



annual report 2011



FIRST FIDELITY LEASING MODARABA

Managed by:
Fidelity Capital Management (Private) Limited

CONTENTS



CORPORATE INFORMATION	02
VISION AND MISSION STATEMENT	03
KEY OPERATING DATA FOR LAST SIX YEARS	04
NOTICE OF ANNUAL REVIEW MEETING	05
DIRECTORS' REPORT	06-08
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	09-10
REVIEW REPORT TO THE CERTIFICATE HOLDERS ON CODE OF CORPORATE GOVERNANCE	11
AUDITORS' REPORT TO THE CERTIFICATE HOLDERS	12-13
BALANCE SHEET	14
PROFIT AND LOSS ACCOUNT	15
STATEMENT OF COMPREHENSIVE INCOME	16
CASH FLOW STATEMENT	17
STATEMENT OF CHANGES IN EQUITY	18
NOTES TO THE ACCOUNTS	19-49
PATTERN OF CERTIFICATE HOLDINGS	50-51



CORPORATE INFORMATION

Board of Directors

Fidelity Capital Management (Private) Limited.

Chairman	Siyyid Tahir Nawazish
Chief Executive	Mr. Wasim-ul-Haq Osmani
Directors	Sheikh Muhammad Nasim Mr. Shahid Iqbal Chaudhry Mr. Abdul Hameed Kiayani

Company Secretary / CFO

Mr. Mohammed Waheed

Auditors of Modaraba

Riaz Ahmad & Company
Chartered Accountants

Audit Committee

Chairman	Siyyid Tahir Nawazish
Members	Mr. Shahid Iqbal Chaudhry Sheikh Muhammad Nasim
Secretary	Mr. Muhammad Arshad

Credit Committee

Chairman	Siyyid Tahir Nawazish
Members	Mr. Wasim-ul-Haq Osmani Mr. Muhammad Younis Chaudhry

Legal Advisor

Salim & Baig (Advocates)

Bankers

Samba Bank Limited
MCB Bank Limited
NIB Bank Limited
Faysal Bank Limited

Registered Office

Ground Floor, 90, A-1
Canal Bank Gulberg -II, Lahore
Tel: 042-32402868-72
Fax: 042-35759155
Email: info@fidelitymodaraba.com
Website: www.fidelitymodarab.com

Registrars

Corptec Associates (Private) Limited
7/3-G, Mushtaq Ahmed Gurmani Road
Gulberg - II
Lahore. Tel: 042-35788097-8
Fax: 042-35755215
Email: corptecassociates@gmail.com





Vision

To excel in providing innovative Islamic financial Services to customers in the best possible manner.

Mission

- To achieve a unique position in the Modaraba sector by developing products, foreseeing upcoming changes, endeavoring value addition, focusing economic and industrial growth of the country and seeking expansion in business activity.
- To offer attractive returns to stakeholders as per their expectations.
- To actively participate and support transformation of our mercantile and financial sector in accordance with Sharia.
- To build our institution with attributes of flexibility, innovation and foresight keeping intact prudence level and corporate discipline supported by dedicated management mindful of corporate and social obligation, maintaining high professional and ethical standards with eyes on the future.





KEY OPERATING DATA FOR LAST SIX YEARS

(Rupees in Millions)

	June 2011 Rupees	June 2010 Rupees	June 2009 Rupees	June 2008 Rupees	June 2007 Rupees	June 2006 Rupees
Operating results						
Revenues	71.46	55.88	71.44	118.95	82.61	130.86
Operating profit before						
Profit / (Loss) after taxation and management fee	8.68	(11.85)	(2.27)	41.68	33.20	27.83
Financial position						
Fixed assets (owned and leased out)	52.54	75.27	105.76	181.43	158.92	221.39
Total assets	375.23	432.87	459.59	494.24	501.30	577.43
Certificateholders equity	335.18	325.20	326.70	351.54	348.72	315.94
Paid up capital	264.13	264.13	264.13	264.13	264.13	264.13
Earning (Loss) per certificate	0.33	(0.45)	(0.09)	1.58	1.26	1.05
Profit distribution (%)	-	-	-	10.00	10.00	10.00
Break-up value per certificate	12.69	12.31	12.37	13.31	13.20	12.00



NOTICE OF ANNUAL REVIEW MEETING AND BOOK CLOSURE



Notice is hereby given that the Annual Review Meeting of Certificate holders of First Fidelity Leasing Modaraba to review the performance of Modaraba for the year ended June 30, 2011 will be held on October 31, 2011 at 11:00 A.M. at 6th Floor, M.M. Tower 28-A, Block - K, Gulberg-II, Lahore. The certificate transfer books of the Modaraba will remain closed from October 25, 2011 to October 31, 2011 (both days inclusive) for the determination of names of the certificate holders for attendance of Annual Review Meeting. Certificate holders whose names are entered in the Register of Certificate holders as on October 24, 2011 shall be entitled to attend the meeting.

Lahore:
October 08, 2011

Mohammed Waheed
(Company Secretary)





DIRECTORS' REPORT

The Board of Directors of Fidelity Capital Management (Private) Limited is pleased to present the 20th Annual Report of First Fidelity Leasing Modaraba together with the audited financial statements and the auditors' report thereon for the year ended June 30, 2011.

Financial Results

The financial results of the Modaraba are summarized as follows.

	Rupees in '000'	
	2011	2010
Income	71,466	55,884
Expenses	(42,202)	(61,812)
Operating profit (loss) before provisions and taxation	29,264	(5,928)
(Provision) for doubtful receivables	(19,422)	(5,602)
Modaraba Company's management fee	(984)	-
Provision for workers welfare Fund	(177)	-
Profit before taxation	8,680	(11,530)
Taxation	-	(319)
Profit after tax	8,680	(11,849)

Appropriations

Appropriated as follows:

Transferred to statutory reserve	-	-
Profit distribution	-	-

Earnings per Certificate

Earnings / (loss) per certificate stood at Rs.	0.33	(0.45)
--	------	--------

Review of Operations

Unprecedented Floods and energy crisis made financial year ended 30th June, 2011 as one of the low performing years for the economy of Pakistan. Inflation and liquidity crunch continued during the year and businesses remained stifled for growth. The Modaraba in view of the situation confined itself to utilize existing resources and not to indulge in expansion through resource mobilization. The Modaraba during the year was able to dispose of certain of its investment properties. The major disposal being Modaraba owned portion of multi storey Shafi mansion was accomplished by the end of the year. The proceeds have partly been used to pay off related mortgage loan and balance funds will be available for deployment in the ensuing period in various conventional activities like morabaha, musharaka, leasing etc. The Modaraba has made capital gain on disposal of these properties; however, due to provisions made against certain finance facilities based on time based criteria under the prudential regulations, the net profit for the year has resulted at Rs. 8.680 million as against a loss of Rs. 11.849 million incurred during last year. The loss incidence in substance has stopped and profitability is expected to continue and grow in the coming years.



DIRECTORS' REPORT



Corporate Governance Compliance

As required by the Code of Corporate Governance, directors are pleased to report that:

- (a) The financial statements prepared by the management of the Modaraba present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- (b) Proper books of account of the Modaraba have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- (d) International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- (e) The system of internal control is sound and has been effectively implemented and monitored.
- (f) There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- (h) A statement setting out status of the compliance with the best practices of corporate governance is attached.

Key Operating and Financial Data

A statement summarizing key operating and financial data for the last six years is attached.

Trading in Modaraba Certificates by Directors etc.

None of the directors, chief executive, executives, auditors of the Modaraba or their spouses and minor children carried out any trade in the certificates of the Modaraba..

Board Meetings

During the year under review 6 meetings of the Board of Fidelity Capital Management (Pvt.) Limited were held, which were attended by the directors as follows:

Name of Director	Meetings Attended
Siyyid Tahir Nawazish	5
Mr. Wasim-ul-Haq Osmani	6
Mr. S.M. Nasim	6
Mr. Shahid Iqbal Chaudhry	5
Mr. Abdul Hameed Kiyani	6

Credit Rating

PACRA has assigned Modaraba's long term rating as "BBB+" and short term rating as "A2". The ratings denote low expectation of credit risk and an adequate capacity for timely payment of financial commitments.





DIRECTORS' REPORT

Value of Provident Fund and Gratuity Fund Investment

The Modaraba operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by the Modaraba and the employee to the fund @ 10% of basic salary. The value of its investment as at June 30, 2011 works out to Rs.2,913,243/-

Modaraba also operates an approved funded gratuity scheme for its management staff who complete the qualifying period of service. Provision in the books of account has been made in accordance with actuarial recommendations.

Pattern of Certificateholdings

The pattern of Certificateholdings is annexed to this report.

Auditors

The auditors M/s Riaz Ahmed & Co. Chartered Accountants retire and offer themselves for reappointment for the year 2011-12. The Audit Committee of the Board has recommended the reappointment of the retiring auditors subject to approval of the Registrar Modaraba.

Future Outlook and Strategy

The Pakistan economy despite all the adverse effect of floods, war on terror has shown its resilience in achieving some growth in GDP on the back of higher agricultural output, increase in textile exports and growth in foreign remittances by expatriates. It is expected that better discipline in Government functionaries shall augur well for future economy of Pakistan. The Management of the Modaraba intends to generate further funds by disposing of its remaining investment properties at appropriate time and price. The deployment of sale proceeds from already sold and yet to be sold investment properties shall significantly increase Modaraba profitability in the next year.

Acknowledgement

The Board wishes to place on record its appreciation for the continued support, guidance and necessary measures taken by the Registrar Modaraba, Securities and Exchange Commission of Pakistan, Modaraba Association of Pakistan and other Regulators.

At the same time the Board appreciates the commitment, dedication and hard work put in by the management and staff members of the Modaraba and looks forward to their continued commitment in the coming years.

Finally the Board extends its gratitude and appreciation to the certificateholders who remained committed to the Modaraba.

For and on behalf of the
Board of Directors

Lahore
October 8, 2011

Wasim ul Haq Osmani
Chief Executive



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE



The statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulations of Stock Exchanges of Pakistan 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.

Fidelity Capital Management (Private) Limited is the Management Company of First Fidelity Leasing Modaraba and is a private limited company. The Code of Corporate Governance is not applicable to the Management Company. However, First Fidelity Leasing Modaraba is listed at all Stock Exchanges, comes under the ambit of the Code. First Fidelity Leasing Modaraba being a Modaraba does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Modaraba.

