee Department	1	13,656	0.074
IDBP (ICP Unit)	1	498	0.003
Sub Total	3	14,948	0.081
Public Sector Company & Corporation			
Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modaraba's and Mutul Funds	19	1,487,691	8.075
Joint Stock Companies & Others	37	646,450	3.509
Individuals	3,783	13,932,366	75.621
Sub Total	3,839	16,066,507	87.204
Total	3,843	18,423,945	100.000

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NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given to the certificate holders that 14th Annual Review Meeting of Modaraba Al Mali will be held on 26th October 2013 at 12:45 p.m. at the 602, 6th Floor, Progressive Centre, P.E.C.H.S., Shara e Faisal, Karachi

On behalf of the Board

-- sd --

Rashid Matin Khan
Acting Company Secretary

Date: October 4, 2013

Note:

1. CLOSURE OF SHARE TRANSFER BOOK

The Share Transfer Book of the Modaraba will remain closed from 19th October 2013 to 26th October 2013 (both days inclusive) and no transfer will be accepted during this period. The certificate holders whose names appear in the Register of certificate holders as at the close of business on 18th October 2013 will be considered in time for the purpose of determination of their respective entitlement(s), if any, and eligibility to attend the Annual Review Meeting.

2. SUBMISSION OF CNIC

The Securities & Exchange Commission of Pakistan (SECP) through its notification SRO 831 (1) 2012 of July 5, 2012, has directed all listed companies to issue dividend warrant only crossed as "A/c Payee only" and should bear the valid CNIC Number of the registered certificate holders. Certificate holders who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Modaraba's Share Registrar, M/s Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S. Karachi (Tel: 021 34391316; Fax: 021 34391318)

Certificate holders may also provide by mail or fax, photocopy of their CNIC and in case of foreigner, copy of passport, unless it has already been provided and email address to enable the Modaraba to comply with relevant laws.

3. DIVIDEND MANDATE OPTION

As directed by the Securities and Exchange Commission of Pakistan through its circular No. 18 of 2012 dated June 5, 2012, we give the certificate holders the opportunity to authorise the Modaraba to directly credit the cash dividend in their bank account declared by the Modaraba in future. If you wish that the cash dividend if declared by the Modaraba be directly credited into your bank

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account, instead of issuing a dividend warrant, please provide the following details:

Details for Bank Mandate	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Contact of Certificate Holder/Transferee	
CNIC Number	

4. CHANGE IN ADDRESS

Certificate holders are requested to promptly notify the Modaraba of any change in their address, if applicable.

5. In case of individuals, the account holder(s) shall authenticate their identity by showing original Computerized National Identity Card (CNIC).
6. In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.