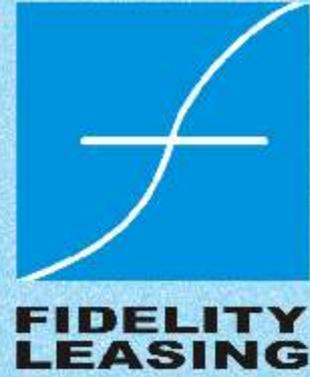


**2 0 1 2**  
Annual Report



**FIRST FIDELITY LEASING MODARABA**

Managed by:  
Fidelity Capital Management (Private) Limited

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## 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. Abdul Hameed Kiayani

### Company Secretary / CFO

Mr. Mohammed Waheed

### Auditors of Modaraba

Riaz Ahmad & Company  
Chartered Accountants

### Audit Committee

Chairman	Mr. Abdul Hameed Kiyani
Members	Siyyid Tahir Nawazish Sheikh Muhammad Nasim
Secretary	Mr. Muhammad Arshad

### Credit Committee

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

### Human Resource & Remuneration Committee

Chairman	Sheikh Muhammad Nasim
Members	Siyyid Tahir Nawazish Mr. Abdul Hameed Kiyani
Secretary	Mr. Muhammad Younas Chaudhry

### Legal Advisor

Salim & Baig (Advocates)

### Bankers

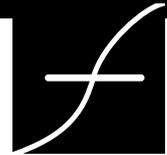
Samba Bank Limited  
MCB Bank Limited  
NIB Bank Limited  
Faysal Bank Limited

### Registered Office

Ground Floor, 90, A-1  
Canal Bank Gulberg -II, Lahore  
Tel: 0 4 2 – 3 2 4 0 2 8 6 8 – 7 2  
Fax: 0 4 2 – 3 5 7 5 9 1 5 5  
Email: [info@fidelitymodaraba.com](mailto:info@fidelitymodaraba.com)  
**Website: [www.fidelitymodarab.com](http://www.fidelitymodarab.com)**

### Registrars

Corptec Associates (Private) Limited  
7/3-G, Mushtaq Ahmed Gurmani Road  
Gulberg - II Lahore.  
Tel: 0 4 2 – 3 5 7 8 8 0 9 7 - 8  
Fax: 0 4 2 – 3 5 7 5 5 2 1 5  
Email: [corptecassociates@gmail.com](mailto:corptecassociates@gmail.com)

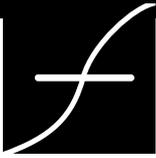


## **Vision**

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 2012 Rupees	June 2011 Rupees	June 2010 Rupees	June 2009 Rupees	June 2008 Rupees	June 2007 Rupees
Operating results						
Revenues	45.36	71.46	55.88	71.44	118.95	82.61
Operating profit before Profit / (Loss) after taxation and management fee	16.96	8.68	(11.85)	(2.27)	41.68	33.20
Financial position						
Fixed assets (owned and leased out)	249.34	52.55	75.27	105.76	181.43	158.92
Total assets	420.93	375.23	432.87	459.59	494.24	501.30
Certificateholders equity	352.80	335.18	325.20	326.70	351.54	348.72
Paid up capital	264.13	264.13	264.13	264.13	264.13	264.13
Earning (Loss) per certificate	0.64	0.33	(0.45)	(0.09)	1.58	1.26
Profit distribution (%)	5%	-	-	-	10.00	10.00
Break-up value per certificate	13.36	12.69	12.31	12.37	13.31	13.20

## **NOTICE OF ANNUAL REVIEW MEETING AND BOOK CLOSURE**



Notice is hereby given that the Annual Review Meeting of First Fidelity Leasing Modaraba to review the performance of Modaraba for the year ended June 30, 2012 will be held on October 31, 2012 at 11:30 A.M. at Ground Floor, 90-A-1, Canal Bank, Gulberg-II, Lahore Certificate holders whose names are entered in the Register of Certificate holders seven days before the date of Annual Review Meeting i.e. October 24, 2012 shall be entitled to attend the meeting.