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

1. The Management Company encourages representation of independent non-executive directors. Board presently comprises five directors two of them are executive directors and three are non-executive directors. The Management Company not being a listed company does not have any minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFC or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Management Company during the year.
5. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all directors and employees of the Management Company and Modaraba.
6. The Management Company has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba along with the dates on which they were approved or amended has been maintained. The corporate strategy of the Management Company and Modaraba is reviewed and approved by the Board alongwith the annual plan.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by Board. The Term of appointment and determination of remuneration and terms and conditions of employment of the CEO and directors are approved by the Board.
8. The meetings of the Board were presided over by the Chairman or CEO (in case of absence of Chairman) and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working paper were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Management Company arranged orientation course for its directors to apprise them of their duties and responsibilities and to brief them regarding amendments in the Companies Ordinance / Corporate Laws.
10. The Board has approved appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the Chief Executive.





STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

11. The report of the directors of the Management Company on the financial statement of the Modaraba of this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. CEO and CFO duly endorsed the financial statements of the Modaraba before approval of the Board.
13. The directors, chief executive and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificateholdings.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code with respect to Modaraba.
15. The Board has formed an audit committee, it comprises of three members, of whom, one is executive director, who is the Chairman of the Committee and others are non-executive directors.
16. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justifications for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
17. The meetings of the audit committee are held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the Code. The terms of reference of the committee have been formed and advised to the Committee for compliance.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Modaraba had confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all of its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the person 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. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the
Board of Directors

Lahore
October 08, 2011

Wasim ul Haq Osmani
Chief Executive

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



We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Fidelity Capital Management (Private) Limited (“the Management Company”) in respect of FIRST FIDELITY LEASING MODARABA (“the Modaraba”) for the year ended 30 June 2011 to comply with the Listing Regulations of the respective 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 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 Management Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba Management Company's 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 Modaraba Management Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi, Lahore and Islamabad 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 the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba'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 30 June 2011.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of Engagement Partner
Syed Mustafa Ali

LAHORE
October 08, 2011





AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Fidelity Leasing Modaraba** (“**the modaraba**”) as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) In our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) In our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in 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 the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS



- (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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2011 and of the profit, its comprehensive profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of Engagement partner:
Syed Mustafa Ali

LAHORE

Date: October 08, 2011





BALANCE SHEET AS AT 30 JUNE 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances	3	16,489,917	13,404,603
Short term investments	4	3,827,142	2,523,512
Short term morabaha investments - secured	5	72,037,248	61,372,038
Ijarah rentals receivable	6	1,085,706	6,995,453
Advances, deposits, prepayments and other receivables	7	41,269,678	23,850,197
Current portion of non-current assets	8	1,534,151	91,080,874
		<u>136,243,842</u>	<u>199,226,677</u>
NON-CURRENT ASSETS			
Long term morabaha investments - secured	9	7,403,012	4,574,467
Long term musharika investment - secured	10	99,000,000	-
Long term receivables and deposits	11	1,429,738	1,493,218
Investment properties	12	67,973,127	141,670,539
Cards and rooms	13	10,630,000	10,630,000
Ijarah assets	14	22,773,346	44,408,063
Fixed assets	15	29,775,519	30,864,043
		<u>238,984,742</u>	<u>233,640,330</u>
TOTAL ASSETS		<u>375,228,584</u>	<u>432,867,007</u>
LIABILITIES			
CURRENT LIABILITIES			
Deferred morabaha income	5	6,419,307	5,068,914
Creditors, accrued and other liabilities	16	17,035,819	22,704,243
Finances under musharika arrangements	17	1,149,000	5,500,000
Current portion of non-current liabilities	18	5,823,562	53,273,218
		<u>30,427,688</u>	<u>86,546,375</u>
NON-CURRENT LIABILITIES			
Security deposits against ijarah assets	19	7,342,959	13,446,708
Finance under morabaha arrangement	20	-	5,979,166
Employee benefits	21	1,844,798	1,510,846
Deferred morabaha income	22	427,012	181,725
		<u>9,614,769</u>	<u>21,118,445</u>
TOTAL LIABILITIES		<u>40,042,457</u>	<u>107,664,820</u>
NET ASSETS		<u>335,186,127</u>	<u>325,202,187</u>
FINANCED BY			
Certificate capital	23	264,138,040	264,138,040
Reserves	24	71,048,087	61,064,147
TOTAL EQUITY AND RESERVES		<u>335,186,127</u>	<u>325,202,187</u>
CONTINGENCIES AND COMMITMENTS	25	-	-

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

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2011



	Note	2011 Rupees	2010 Rupees
INCOME			
Ijarah rentals earned		11,743,792	25,531,811
Rental income from investment properties		11,807,537	10,932,904
Profit on morabaha / musharika investments		13,785,173	18,157,185
Brokerage commission		257,337	1,080,204
Other income	26	33,871,951	181,535
		<u>71,465,790</u>	<u>55,883,639</u>
EXPENSES			
Depreciation on ijarah assets	14	10,219,057	18,665,350
Depreciation on investment properties	12	3,643,085	3,756,479
Administrative and general expenses	27	20,746,080	18,437,706
Stock exchange and CDC charges		131,940	672,202
Impairment on available for sale investments		-	10,810,588
Financial charges	28	7,461,896	9,469,311
		<u>42,202,058</u>	<u>61,811,636</u>
OPERATING PROFIT / (LOSS) BEFORE PROVISIONS AND TAXATION		<u>29,263,732</u>	<u>(5,927,997)</u>
Provision for non-performing receivables	29	(19,422,111)	(5,602,009)
		<u>9,841,621</u>	<u>(11,530,006)</u>
Modaraba management company fee	30	(984,162)	-
Provision for workers' welfare fund		(177,149)	-
PROFIT / (LOSS) BEFORE TAXATION		<u>8,680,310</u>	<u>(11,530,006)</u>
Taxation	31		
-current		-	(1,080,864)
-prior year		-	761,793
		<u>-</u>	<u>(319,071)</u>
PROFIT / (LOSS) AFTER TAXATION		<u>8,680,310</u>	<u>(11,849,077)</u>
EARNINGS / (LOSS) PER CERTIFICATE - BASIC AND DILUTED	32	<u>0.33</u>	<u>(0.45)</u>

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

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
PROFIT / (LOSS) AFTER TAXATION	8,680,310	(11,849,077)
OTHER COMPREHENSIVE INCOME		
Surplus on remeasurement of available for sale investments	1,303,630	200,620
Impairment loss charged to profit and loss account	-	10,143,376
Other comprehensive income for the year	1,303,630	10,343,996
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	<u>9,983,940</u>	<u>(1,505,081)</u>

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

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited



CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011



	Note	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	36	(46,314,370)	18,240,107
Financial charges paid		(13,828,170)	(7,685,143)
Profit received on morabaha / musharika investments		16,044,961	11,333,408
Profit on bank deposits		70,315	74,364
Employee benefits paid		(776,974)	(780,421)
Income tax		(1,121,459)	3,146,196
Net cash generated from / (used in) operating activities		(45,925,697)	24,328,511
CASH FLOWS FROM INVESTING ACTIVITIES			
Security deposits against ijarah assets		(9,594,689)	(9,686,106)
Proceeds from disposal of ijarah assets		17,841,962	18,354,254
Ijarah assets acquired		(6,426,302)	(8,141,800)
Proceeds from sale of fixed assets		216,603	99,300
Fixed assets acquired - own use		(3,233,100)	(337,419)
Proceeds from sale of investment property		105,000,000	-
Net cash from investing activities		103,804,474	288,229
CASH FLOWS FROM FINANCING ACTIVITIES			
Finances under musharika arrangements		(4,351,000)	(7,500,000)
Finances under morabaha arrangement		(50,093,994)	(8,239,339)
Profit distribution		(348,469)	(941,699)
Net cash used in financing activities		(54,793,463)	(16,681,038)
Net increase in cash and cash equivalents		3,085,314	7,935,702
Cash and cash equivalents at the beginning of the year		13,404,603	5,468,901
Cash and cash equivalents at the end of the year	3	16,489,917	13,404,603

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

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	CAPITAL RESERVES			REVENUE RESERVE	TOTAL	
	CERTIFICATE CAPITAL	STATUTORY	FAIR VALUE	SUB TOTAL		UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS)
	Rupees	Rupees	Rupees	Rupees	Rupees	
Balance as at 30 June 2009	264,138,040	72,057,350	(10,143,376)	61,913,974	655,254	326,707,268
Total comprehensive loss for the year ended 30 June 2010	-	-	10,343,996	10,343,996	(11,849,077)	(1,505,081)
Balance as at 30 June 2010	264,138,040	72,057,350	200,620	72,257,970	(11,193,823)	325,202,187
Total comprehensive income for the year ended 30 June 2011	-	-	1,303,630	1,303,630	8,680,310	9,983,940
Transfer to statutory reserve	-	1,736,062	-	1,736,062	(1,736,062)	-
Balance as at 30 June 2011	264,138,040	73,793,412	1,504,250	75,297,662	(4,249,575)	335,186,127

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

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011



1 LEGAL STATUS AND NATURE OF BUSINESS

First Fidelity Leasing Modaraba ("the Modaraba") was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed there under and is managed by Fidelity Capital Management (Private) Limited. The registered office of the Modaraba is situated at Ground Floor 90, A-1 Canal Bank, Gulberg-II, Lahore. The Modaraba commenced its business operations from 5 December 1991. The Modaraba is listed on all the stock exchanges in Pakistan.

The Modaraba is a perpetual, multipurpose and multidimensional modaraba and is primarily engaged in the business of ijarah (leasing), musharika and morabaha financing, equity investment, brokerage and other related business. The Modaraba is a corporate member of the Islamabad Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited.

2 SUMMARY OF 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 years presented, unless otherwise stated:

2.1 Basis of Preparation

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modarabas (hereinafter referred to as the relevant laws) and directive issued by Securities and Exchange Commission of Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRS) / International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modaraba under the Modaraba Regulations. Wherever, the requirements of relevant laws or directives issued by the SECP differ with the requirements of these standards, the requirements of the relevant laws and the said directives shall prevail.

The SECP has issued directive (vide SRO 431 (IJ/2007 dated 22 May 20 07) that Islamic Financial Accounting Standard 2 shall be followed in preparation of the financial statements by Companies and Modarabas while accounting for ijarah (lease) transactions as defined by the said standard. The Modaraba is in compliance with the requirements of the aforesaid Islamic Financial Accounting Standard 2.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for certain financial instruments carried at fair value and recognition of certain employee benefits at present value.

c) 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 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





NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgments were exercised in application of accounting policies are as follows:

- a) Useful life and residual value of fixed assets (Note 2.2)
- b) Provision for non-performing receivable (Notes 2.17 and 2.18)
- c) Defined benefit plans (Note 2.14)

- d) Amendments to published approved standards that are effective in current year and are relevant to the Modaraba

The following amendments to published approved standards are mandatory for the Modaraba's accounting periods beginning on or after 01 July 2010:

International Accounting Standard (IAS) 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in certificates at any time. The application of the amendment does not affect the results or net assets of the Modaraba as it is only concerned with presentation and disclosures.

IAS 7 (Amendment), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2010). The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment does not affect the results or net assets of the Modaraba as it is only concerned with presentation and disclosures.

- e) Interpretations and amendments to published approved standards that are effective in current year but not relevant to the Modaraba

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2010 but are considered not to be relevant or do not have any significant impact on the Modaraba's financial statements and are therefore not detailed in these financial statements.

- f) Standards and amendments to published approved standards that are not yet effective but relevant to the Modaraba

Following standards and amendments to existing standards have been published and are mandatory for the Modaraba's accounting periods beginning on or after 01 July 2011 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). This standard is the first step in the process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Modaraba's accounting for its financial assets.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 July 2011). The new disclosure requirements apply to transfer of financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are part of the IASBs comprehensive review of off balance sheet



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011



activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The management of the Modaraba is in the process of evaluating the impacts of the aforesaid amendment on the Modaraba's financial statements.

IFRS 13 'Fair Value Measurement' (effective for annual period beginning on or after 01 January 2013). IFRS 13 establishes a single framework for measuring fair value where that is required by other standards. IFRS 13 applies to both financial and non-financial items measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The management of the Modaraba is in the process of evaluating the impacts of the aforesaid standard on the Modaraba's financial statements.

IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

There are other amendments resulting from annual improvements project initiated by International Accounting Standards Board in May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements' and IAS 24 'Related Party Disclosures' that are considered relevant to the Modaraba's financial statements. These amendments are unlikely to have a significant impact on the Modaraba's financial statements and have therefore not been analyzed in detail.

- g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Modaraba

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or do not have any significant impact on the Modaraba's financial statements and are therefore not detailed in these financial statements.

2.2 Fixed assets

Assets in own use and depreciation

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to income using the straight line method after taking into account residual value, if significant, so as to write off the cost of an asset over its estimated useful life at the rates given in Note 15.1.

The assets residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized and the assets so replaced, if any, are retired.

In respect of acquisition and disposal of an asset during the year, depreciation is charged from the month in which assets are put to use upto the month preceding the month of disposal.

Profit or loss on disposal of operating fixed assets represented by the difference between the sale proceeds and the carrying amount of the asset is included in income currently.





NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

Ijarah asset and depreciation

Assets leased out under ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. These are depreciated (net of residual value) on a straight line basis over the shorter of ijarah (lease) term or assets useful life.

In respect of additions and transfers during the year, depreciation is charged proportionately to the period of ijarah (lease).

2.3 Impairment

The carrying amounts of the Modaraba's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment loss is recognized.

2.4 Cards and rooms

These are stated at cost less accumulated impairment losses, if any.

2.5 Investment properties

Properties held to earn rentals and for capital appreciation are classified as investment properties. Investment properties are initially measured at cost, being the fair value of the consideration given. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any, except for land, which is stated at cost. Depreciation is charged by using "Straight line method" so as to write off the cost of an asset over its estimated useful life at the rates given in Note 12.

The assets residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized and the assets so replaced, if any, are retired.

In respect of acquisition and disposal of an asset during the year, depreciation is charged from the month in which assets are put to use upto the month preceding the month of disposal.

Profit or loss on disposal of investment properties represented by the difference between the sale proceeds and the carrying amount of the asset is included in income currently.

2.6 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Modaraba assess at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Modaraba applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement'.



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011



a) **Investment at fair value through profit or loss**

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

b) **Held to maturity**

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Modaraba has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) **Available for sale**

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date. Gains or losses on available-for-sale investments are recognized in other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account.

2.7 **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and saving accounts and short term placements with financial institutions.

2.8 **Financial instruments**

Financial instruments carried on the balance sheet include investments, deposits, ijarah rentals receivable, musharika investment, morabaha investments, loans and advances, other receivables, cash and bank balances, morabaha finance, musharika finances, accrued mark up and other payables etc. Financial assets and liabilities are recognized when the Modaraba becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Modaraba loses control of the contractual rights that comprise the financial asset. The Modaraba loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Modaraba surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.9 **Payables**

Liabilities for other amounts payable are initially recognized at fair value, which is normally the transaction cost.





NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

2.10 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Modaraba has legally enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.11 Provisions

Provisions are recorded when the Modaraba has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.12 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Modaraba's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are included in the income currently.

2.13 Staff retirement benefits

Employees compensated absences

Employees of Modaraba are entitled to take privileged leave of 30 days every year. Privileged leaves can be accumulated upto a maximum of 90 days. An employee is entitled to encash the accumulated privileged leaves subject to a maximum of 90 days at the time of leaving the service. An employee can encash the unutilized privileged leaves accrued during the year over and above the maximum permissible accumulation at the discretion of the management.

Actuarial valuation was carried out on 30 June 2011 to determine and adjust the liability on the balance sheet date. The actuary, for ascertaining the fair value of liabilities, has adopted the projected unit credit method. Actuarial gains and losses arising at each valuation date are recognized immediately.

Gratuity

The Modaraba operates an approved funded gratuity scheme for its management staff. As per gratuity scheme, employees of the Modaraba are entitled to gratuity equivalent to last drawn salary multiplied by the number of year of service up to the date of leaving the modaraba. Actuarial valuation was carried out on 30 June 2011 to determine and adjust the liability on the balance sheet date. The actuary, for ascertaining the fair value of assets and liabilities, has adopted the projected unit credit method.

The Modaraba recognizes its actuarial gains and losses as income and expense if the net cumulative actuarial gains and losses at the end of previous reporting period exceeded the greater of:

- a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
- b) 10% of the fair value of any plan assets at that date.

Provident fund

The Modaraba operates a recognized provident fund for all its regular employees. Equal monthly contributions are made to the fund both by the Modaraba and the employees at the rate of 10% of the basic salary. The fund is administrated by the Trustees.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011



2.14 Revenue recognition

- Ijarah rentals are recognized as income on accrual basis as and when ijarah installment becomes due over the ijarah (lease) period.
- Profit on musharika investment is recognized under the effective markup rate method based on the amount outstanding.
- The deferred morabaha income i.e. the excess of aggregate morabaha instalments over the cost of the asset under morabaha investment is deferred and then amortized over the term of the morabaha, so as to produce a constant rate of return on morabaha investment. Documentation charges, front-end fee and other morabaha income are recognized as income on receipt basis.
- Return on bank deposits and placements are recognized on time proportionate basis.
- Brokerage commission is recognized when such services are provided.
- Dividend income is recognized when the right to receive payment is established.

2.15 Borrowing cost

Borrowing costs on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other borrowing costs are recognized in profit and loss account.

2.16 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available, rebates and exemptions, if any. Under clause 100 of Part - I of Second Schedule to the Income Tax Ordinance, 2001, the income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders.

Deferred

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

2.17 Ijarah rentals and Musharika Investments

Ijarah rentals and Musharika investments are stated net of provision. Provision is recognized for ijarah rentals and Musharika investments in accordance with the time based criteria of the Prudential Regulations for Modarabas issued by the SECP and subjective evaluation of management. Outstanding balances are written off when there is no realistic prospect of recovery.

2.18 Morabaha Investments

Morabaha investments are stated net of provision. Provision is recognized for Morabaha investments in accordance with the time based criteria of the Prudential Regulations for Modarabas issued by the SECP and subjective evaluation of management. Outstanding balances are written off when there is no realistic prospect of recovery.

Morabaha receivable are recorded by the Modaraba at the invoiced amount and disclosed as such in the balance sheet.

Purchase and sales under Morabaha and the resultant profit are accounted for on the culmination of Morabaha transaction.

The profit on that portion of sales revenue not due for payment are deferred by accounting for a debit to "Unearned Morabaha Income" account with the corresponding credit to "Deferred Morabaha Income" account and shown in the balance sheet as a liability.

2.19 Profit distribution to certificate holders

Profit distribution to certificate holders is recognized as a liability in the period in which such distribution is announced.





NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees	
3 CASH AND BANK BALANCES			
Cash in hand	31,116	485,431	
Cash at banks			
Current account - State Bank of Pakistan	18,522	18,977	
Saving accounts (Note 3.1)	16,440,279	12,900,195	
	16,458,801	12,919,172	
	16,489,917	13,404,603	
3.1 These carry markup at the rate of 5% (2010: 5%) per annum.			
4 SHORT TERM INVESTMENTS			
Quoted shares - available for sale (Note 4.1)	3,827,142	2,523,512	
4.1 Particulars of available for sale investments			
	2011		
	Shares	Cost	
	Number	Rupees	
		Market value	
		Rupees	
Hamid Textile Mills Limited	573,200	2,265,252	573,200
Shakarganj Mills Limited	513,240	22,115,070	3,253,942
		24,380,322	
Add: Fair value adjustment recognized through other comprehensive income (Note 4.2)		1,504,250	
Less: Impairment loss already charged to profit and loss account		22,057,430	
		3,827,142	3,827,142
	2010		
	Shares	Cost	Market value
	Number	Rupees	Rupees
Hamid Textile Mills Limited	573,200	2,265,252	573,200
Shakarganj Mills Limited	513,240	22,115,070	1,950,312
		24,380,322	
Add: Fair value adjustment recognized through other comprehensive income (Note 4.2)		200,620	
Less: Impairment loss:			
charged to profit and loss account during the year		10,810,588	
Already charged to profit and loss account		11,246,842	
		2,523,512	2,523,512
All shares have face value of Rupees 10 each.			
	2011	2010	
	Rupees	Rupees	
4.2 Fair value reserve			
Opening balance as on 01 July	200,620	(10,143,376)	
Fair value adjustment recognized in other comprehensive income during the year	1,303,630	200,620	
Impairment loss charged in profit and loss account	-	10,143,376	
	1,303,630	10,343,996	
Closing balance as on 30 June	1,504,250	200,620	