It is further informed that the Board of Directors of Fidelity Capital Management (Private) Limited in its meeting held on October 08, 2012 has approved cash dividend for the year ended June 30, 2012 @ Re.0.50 per certificate i.e. 5% for the Certificate holders of First Fidelity Leasing Modaraba. The Certificate Transfer Books of the Modaraba will remain closed from November 01, 2012 to November 14, 2012 (both days inclusive). Transfers received in our Registrar's office at Corptec Associates (Private) Limited 7/3-G, Mushtaq Ahmed Gurmani Road Gulberg - II Lahore, till the close of business on October 31, 2012 will be treated in time for the purpose of above dividend entitlement to the transferees.

Lahore  
October 8, 2012

Mohammed Waheed  
(Company Secretary)



## DIRECTORS' REPORT

The Board of Directors of Fidelity Capital Management (Private) Limited, the Management company of First Fidelity Leasing Modaraba, are pleased to present the 21<sup>st</sup> Annual Report of First Fidelity Leasing Modaraba along with the audited financial statements and the auditors' report thereon for the year ended June 30, 2012.

### Financial Results

The financial results of the Modaraba are summarized as follows.

	Rupees in '000'	
	2012	2011
Income	45,368	71,466
Expenses	(24,766)	42,202
Operating profit before provisions and taxation	20,602	29,264
(Provision) for doubtful receivables	(418)	(19,422)
Modaraba Company's management fee	(2,018)	(984)
Profit before taxation	18,166	8,680
Taxation	(1,196)	-
Profit after tax	16,970	8,680

### Appropriations

Appropriated as follows:

Transferred to statutory reserve	(3,394)	1,736
Profit distribution	(13,207)	-

### Earnings per Certificate

Earnings per certificate stood at	Re.0.64	Re. 0.33
-----------------------------------	---------	----------

### Profit Distribution

The Board of Directors are pleased to announce cash dividend for the year @ 5% i.e. Re. 0.50 per certificate (2011: nil). The certificate transfer books of the Modaraba will remain closed from November 01, 2012 to November 14, 2012 (both days inclusive) for determination of dividend entitlement to certificate holders of the Modaraba.

### Review of Operations

The year under review continued to be a consolidating period for the Modaraba. The management was able to settle the pending preemption litigation case on its land at Manawan, Lahore with Mst.Nusrat Shaheen in a dispute resolution manner. As described in note 12.2 to the financial statements certain land has been sold to her at cost price and the remaining free land, planned to be sold at market price is to provide handsome profit and cash flow to the Modaraba in the ensuing period. Besides it, a major investment of Modaraba was in the form of a musharika facility for the construction of corporate tower in Lahore. However, due to financial constraints of syndicates other member resulting in non-disbursement of funds to the client and the client's inability in getting the required funds from other sources, the project was stalled and Modaraba faced a dispute situation which could have been gravely detrimental to the Moradabad's interest. Under the circumstances, the management devised a strategy under which finance facility of other syndicate, institution extended to Corporate tower has been taken over by the Modaraba against swap of a couple of investment properties of the Modaraba. At the same time to secure Modaraba's enhanced exposure towards the client, it has purchased the ground floor of the same corporate tower. Sale of investment properties has also provided gain to the Modaraba. The management is hopeful that its strategy will be successful and the amount invested in corporate tower will be encashed in the next year or so and the Modaraba will have sufficient free funds of its own, to invest in its core activities of morabaha, leasing etc. to earn regular income.

## 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 Moradabad'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

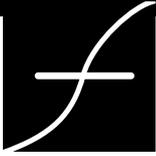
During the year under review 9 meetings of the Board of Fidelity Capital Management (Pvt.) Limited were held, which were attended by the directors as follows:

Name of Director	Meetings Attended
Siyyid Tahir Nawazish	9
Mr. Wasim-ul-Haq Osmani	9
Mr. S.M. Nasim	9
Mr. Shahid Iqbal Chaudhry	5
Mr. Abdul Hameed Kiyani	9

### Audit Committee Meetings

During the year under review 6 audit committee meetings were held, which were attended by the directors as follows:

Name of Director	Meetings Attended
Siyyid Tahir Nawazish	6
Mr. S.M. Nasim	6
Mr. Shahid Iqbal Chaudhry	4
Mr. Abdul Hameed Kiyani (newly elected)	-



## DIRECTORS' REPORT

### Credit Rating

PACRA had assigned Moradabad'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.

### 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, 2012 works out to Rs.2,490,114.

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. The value of its investment as at June 30, 2012 works out to Rs.3,433,987.