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
5 SHORT TERM MORABAHA INVESTMENTS - SECURED		
Considered good	25,316,441	56,303,124
Considered doubtful	258,617,355	204,607,968
	<u>283,933,796</u>	<u>260,911,092</u>
Add: Deferred / unearned morabaha income	6,419,307	5,068,914
	<u>290,353,103</u>	<u>265,980,006</u>
Less: Provision for doubtful morabaha investments (Note 5.2)	218,315,855	204,607,968
	<u>72,037,248</u>	<u>61,372,038</u>
5.1	These represent receivables against morabaha transactions on deferred payment basis at a profit margin rate ranging from 16.50% to 19% (2010: 16% to 20%) per annum. These are secured against mortgage of properties, pledge and hypothecation of stocks, personal guarantees and demand promissory notes.	
5.2	This include provision of Rupees 201,564,231 (2010: Rupees 202,857,968) in respect of classified facilities of Erstwhile First Hajveri Modaraba. Certain recovery suits in this respect are pending adjudication in the Lahore High Court and Banking Court, which are likely to be decided in Modaraba's favour, however, due to inadequate securities, chances of any substantial recovery are slim.	
6 IJARAH RENTALS RECEIVABLE		
Considered good - Secured	1,085,706	6,995,453
Considered doubtful	36,302,478	33,622,798
Less: Provision for doubtful ijarah rentals receivable (Note 6.1)	36,302,478	33,622,798
	<u>-</u>	<u>-</u>
	<u>1,085,706</u>	<u>6,995,453</u>
6.1 Provision for doubtful ijarah rentals receivable		
Opening balance	33,622,798	32,880,086
Add: Provision charged during the year	2,679,680	939,093
Less: Reversals made during the year	-	196,381
Net charge	2,679,680	742,712
Closing balance	<u>36,302,478</u>	<u>33,622,798</u>
7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Prepayments	294,991	307,931
Short term security deposit (Note 12.4.2)	19,209,000	-
Profit on morabaha investments	377,384	2,787,783
Income tax refundable	2,022,287	900,828
Receivable from clients - Secured (Note 7.1)	10,883,683	13,337,139
Receivable from Hajveri Modaraba Management Company (Private) Limited (Note 7.2)	5,576,032	5,576,032
Miscellaneous receivables - considered good	2,906,301	940,484
	<u>41,269,678</u>	<u>23,850,197</u>
7.1 Receivable from clients - Secured		
Considered good	10,883,683	13,337,139
Considered doubtful	10,607,528	7,572,984
Less: Provision against doubtful receivables	10,607,528	7,572,984
	<u>-</u>	<u>-</u>
	<u>10,883,683</u>	<u>13,337,139</u>
7.1.1	These comprise of receivables generated as a consequence of carrying on the business by brokerage division.	
7.2	This represents amount withdrawn by previous management company of First Hajveri Modaraba from time to time during prior years out of Modaraba Fund on account of remuneration in violation of section 18 of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The present management filed civil suit against the company for recovery of the amount which has been returned for want of jurisdiction. The Modaraba has filed an appeal in the Lahore High Court against the decision of the civil court. The appeal has been adjourned with a date in office. The present management came in possession of 2,053,200 certificates of Erstwhile First Hajveri Modaraba subsequently converted into 578,041 certificates of First Fidelity Leasing Modaraba consequent to amalgamation. The present management has prayed to the Court that these certificates be attached and sold for adjustment of claim of the Modaraba. In view of this no provision has been made in these financial statements against this receivable.	



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
8 CURRENT PORTION OF NON-CURRENT ASSETS		
Long term morabaha investments (Note 9.2)	1,268,046	2,013,870
Long term musharika investment (Note 10)	-	50,000,000
Long term receivables and deposits (Note 11)	266,105	39,067,004
	<u>1,534,151</u>	<u>91,080,874</u>
9 LONG TERM MORABAHA INVESTMENTS - SECURED		
Balance receivable	7,074,063	5,392,741
Add: Deferred / unearned morabaha income	1,596,995	1,195,596
	<u>8,671,058</u>	<u>6,588,337</u>
Less: Current portion of long term morabaha investments (Note 9.1)	1,268,046	2,013,870
	<u>7,403,012</u>	<u>4,574,467</u>
9.1 Current portion of long term morabaha investments		
Morabaha investment	98,063	1,000,000
Deferred / unearned morabaha income (Note 9.2)	1,169,983	1,013,870
	<u>1,268,046</u>	<u>2,013,870</u>
9.2	These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin. These are secured against mortgage of properties, personal guarantees and demand promissory notes.	
10 LONG TERM MUSHARIKA INVESTMENT - SECURED		
Enplan (Private) Limited (Note 10.1)	99,000,000	50,000,000
Less: Current portion of long term musharika investment (Note 8)	-	50,000,000
	<u>99,000,000</u>	<u>-</u>
10.1	This represents receivable against musharika transaction from Enplan (Private) Limited (EPL). During the year, the Modaraba has entered into a settlement agreement with EPL through consent degree of court on 01 April 2011. As per agreement, the Modaraba and Trust Investment Bank Limited will jointly provides further finance of Rupees 70 million to EPL to complete the project, which will carry profit of one year KIBOR plus 2.5% per annum and classified as morabaha facility. The minimum stated profit on the musharika investment will be 1.25% of the project sales. Repayment will be made of existing and new facility till 30 June 2012 or within eighteen months from the date of first disbursement under the settlement agreement, whichever is later. This is secured against mortgage of property, personal guarantee of directors and demand promissory note.	
11 LONG TERM RECEIVABLES AND DEPOSITS		
Long term musharika profit receivable	-	38,791,664
Long term morabaha profit receivable	150,611	-
Long term loans to employees (Note 11.1)	642,297	719,263
Securities and deposits	902,935	1,049,295
	<u>1,695,843</u>	<u>40,560,222</u>
Less: Current portion of long term receivables (Note 11.2)	266,105	39,067,004
	<u>1,429,738</u>	<u>1,493,218</u>
11.1	The maximum aggregate amount due from staff at the end of any month during the year was Rupees 754,743 (2010: Rupees 735,220).	
11.2 Current portion of long term receivables		
Musharika profit receivable	-	38,791,664
Loans to employees	266,105	275,340
	<u>266,105</u>	<u>39,067,004</u>

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2011**



12 INVESTMENT PROPERTIES

	Cost			Depreciation			Book value as at 30 June 2011	Annual rate of depreciation (%)
	As at 01 July 2010	Additions	As at 30 June 2011	As at 01 July 2010	For the year	Deletion		
	-----Rupees-----							
Land	39,312,250	-	14,312,250	-	-	-	14,312,250	-
Building	102,603,818	-	50,000,000	8,901,948	2,451,710	(8,749,491)	47,395,833	2.5
Furniture and fixtures	7,913,750	-	7,913,750	857,331	791,375	-	6,265,044	10
Electrical installation	4,000,000	-	(4,000,000)	2,400,000	400,000	(2,800,000)	-	10
	153,829,818	-	72,226,000	12,159,279	3,643,085	(11,549,491)	67,973,127	
	-----Rupees-----							
	Cost			Depreciation			Book value as at 30 June 2010	Annual rate of depreciation (%)
	As at 01 July 2009	Additions	As at 30 June 2010	As at 01 July 2009	For the year	Deletion		
	-----Rupees-----							
Land	39,312,250	-	39,312,250	-	-	-	39,312,250	-
Building	102,603,818	-	102,603,818	6,336,852	2,565,096	-	99,701,870	2.5
Furniture and fixtures	7,913,750	-	7,913,750	65,948	791,383	-	7,056,419	10
Electrical installation	4,000,000	-	4,000,000	2,000,000	400,000	-	1,600,000	10
	153,829,818	-	153,829,818	8,402,800	3,756,479	-	141,670,539	



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

12.1 Land includes a plot of land measuring 11 kanals and 11 matlas at main canal road near Jallo, Lahore at cost of Rupees 14,312,250 acquired for development of physical infrastructural project. In October 2004 the owner of an adjacent land filed a Pre-emption (Haq Shufa) suit in the Civil Court on the ground that she wanted to build houses on her 19 kanals land and on the land purchased by the Modaraba, for her son and daughters. The plaintiff has shown interest in buying the land at the price the Modaraba had paid for it. The case is malafide and has been filed with the intention to capitalize the increase in prices of land in the area. By virtue of the suit the plaintiff has got stay on the property. Modaraba is defending the suit and management is hopeful that it will be decided in Modaraba's favour.

12.2 Building includes a commercial property of Rupees 50,000,000 comprising of sixth floor with a covered area aggregating 6,475 square feet situated in M.M Towers, Gulberg II, Lahore. Rupees 7,913,750 million represent furniture and fixtures purchased for M.M Tower sixth floor.

12.3 The market value of investment properties is estimated at Rupees 115,430 million (2010: Rupees 216,151 million). The valuation has been carried out by an independent valuers.

12.4 Detail of investment property disposed of during the year are as follows:

INVESTMENT PROPERTY	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS	MODE OF DISPOSAL	SOLD TO
Floor of Ghalib Center, Lahore (Note 12.4.1)	5,442,500	496,260	4,946,240	6,000,000	Negotiations	Malik M. Afzal Rasool
Land and building of Shafi Mansion, Lahore (Note 12.4.2)	76,161,318	11,053,231	65,108,087	99,000,000	Auction	Faysal Bank Limited
	<u>81,603,818</u>	<u>11,549,491</u>	<u>70,054,327</u>	<u>105,000,000</u>		

12.4.1 Floor in Ghalib Center was sold to Malik M. Afzal Rasool for consideration of Rupees 6 million out of which Rupees 4 million was received and remaining 2 million will be received in two equal installment of Rupees one million each on 12 December 2011 and 12 December 2012. The impact of discounting on deferred receipts is not considered material.

12.4.2 Land and building of Shafi Mansion were sold to Faysal Bank Limited (FBL) for consideration of Rupees 99 Million. FBL retained security deposit of Rupees 19,209 million due to non availability of completion certificate of the building from District Government at the time of sale. Subsequent to balance sheet date completion certificate was provided to FBL and security deposit was released by FBL.

13 Cards and rooms

Corporate membership of Islamabad Stock Exchange	2011 Rupees	2010 Rupees
Membership of National Commodity Exchange Limited	5,750,000	5,750,000
Rooms	1,010,000	1,010,000
	<u>3,870,000</u>	<u>3,870,000</u>
	<u>10,630,000</u>	<u>10,630,000</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011



14 IJARAH ASSETS

	Plant and machinery	Office equipment	Household equipment	Vehicles	Total
-----RUPEES-----					
At 30 June 2009					
Cost	30,084,800	1,454,550	150,000	91,366,592	123,055,942
Accumulated depreciation	(10,305,710)	(988,826)	(130,992)	(38,719,547)	(50,145,075)
Net book value	<u>19,779,090</u>	<u>465,724</u>	<u>19,008</u>	<u>52,647,045</u>	<u>72,910,867</u>
Year ended 30 June 2010					
Opening net book value	19,779,090	465,724	19,008	52,647,045	72,910,867
Additions	1,742,500	296,000	23,300	6,080,000	8,141,800
Transfer from capital work in progress	375,000	-	-	-	375,000
Disposals:					
Cost	(11,715,629)	(1,146,700)	(173,300)	(34,689,102)	(47,724,731)
Accumulated depreciation	6,637,749	866,219	138,001	21,728,508	29,370,477
	(5,077,880)	(280,481)	(35,299)	(12,960,594)	(18,354,254)
Depreciation charge	(5,267,532)	(165,175)	(7,009)	(13,225,634)	(18,665,350)
Closing net book value	<u>11,551,178</u>	<u>316,068</u>	<u>-</u>	<u>32,540,817</u>	<u>44,408,063</u>
At 30 June 2010					
Cost	20,486,671	603,850	-	62,757,490	83,848,011
Accumulated depreciation	(8,935,493)	(287,782)	-	(30,216,673)	(39,439,948)
Net book value	<u>11,551,178</u>	<u>316,068</u>	<u>-</u>	<u>32,540,817</u>	<u>44,408,063</u>
Year ended 30 June 2011					
Opening net book value	11,551,178	316,068	-	32,540,817	44,408,063
Additions	596,000	415,302	-	5,415,000	6,426,302
Disposals:					
Cost	(4,496,821)	(376,000)	-	(43,271,962)	(48,144,783)
Accumulated depreciation	3,376,891	267,080	-	26,658,850	30,302,821
	(1,119,930)	(108,920)	-	(16,613,112)	(17,841,962)
Depreciation charge	(4,631,982)	(129,034)	-	(5,458,041)	(10,219,057)
Closing net book value	<u>6,395,266</u>	<u>493,416</u>	<u>-</u>	<u>15,884,664</u>	<u>22,773,346</u>
At 30 June 2011					
Cost	16,585,850	643,152	-	24,900,528	42,129,530
Accumulated depreciation	(10,190,584)	(149,736)	-	(9,015,864)	(19,356,184)
Net book value	<u>6,395,266</u>	<u>493,416</u>	<u>-</u>	<u>15,884,664</u>	<u>22,773,346</u>
Annual rate of depreciation (%)	20 - 50	25 - 33	33 - 50	20 - 50	



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 RUPEES	2010 RUPEES
15 FIXED ASSETS		
Assets in own use (Note 15.1)	7,525,519	6,364,043
Capital work in progress - property in course of construction (Note 15.2)	22,250,000	24,500,000
	<u>29,775,519</u>	<u>30,864,043</u>

15.1 ASSETS IN OWN USE

	Furniture and fixtures	Computers and equipment	Vehicles	Total
-----RUPEES-----				
At 30 June 2009				
Cost	749,970	14,430,343	6,446,350	21,626,663
Accumulated depreciation	(359,381)	(9,568,717)	(3,729,032)	(13,657,130)
Accumulated impairment	(70,720)	(2,873,750)	-	(2,944,470)
Net book value	<u>319,869</u>	<u>1,987,876</u>	<u>2,717,318</u>	<u>5,025,063</u>
Year ended 30 June 2010				
Opening net book value	319,869	1,987,876	2,717,318	5,025,063
Additions	215,431	121,988	-	337,419
Transfer from capital work in progress	-	2,953,689	-	2,953,689
Disposals:				
Cost	(130,341)	(187,920)	-	(318,261)
Accumulated impairment	2,772	23,760	-	26,532
Accumulated depreciation	94,330	159,987	-	254,317
	(33,239)	(4,173)	-	(37,412)
Depreciation charge	(79,669)	(957,902)	(877,145)	(1,914,716)
Closing net book value	<u>422,392</u>	<u>4,101,478</u>	<u>1,840,173</u>	<u>6,364,043</u>
At 30 June 2010				
Cost	835,060	17,318,100	6,446,350	24,599,510
Accumulated depreciation	(344,720)	(10,366,632)	(4,606,177)	(15,317,529)
Accumulated impairment	(67,948)	(2,849,990)	-	(2,917,938)
Net book value	<u>422,392</u>	<u>4,101,478</u>	<u>1,840,173</u>	<u>6,364,043</u>
Year ended 30 June 2011				
Opening net book value	422,392	4,101,478	1,840,173	6,364,043
Additions	-	75,400	3,157,700	3,233,100
Disposals:				
Cost	-	(1,496,510)	(2,021,900)	(3,518,410)
Accumulated impairment	-	400,172	-	400,172
Accumulated depreciation	-	930,402	1,993,665	2,924,067
	-	(165,936)	(28,235)	(194,171)
Depreciation charge	(72,432)	(541,329)	(1,263,692)	(1,877,453)
Closing net book value	<u>349,960</u>	<u>3,469,613</u>	<u>3,705,946</u>	<u>7,525,519</u>
At 30 June 2011				
Cost	835,060	15,896,990	7,582,150	24,314,200
Accumulated depreciation	(417,152)	(9,977,559)	(3,876,204)	(14,270,915)
Accumulated impairment	(67,948)	(2,449,818)	-	(2,517,766)
Net book value	<u>349,960</u>	<u>3,469,613</u>	<u>3,705,946</u>	<u>7,525,519</u>
Annual rate of depreciation (%)	10	10-20	20	

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

15.1.1 Detail of assets in own use disposed of during the year are as follows:

FIXED ASSET	QUANTITY	COST	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT	BOOK VALUE	SALE PROCEEDS	MODE OF DISPOSAL	SOLD TO
Rupees-----								
COMPUTER AND EQUIPMENT								
Generator	1	150,000	15,000	-	135,000	150,000	Transfer to Ijarah assets	Mr. Muhammad Akram
		150,000	15,000	-	135,000	150,000		
Aggregate of other items of assets in own use with individual book values not exceeding Rupees 50,000		3,368,410	2,909,067	400,172	59,171	66,603	Negotiation / Modaraba's policy	Various
		<u>3,518,410</u>	<u>2,924,067</u>	<u>400,172</u>	<u>194,171</u>	<u>216,603</u>		

15.1.2 The cost of assets as on 30 June 2011 includes fully depreciated assets of Rupees 10,221,516 (2010: Rupees 16,712,488) which are still in use of the Modaraba.

15.2 CAPITAL WORK IN PROGRESS - PROPERTY IN COURSE OF CONSTRUCTION

	2011 Rupees	2010 Rupees
Opening balance	24,500,000	27,828,689
Transfer to Ijarah assets	-	(375,000)
Transfer to assets in own use	-	(2,953,689)
Impairment loss	(2,250,000)	-
Closing balance	<u>22,250,000</u>	<u>24,500,000</u>

15.2.1 This represents advance paid to Rehman Construction Company under two Memoranda of Understanding (MOUs) for a project known as "Murree Holiday Resorts" for construction of four villas at a value of Rupees 5 million each and two villas at a value of Rupees 2.5 million each. Land for the villas and additional land was transferred in the name of the Modaraba at the time of advance. The project has been put on hold due to current economic meltdown.



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
16 CREDITORS, ACCRUED AND OTHER LIABILITIES		
Accrued financial charges	744,125	7,110,399
Ijarah rentals received in advance	24,720	120,313
Due to customers	671,459	1,260,344
Accrued and other payables	2,337,760	1,768,274
Unclaimed profit distribution	12,096,444	12,444,913
Modaraba management company fee payable	984,162	-
Provision for workers' welfare fund	177,149	-
	<u>17,035,819</u>	<u>22,704,243</u>
17 FINANCES UNDER MUSHARIKA ARRANGEMENTS		
Kohinoor Energy Limited - Employees Gratuity Fund (Note 17.1)	1,149,000	2,500,000
Gulf Rental Power (Private) Limited	-	3,000,000
	<u>1,149,000</u>	<u>5,500,000</u>
17.1	This represents finance obtained under musharika arrangement from Kohinoor Energy Limited Employees - Gratuity Fund. This musharika arrangement is for one year and carries markup at the rate of 16% per annum (2010: 16% per annum).	
18 CURRENT PORTION OF NON-CURRENT LIABILITIES		
Security deposits against ijarah assets (Note 19)	4,653,579	8,144,519
Finance under morabaha arrangement (Note 20)	-	44,114,828
Deferred morabaha income (Note 22)	1,169,983	1,013,871
	<u>5,823,562</u>	<u>53,273,218</u>
19 SECURITY DEPOSITS AGAINST IJARAH ASSETS		
Long term security deposits against ijarah assets	11,996,538	21,591,227
Less: Current portion (Note 18)	4,653,579	8,144,519
	<u>7,342,959</u>	<u>13,446,708</u>
20 FINANCE UNDER MORABAHA ARRANGEMENT		
Finance under morabaha arrangement - secured	-	50,093,994
Less: Current portion (Note 18)	-	44,114,828
	<u>-</u>	<u>5,979,166</u>
21 EMPLOYEES BENEFITS		
Gratuity (Note 21.1)	665,930	703,238
Employees compensated absences (Note 21.2)	1,178,868	807,608
	<u>1,844,798</u>	<u>1,510,846</u>
21.1 Gratuity		
The amounts recognized in the balance sheet are as follows:		
Present value of defined benefit obligation	3,344,439	3,009,253
Fair value of plan assets	(3,004,377)	(2,404,332)
Unrecognized actuarial gains	325,868	98,317
	<u>665,930</u>	<u>703,238</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees			
a) Change in present value of net staff gratuity					
Liability as at 01 July	703,238	717,009			
Charge for the year	665,930	703,238			
Contributions made by the modaraba during the year	(703,238)	(717,009)			
Liability as at 30 June	<u>665,930</u>	<u>703,238</u>			
b) Movement in liability for defined benefit obligation					
Present value of defined benefit obligation as at 01 July	3,009,253	2,507,715			
Current service cost	593,340	528,404			
Interest cost	361,110	300,926			
Benefits paid during the year	(104,644)	(87,251)			
Actuarial gain on present value of defined benefit obligation	(514,620)	(240,541)			
Present value of defined benefit obligation as at 30 June	<u>3,344,439</u>	<u>3,009,253</u>			
c) Movement in fair value of plan assets					
Fair value of plan assets as at 01 July	2,404,332	1,776,397			
Expected return on plan assets	288,520	213,168			
Contributions during the year	703,238	717,009			
Benefits paid during the year	(104,644)	(87,251)			
Actuarial loss on plan assets	(287,069)	(214,991)			
Fair value of plan assets as at 30 June	<u>3,004,377</u>	<u>2,404,332</u>			
d) Actual return on plan assets	<u>1,451</u>	<u>(1,823)</u>			
e) Plan assets consist of the following:					
Debt instruments	2,298,875	1,483,875			
Cash at bank	705,502	920,457			
	<u>3,004,377</u>	<u>2,404,332</u>			
f) Movement in actuarial gains					
Un recognized actuarial gains as at 01 July	98,317	72,767			
Actuarial gains arising during the year	227,551	25,550			
Un recognized actuarial gains as at 30 June	<u>325,868</u>	<u>98,317</u>			
g) Charge for the year					
Current service cost	593,340	528,404			
Interest cost	361,110	300,926			
Loss on present value of defined benefit obligation		-			
Past service cost	-	87,076			
Expected return on plan assets	(288,520)	(213,168)			
	<u>665,930</u>	<u>703,238</u>			
h) Historical Information					
	2011	2010	2009	2008	2007
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligation	3,344,439	3,009,253	2,507,715	2,151,058	1,110,981
Present value of defined benefit assets	(3,004,377)	(2,404,332)	(1,776,397)	(1,098,907)	(778,520)
Deficit in the plan	<u>340,062</u>	<u>604,921</u>	<u>731,318</u>	<u>1,052,151</u>	<u>332,461</u>
Experience adjustment arising on plan liabilities	(514,620)	(240,541)	(405,145)	1,115,853	13,627
Experience adjustment arising on plan assets	(287,069)	(214,991)	(126,599)	8,332	(29,687)



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

i) Assumptions used for valuation of the defined benefit scheme are as under:

	Per annum	
	2011	2010
Discount rate	14%	12%
Expected rate of increase in salary	13%	11%
Expected rate of return on plan assets	12%	12%
Average expected remaining working life time of employee	14 years	14 years

j) The Modaraba expects to pay Rupees 506,582 in contributions to defined benefit plan in 2012.

21.2 Employees compensated absences

	2011 Rupees	2010 Rupees
Opening balance	807,608	893,396
Amount recognized during the year	444,996	(22,376)
Payments made during the year	(73,736)	(63,412)
	<u>1,178,868</u>	<u>807,608</u>
Payable within one year	-	-
Closing balance	<u>1,178,868</u>	<u>807,608</u>

a) Movement in liability for defined benefit obligation

Present value of defined benefit obligation as at 01 July	807,608	893,396
Current service cost	338,922	77,500
Interest cost	96,913	107,208
Liability due to new members joined with past service		-
Benefits paid during the year	(73,736)	(63,412)
Payable within one year	-	-
Actuarial (gain) / loss on present value of defined benefit obligation	9,161	(207,084)
Present value of defined benefit obligation as at 30 June	<u>1,178,868</u>	<u>807,608</u>

b) Charge for the year

Current service cost	338,922	77,500
Interest cost	96,913	107,208
Actuarial (gains) / losses charged	9,161	(207,084)
	<u>444,996</u>	<u>(22,376)</u>

c) Historical information

	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees
Present value of defined benefit obligation	<u>1,178,868</u>	<u>807,608</u>	<u>893,396</u>	<u>615,969</u>	<u>364,941</u>
Experience adjustment arising on plan liabilities	<u>9,161</u>	<u>(207,084)</u>	<u>134,382</u>	<u>169,509</u>	<u>92,691</u>

	Per annum	
	2011	2010
Discount rate	14%	12%
Expected rate of increase in salary	13%	11%
Average number of leaves utilized per annum	16 days	16 days

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011



	2011 Rupees	2010 Rupees
22 DEFERRED MORABAHA INCOME		
Long term deferred morabaha income	1,596,995	1,195,596
Less: Current maturity of deferred morabaha income (Note 18)	1,169,983	1,013,871
	<u>427,012</u>	<u>181,725</u>
23 CERTIFICATE CAPITAL		
Authorized certificate capital		
62,500,000 (2010: 62,500,000) modaraba certificates of Rupees 10 each	<u>625,000,000</u>	<u>625,000,000</u>
Issued, subscribed and paid-up certificate capital		
16,656,491 (2010: 16,656,491) modaraba certificates of Rupees 10 each fully paid up in cash	166,564,910	166,564,910
3,976,908 (2010: 3,976,908) modaraba certificates of Rupees 10 each issued as fully paid bonus certificates	39,769,080	39,769,080
5,780,405 (2010: 5,780,405) modaraba certificates of Rupees 10 each issued to certificate holders of First Hajveri Modaraba in accordance with the scheme of amalgamation	57,804,050	57,804,050
	<u>264,138,040</u>	<u>264,138,040</u>
23.1 Fidelity Capital Management (Private) Limited, management company, holds 5,869,614 (2010: 5,869,614) modaraba certificates in the Modaraba.		
24 RESERVES		
Capital reserves		
Statutory reserve (Note 24.1)	73,793,412	72,057,350
Fair value reserve (Note 24.2)	1,504,250	200,620
Revenue reserve		
Unappropriated profits / (Accumulated loss)	(4,249,575)	(11,193,823)
	<u>71,048,087</u>	<u>61,064,147</u>
24.1 This represents special reserve created in compliance with the Prudential Regulations for Modarabas issued by SECP.		
24.2 This represents the unrealized gain on re-measurement of available for sale equity investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization.		
25 CONTINGENCIES AND COMMITMENTS		
There were no reportable contingencies and commitments as at 30 June 2011 (2010: Nil).		
26 OTHER INCOME		
Return on bank deposits	70,315	74,364
Fees, commission and other charges	121,775	15,823
Return on loans to employees	35,014	29,460
Gain on sale of fixed assets	22,432	61,888
Gain on sale of investment properties-net	33,622,415	-
	<u>33,871,951</u>	<u>181,535</u>



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
27 ADMINISTRATIVE AND GENERAL EXPENSES		
Salaries and other benefits (Note 27.1)	9,487,153	9,136,653
Legal and professional	595,500	1,127,415
Printing and stationery	388,326	542,721
Travelling, conveyance and vehicles' running	1,524,205	1,308,507
Insurance	570,146	438,779
Fee, subscription and taxes	761,227	598,131
Auditors' remuneration (Note 27.2)	469,700	417,600
Rent and taxes	551,771	827,280
Repair and maintenance	187,785	306,158
Electricity, water and gas	507,336	471,916
Entertainment	284,117	248,850
Advertisement	238,345	71,740
Donation (Note 27.3)	5,000	-
Telephone and postage	490,674	673,981
Depreciation on assets in own use (Note 15.1)	1,877,453	1,914,716
Impairment loss on capital work in progress (Note 15.2)	2,250,000	-
Miscellaneous	557,342	353,259
	<u>20,746,080</u>	<u>18,437,706</u>
27.1	Salaries and other benefits include Rupees 665,930 (2010: Rupees 703,238) in respect of gratuity and Rupees 444,996 (2010: Rupees 478,640) on account of provident fund contribution.	
27.2 Auditors' remuneration		
Audit fee	275,000	250,000
Review of half yearly accounts	95,000	95,000
Certifications	75,000	50,000
Out of pocket expenses	24,700	22,600
	<u>469,700</u>	<u>417,600</u>
27.3	None of the directors of the Management Company of the Modaraba or their spouses had any interest in the donee.	
28 FINANCIAL CHARGES		
Return on morabaha / musharika finances	7,429,908	9,431,346
Bank and other charges	31,988	37,965
	<u>7,461,896</u>	<u>9,469,311</u>
29 PROVISION FOR NON-PERFORMING RECEIVABLES		
Opening balance	245,803,750	240,201,741
Add: Charged during the year	20,715,848	5,798,390
Less: Reversed during the year	1,293,737	196,381
Net charged during the year	19,422,111	5,602,009
	<u>265,225,861</u>	<u>245,803,750</u>
29.1 Break up of balance		
Provision for classified morabaha facilities (Note 5)	218,315,855	204,607,968
Provision against doubtful ijarah rentals (Note 6.1)	36,302,478	33,622,798
Provision against receivables from clients (Note 7.1)	10,607,528	7,572,984
	<u>265,225,861</u>	<u>245,803,750</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011



30 MODARABA MANAGEMENT COMPANY FEE

In accordance with the Modaraba Companies and Modaraba Rules, 1981, management fee at the rate of 10% of annual profits is payable to the Management Company.

31 PROVISION FOR TAXATION

Provision from current income tax is not required in these financial statements as the Modaraba has estimated carry forward tax losses of Rupees 55.723 million (2010: Rupees 28.043 million) and provision of minimum tax is not applicable to the modaraba as per sub clause (xiii) of clause 11 a of part IV of second schedule of the Income Tax, Ordinance, 2001, therefore, tax charge reconciliation is not presented.

32 EARNINGS / (LOSS) PER CERTIFICATE - BASIC AND DILUTED

		2011	2010
Profit / (Loss) attributable to ordinary certificates	Rupees	8,680,310	(11,849,077)
Weighted average number of ordinary certificates	Numbers	26,413,804	26,413,804
Earnings / (Loss) per certificate	Rupees	0.33	(0.45)

32.1 There is no dilution in earnings per certificate as the Modaraba has not issued any instrument which would have an impact on its earnings per certificate.

33 FUTURE IJARAH RENTALS RECEIVABLE

Aggregate amount of future ijarah rentals receivable on the basis of agreements executed upto 30 June 2011 approximate to Rupees 16,020,021 (2010: Rupees 156,312,615). The amount of future ijarah rentals receivable and period during which they fall due are:

	2011 Rupees	2010 Rupees
Not later than one year	6,664,272	29,786,400
Later than one year but not later than five years	9,355,749	80,994,972
Later than five years	-	45,531,243
	<u>16,020,021</u>	<u>156,312,615</u>

33.1 The Modaraba has entered into various Ijarah agreement for periods ranging from 3 to 5 years (2010: 3 to 5 years). Security deposits ranging from 5% to 70% (2010: 10% to 62) are obtained at the time of disbursement. The rate of profit implicit in Ijarah ranges from 18% to 20% (2010: 18% to 20%) per annum.

34 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2011		
	Officers	Other	Total
	Rupees	Rupees	Rupees
Remuneration	5,452,936	882,537	6,335,473
House rent	1,363,234	201,259	1,564,493
Gratuity and employee compensated absences	1,110,926	-	1,110,926
Provident fund contribution	421,742	42,284	464,026
Other allowances	-	12,235	12,235
	<u>8,348,838</u>	<u>1,138,315</u>	<u>9,487,153</u>
Number of employees at the year end	<u>16</u>	<u>15</u>	<u>31</u>
	2010		
	Officers	Other	Total
	Rupees	Rupees	Rupees
Remuneration	5,579,078	793,250	6,372,328
House rent	1,394,769	198,313	1,593,082
Gratuity and employee compensated absences	680,862	-	680,862
Provident fund contribution	427,914	50,726	478,640
Other allowances	7,629	4,112	11,741
	<u>8,090,252</u>	<u>1,046,401</u>	<u>9,136,653</u>
Number of employees at the year end	<u>15</u>	<u>13</u>	<u>28</u>

34.1 Certain officers of the modaraba are provided with free maintained vehicles.



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

35 FINANCIAL RISK MANAGEMENT

The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

35.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Modaraba by failing to discharge an obligation. The risk is generally limited to principal amounts and accrued profit thereon, if any. The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations. The carrying amount of the following financial assets represents the maximum credit exposure at the reporting date:

	2011 Rupees	2010 Rupees
Bank balances	16,458,801	12,919,172
Short term investments	3,827,142	2,523,512
Ijarah rentals receivables	1,085,706	6,995,453
Musharika investment	99,000,000	50,000,000
Morabaha investments	72,692,004	61,695,865
Advances, deposits and other receivables	38,952,400	22,641,438
Long term receivables and deposits	1,695,843	40,560,222
	233,711,896	197,335,662

35.1.1 Credit quality of banks

The credit quality of the Modaraba's bank balances can be assessed with reference to external credit ratings as follows:

	Rating			2011	2010
	Short term	Long term	Agency	Rupees	
NIB Bank Limited	A1+	AA-	PACRA	23,739	16,726
Samba Bank Limited	A-1	A+	JCR-VIS	2,034,863	4,309,656
MCB Bank Limited	A1+	AA+	PACRA	360,980	8,573,813
Faysal Bank Limited	A1+	AA	PACRA	14,020,697	-
State Bank of Pakistan	-	-	-	18,522	18,977
				16,458,801	12,919,172

35.1.2 Description of collateral held

The Modaraba's ijarah arrangements (leases) are secured against ijarah assets. In a few ijarah arrangements additional collateral is also obtained in the form of mortgaged property.

Morabaha investments are secured by way of personal guarantees of the directors, pledge and hypothecation of stocks, mortgage of properties and charge on the assets varying from case to case.

Musharika investment is secured by way of personal guarantees, demand promissory note and mortgage of properties.

35.1.3 Age analysis of profit on morabaha investments

Past due	2011				
	Gross Amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	Carrying Amount
	-----Rupees-----				
0 days	510,661	510,661	-	-	510,661
1 day - 89 days	17,334	17,334	-	-	17,334
90 days - 179 days	3,938,766	-	3,938,766	3,938,766	-
180 days - 364 days	4,339,127	-	4,339,127	4,339,127	-
1 year - less than 2 year	1,092,524	-	1,092,524	1,092,524	-
2 year - less than 3 year	133,128	-	133,128	133,128	-
3 year or more	940,835	-	940,835	940,835	-
Total	10,972,375	527,995	10,444,380	10,444,380	527,995

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011



Past due	2010				
	Gross Amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	Carrying Amount
	-----Rupees-----				
0 days	1,242,095	1,242,095	-	-	1,242,095
1 day -89 days	1,545,688	1,545,688	-	-	1,545,688
90 days - 179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	-	-	-	-	-
2 year - less than 3 year	940,835	-	940,835	940,835	-
3 year or more	-	-	-	-	-
Total	3,728,618	2,787,783	940,835	940,835	2,787,783

35.1.4 Age analysis of morabaha investment

Past due	2011				
	Gross Amount	Amount on which no provision required	Amount on which provision required	Provision recognized under Prudential Regulations	Carrying Amount
	-----Rupees-----				
0 days	32,154,063	32,154,063	-	-	32,154,063
1 day -179 days	236,441	236,441	-	-	236,441
180 days- 364 days	17,000,000	-	17,000,000	600,000	16,400,000
1 year - less than 2 year	3,013,124	-	3,013,124	1,763,124	1,250,000
2 year - less than 3 year	-	-	-	-	-
3 year or more	238,604,231	-	238,604,231	215,952,731	22,651,500
Total	291,007,859	32,390,504	258,617,355	218,315,855	72,692,004

Past due	2010				
	Gross Amount	Amount on which no provision required	Amount on which provision required	Provision recognized under Prudential Regulations	Carrying Amount
	-----Rupees-----				
0 days	59,805,865	59,805,865	-	-	59,805,865
1 day-179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	-	-	-	-	-
2 year - less than 3 year	3,000,000	-	3,000,000	1,750,000	1,250,000
3 year and above	203,497,968	-	203,497,968	202,857,968	640,000
Total	266,303,833	59,805,865	206,497,968	204,607,968	61,695,865

Provisions are recognized by the Modaraba on the basis of time based criteria given under Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

35.1.5 Age analysis of ijarah rentals receivable

Past due	2011				
	Gross Amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	Carrying Amount
	-----Rupees-----				
0 days	-	-	-	-	-
1 day -89 days	1,085,706	1,085,706	-	-	1,085,706
90 days -179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	163,683	-	163,683	163,683	-
2 year - less than 3 years	551,422	-	551,422	551,422	-
3 year or more	35,587,373	-	35,587,373	35,587,373	-
Total	37,388,184	1,085,706	36,302,478	36,302,478	1,085,706



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

Past due	2010				Carrying Amount
	Gross Amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	
	-----Rupees-----				
0 days	-	-	-	-	-
1 day -89 days	6,995,453	6,995,453	-	-	6,995,453
90 days -179 days	-	-	-	-	-
180 days - 364 days	163,683	-	163,683	163,683	-
1 year - less than 2 year	551,422	-	551,422	551,422	-
2 year - less than 3 years	328,721	-	328,721	328,721	-
3 year or more	32,578,972	-	32,578,972	32,578,972	-
Total	40,618,251	6,995,453	33,622,798	33,622,798	6,995,453

35.1.6 Age analysis of musharika profit receivable

Past due	2011				Carrying Amount
	Gross Amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	
	-----Rupees-----				
0 days	-	-	-	-	-
1 day -89 days	-	-	-	-	-
90 days - 179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	-	-	-	-	-
2 year - less than 3 year	-	-	-	-	-
3 year or more	-	-	-	-	-
Total	-	-	-	-	-

Past due	2010				Carrying Amount
	Gross Amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	
	-----Rupees-----				
0 days	38,791,664	38,791,664	-	-	38,791,664
1 day -89 days	-	-	-	-	-
90 days - 179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	-	-	-	-	-
2 year - less than 3 year	-	-	-	-	-
3 year or more	-	-	-	-	-
Total	38,791,664	38,791,664	-	-	38,791,664

35.1.7 Age analysis of musharika investment

Past due	2011				Carrying Amount
	Gross Amount	Amount on which no provision required	Amount on which provision required	Provision recognized under Prudential Regulations	
	-----Rupees-----				
0 days	99,000,000	99,000,000	-	-	99,000,000
1 day -179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	-	-	-	-	-
2 year - less than 3 years	-	-	-	-	-
3 year or more	-	-	-	-	-
Total	99,000,000	99,000,000	-	-	99,000,000

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011



Past due	2010				
	Gross Amount	Amount on which no provision required	Amount on which provision required	Provision recognized under Prudential Regulations	Carrying Amount
	-----Rupees-----				
0 days	50,000,000	50,000,000	-	-	50,000,000
1 day - 179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	-	-	-	-	-
2 year - less than 3 years	-	-	-	-	-
3 year or more	-	-	-	-	-
Total	50,000,000	50,000,000	-	-	50,000,000

Provisions are recognized by the Modaraba on the basis of time base criteria given under Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

35.1.8 Concentration of credit risk

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. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors.

Break down of credit risk exposure by class of business as at 30 June 2011 is as follows:

	Ijarah assets	Morabaha investment	Musharika investment	Total	% age
	-----Rupees-----				
Energy, oil and gas	-	-	-	-	0.00
Transport and communications	-	10,000,000	-	10,000,000	6.87
Textiles	2,833,325	-	-	2,833,325	1.95
Legal and professional	-	-	-	-	0.00
Food and beverages	1,491,799	-	-	1,491,799	1.03
Construction	690,000	6,726,000	50,000,000	57,416,000	39.47
Individuals	17,758,222	55,966,004	-	73,724,226	50.68
Total	22,773,346	72,692,004	50,000,000	145,465,350	100.00

Break down of credit risk exposure by class of business as at 30 June 2010 is as follows:

	Ijarah assets	Morabaha investment	Musharika investment	Total	% age
	-----Rupees-----				
Energy, oil and gas	2,558,730	-	-	2,558,730	1.64
Transport and communications	493,821	-	-	493,821	0.32
Textiles	5,757,217	640,000	-	6,397,217	4.10
Legal and professional	2,161,846	-	-	2,161,846	1.38
Food and beverages	400,005	-	-	400,005	0.26
Construction	3,051,543	-	50,000,000	53,051,543	33.98
Individuals	29,984,901	61,055,865	-	91,040,766	58.32
Total	44,408,063	61,695,865	50,000,000	156,103,928	100.00



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

35.2 Liquidity risk

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

	2011					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
	-----R u p e e s-----					
Financial liabilities						
Musharika finance	1,149,000	1,156,051	1,156,051	-	-	-
Markup accrued on musharika finance	744,125	744,125	744,125	-	-	-
Creditors, accrued and other liabilities	16,089,825	16,089,825	16,089,825	-	-	-
Total	17,982,950	17,990,001	17,990,001	-	-	-

	2010					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
	-----R u p e e s-----					
Financial liabilities						
Morabaha finance	50,093,994	54,145,148	34,885,023	13,059,719	6,200,406	-
Musharika finance	5,500,000	5,732,821	2,515,342	3,217,479	-	-
Markup accrued on morabaha and musharika finance	7,110,399	7,110,399	7,110,399	-	-	-
Creditors, accrued and other liabilities	15,473,531	15,473,531	15,473,531	-	-	-
Total	78,177,924	82,461,899	59,984,295	16,277,198	6,200,406	-

35.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at year end (and includes both principal and profit payable thereon).

35.3 Market risk

Market risk is the risk that changes in market price such as foreign exchange rates, interest rates and equity prices will effect the Modaraba's income or the value of its holdings of financial instruments.

35.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables exist due to transactions in foreign currencies. Currently, the Modaraba do not have any receivables or payables that exist due to transactions in foreign currencies which expose it to currency risk.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011



35.3.2 Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Modaraba's interest rate risk arises from long term morabaha finance and bank balances in saving accounts. Long term morabaha finance obtained and balances in saving accounts at variable rates expose the Modaraba to cash flow interest rate risk. Musharika finances obtained, musharika and morabaha investments made at fixed rate expose the Modaraba to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Modaraba's interest bearing financial instruments was:

	2011 Rupees	2010 Rupees
Fixed rate instruments		
Financial liabilities		
Musharika finances	1,149,000	5,500,000
Financial assets		
Musharika investment	99,000,000	50,000,000
Morabaha investment	72,692,004	61,695,865
Floating rate instruments		
Financial liabilities		
Morabaha finance	-	50,093,994
Financial asset		
Bank balances	16,440,279	12,900,195

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	EFFECT ON PROFIT	
	100 bps	
	Increase	Decrease
As at 30 June 2011		
Cash flow sensitivity-Variable rate financial assets	164,403	(164,403)
Cash flow sensitivity-Variable rate financial liabilities	-	-
Net effect	<u>164,403</u>	<u>(164,403)</u>
EFFECT ON LOSS		
100 bps		
	Increase	Decrease
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial assets	129,002	(129,002)
Cash flow sensitivity-Variable rate financial liabilities	(500,940)	500,940
Net effect	<u>(371,938)</u>	<u>371,938</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Modaraba. This analysis is prepared assuming the amounts of liabilities and assets outstanding at balance sheet dates were outstanding for the whole year.

35.3.3 Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is not exposed to commodity price risk.





NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Modaraba's profit / (loss) after taxation for the year and on other comprehensive income. The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Modaraba's equity instruments moved according to the historical correlation with the index:

Index	Impact on profit / (loss) after taxation		Statement of other comprehensive income / equity (Fair value reserve)	
	2011	2010	2011	2010
	-----Rupees-----			
KSE 100 (5% increase)	-	-	191,357	126,176
KSE 100 (5% decrease)	-	(97,516)	(191,357)	(28,660)

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as available for sale.

35.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
As at 30 June 2011				
Assets				
Available for sale financial assets	3,827,142	-	-	3,827,142
As at 30 June 2010				
Assets				
Available for sale financial assets	2,523,512	-	-	2,523,512

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Modaraba is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The modaraba has no level 2 and level 3 financial instruments as on 30 June 2011.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011



35.5 Financial instruments by categories

As at 30 June 2011

Assets as per balance sheet

	Loans and receivables	Available for sale	Total
	-----Rupees-----		
Cash and bank balances	16,489,917	-	16,489,917
Short term investments	-	3,827,142	3,827,142
Ijarah rentals receivables	1,085,706	-	1,085,706
Musharika investment	99,000,000	-	99,000,000
Morabaha investments	72,692,004	-	72,692,004
Advances, deposits and other receivables	38,952,400	-	38,952,400
Long term receivables and deposits	1,695,843	-	1,695,843
	<u>229,915,870</u>	<u>3,827,142</u>	<u>233,743,012</u>

Financial liabilities at amortized cost

Rupees

Liabilities as per balance sheet

Musharika finances	1,149,000
Markup accrued on morabaha finance	744,125
Creditors, accrued and other liabilities	16,089,825
	<u>17,982,950</u>

Loans and receivables	Available for sale	Total
-----Rupees-----		

As at 30 June 2010

Assets as per balance sheet

Cash and bank balances	13,404,603	-	13,404,603
Short term investments	-	2,523,512	2,523,512
Ijarah rentals receivables	6,995,453	-	6,995,453
Musharika investment	50,000,000	-	50,000,000
Morabaha investments	61,695,865	-	61,695,865
Advances, deposits and other receivables	22,641,438	-	22,641,438
Long term receivables and deposits	40,560,222	-	40,560,222
	<u>195,297,581</u>	<u>2,523,512</u>	<u>197,821,093</u>

Financial liabilities at amortized cost

Rupees

Liabilities as per balance sheet

Musharika finances	5,500,000
Markup accrued on morabaha and musharika finance	7,110,399
Morabaha finance	50,093,994
Creditors, accrued and other liabilities	15,473,531
	<u>78,177,924</u>



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 Rupees	2010 Rupees
36 CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit / (loss) before taxation	8,680,310	(11,530,006)
Adjustment for non cash charges and other items:		
Provision for non performing receivables	19,422,111	5,602,009
Depreciation	15,739,595	24,336,545
Financial charges	7,461,896	9,469,311
Profit on morabaha / musharika investments	(13,785,173)	(18,157,185)
Impairment on available for sale investment	-	10,810,588
Return on bank deposits	(70,315)	(74,364)
Gain on sale of fixed assets	(22,432)	(61,888)
Gain on sale of investment properties	(34,945,673)	-
Impairment loss charged in capital work in progress	2,250,000	-
Provision for retirement benefits (Note 21)	1,110,926	680,862
Working capital changes (Note 36.1)	(52,155,615)	(2,835,765)
	<u>(46,314,370)</u>	<u>18,240,107</u>
36.1 Working capital changes		
(Increase) / decrease in operating assets		
Morabaha investment	(24,704,026)	(9,422,262)
Ijarah rentals receivable	3,230,067	(3,867,912)
Advances, deposits, prepayments and other receivables	(31,727,975)	11,241,360
	<u>(53,201,934)</u>	<u>(2,048,814)</u>
Increase / (decrease) in operating liabilities		
Creditors, accrued and other liabilities	1,046,319	(786,951)
	<u>(52,155,615)</u>	<u>(2,835,765)</u>
37 TRANSACTIONS WITH RELATED PARTIES		
The related parties and associated undertakings comprise of associated companies, Modaraba Management Company, directors and key management personnel and retirement benefits. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment and staff retirement benefits as disclosed in note 34 and 21 respectively are as follows:		
	2011 Rupees	2010 Rupees
Modaraba management company fee payable	984,162	Nil
38 CORRESPONDING FIGURES		
Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant reclassification has been made.		

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2011



39 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Modaraba Management Company have not proposed any appropriation in their meeting held on October 08, 2011.

40 GENERAL

- The financial statements of Modaraba were approved by the directors of Modaraba Management Company and authorized for issue on October 08, 2011.
- Figures have been rounded off to the nearest rupee.

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited





**The Companies Ordinance 1984
Pattern Of Certificate Holding
First Fidelity Leasing Modaraba**

Form - 34

Pattern of Holding of the Certificates held by the Certificate Holders as at :

June 30, 2011

No. of Certificate Holders	Certificate Holding		Total Certificate held
	From	To	
3,579	1	100	144,462
2,545	101	500	621,177
985	501	1,000	765,324
1,166	1,001	5,000	2,361,485
175	5,001	10,000	1,267,993
77	10,001	15,000	930,632
34	15,001	20,000	603,790
29	20,001	25,000	643,872
13	25,001	30,000	359,985
12	30,001	35,000	395,883
9	35,001	40,000	337,958
6	40,001	45,000	252,169
6	45,001	50,000	285,800
3	50,001	55,000	159,362
3	55,001	60,000	172,619
2	60,001	65,000	125,139
1	65,001	70,000	69,500
1	70,001	75,000	75,000
1	75,001	80,000	78,500
1	80,001	85,000	80,005
2	85,001	90,000	178,100
2	90,001	95,000	182,260
6	95,001	100,000	594,364
1	100,001	105,000	102,500
1	110,001	115,000	115,000
3	125,001	130,000	378,090
3	145,001	150,000	444,430
1	195,001	200,000	198,895
1	200,001	205,000	200,153
1	205,001	210,000	207,000
1	215,001	220,000	219,987
1	220,001	225,000	224,654
1	255,001	260,000	260,000
1	300,001	305,000	304,792
2	350,001	355,000	701,668
1	465,001	470,000	469,000
1	520,001	525,000	523,903
1	550,001	555,000	552,189
1	575,001	580,000	578,041
1	845,001	850,000	849,500
1	1,025,001	1,030,000	1,028,078
1	1,030,001	1,035,000	1,034,931
1	1,465,001	1,470,000	1,466,000
1	2,640,001	2,645,000	2,641,380
1	3,225,001	3,230,000	3,228,234
8,685			26,413,804



CATEGORIES OF CERTIFICATE HOLDING FOR THE YEAR ENDED 30 JUNE 2011



First Fidelity Leasing Modaraba

Categories of Certificateholders	Physical	CDC	Total	% age
Directors				
Siyyid Tahir Nawazish	-	54,552	54,552	0.21
Associated Companies, Undertakings & Related Parties				
Fidelity Capital Management (Pvt) Limited	-	5,869,614	5,869,614	22.22
NIT & ICP (Name Wise Detail)				
Investment Corporation Of Pakistan	18,295	-	18,295	0.07
National Investment Trust Limited	-	26,475	26,475	0.10
NBP -Trustee Department NI(U)T Fund	-	1,028,078	1,028,078	3.89
	18,295	1,054,553	1,072,848	4.06
Banks, DFI's, NBFi's	12,242	967,208	979,450	3.71
Insurance Companies	40	1,055,679	1,055,719	4.00
Modarabas & Mutual Funds	358	-	358	0.00
Other Companies	639,070	1,031,106	1,670,176	6.32
General Public	3,587,862	12,123,225	15,711,087	59.48
Grand Total	<u>4,257,867</u>	<u>22,155,937</u>	<u>26,413,804</u>	<u>100.00</u>
Certificate More Than 10.00%				
Fidelity Capital Management (Pvt) Limited	-	5,869,614.00	5,869,614.00	22.22

Book Post

If undelivered please return to:

Ground Floor, 90, A-1 Canal Bank, Gulberg II, Lahore

Tel: 042-32405555, Fax: 042-35759155