### Pattern of Certificate holdings

The pattern of certificate holdings is annexed to this report.

### Auditors

The auditors M/s Riaz Ahmad & Co. Chartered Accountants retire and offer themselves for reappointment for the year 2012-13. The Audit Committee of the Board has recommended the reappointment of the retiring auditors after the approval of the Registrar Modaraba.

### Future Outlook and Strategy

The Management of the Modaraba has been successful in its strategy to dispose of its investment properties and the remaining properties are likely to be disposed at appropriate time and price. The deployment of proceeds of investment properties in recurring income generating modes is expected to provide healthy profits in future.

### 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 certificate holders who remained committed to the Modaraba.

For and on behalf of the  
Board of Directors

Lahore  
October 8, 2012

Wasim ul Haq Osmani  
Chief Executive

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE



Name of company: First Fidelity Leasing Modaraba

Year ending: June 30, 2012.

The statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulation no. 35 of all 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 CCG in the following manner:

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

Sr.No.	Category	Names
1	Independent Director	Mr. Abdul Hameed Kiyani
2	Executive Director	Mr. Wasim Ul Haq Osmani
3	Non Executive Directors	Siyyid Tahir Nawazish
4		Mr. S.M. Nasim

The independent director meets the criteria of independence as required under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Management Company.
3. All the resident 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. A casual vacancy occurred on the board during the year however the casual vacancy was not needed to be filled due to election of directors in June 2012.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company and Modaraba along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors are taken by the board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Three Directors of the Management Company are exempt from directors training program due to 14 years of education and 15 years of experience on the board of a listed company.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made by the Board during the year. The remuneration of CFO, Head of Internal Audit and Company Secretary was revised during the year after due approval of the Board.
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 CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificates holding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG 2012.
15. The Board has formed an Audit Committee. It comprises of 3 members, all of whom are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter for the review of interim and final results prior to the approval by the Board of Directors. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration (HR&R) Committee. It comprises of 3 members, all of whom are non-executive directors.
18. The Board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba and they are involved in the internal audit function on full time basis.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material requirements of the CCG 2012 have been complied with.

For and on behalf of the  
Board of Directors

Lahore

October 08, 2012

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 2012 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 2012.

**RIAZ AHMAD & COMPANY**  
Chartered Accountants

**Name of Engagement Partner**  
Syed Mustafa Ali

**LAHORE**  
October 08, 2012



## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

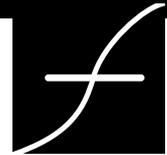
We have audited the annexed balance sheet of **First Fidelity Leasing Modaraba** (“**the Modaraba**”) as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter 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 2012 and of the profit, its comprehensive income, 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, 2012**



## BALANCE SHEET AS AT 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances	3	11,724,191	16,489,917
Short term investments	4	3,353,488	3,827,142
Short term morabaha investments - secured	5	105,596,193	72,037,248
Ijarah rentals receivable	6	185,345	1,085,706
Advances, deposits, prepayments and other receivables	7	28,806,520	41,269,678
Current portion of non-current assets	8	257,722	1,534,151
		<u>149,923,459</u>	<u>136,243,842</u>
<b>NON-CURRENT ASSETS</b>			
Long term morabaha investments - secured	9	-	7,403,012
Long term musharika investment - secured	10	-	99,000,000
Long term receivables and deposits	11	1,214,368	1,429,738
Investment properties	12	9,813,787	67,973,127
Cards and rooms	13	10,630,000	10,630,000
Ijarah assets	14	18,009,398	22,773,346
Fixed assets	15	231,348,378	29,775,519
		<u>271,015,931</u>	<u>238,984,742</u>
<b>TOTAL ASSETS</b>		<u>420,939,390</u>	<u>375,228,584</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Deferred morabaha income	5	5,531,332	6,419,307
Placement	16	35,000,000	-
Creditors, accrued and other liabilities	17	17,542,881	17,035,819
Finances under musharika arrangements	18	-	1,149,000
Current portion of non-current liabilities	19	2,131,418	5,823,562
		<u>60,205,631</u>	<u>30,427,688</u>
<b>NON-CURRENT LIABILITIES</b>			
Security deposits against ijarah assets	20	6,114,629	7,342,959
Employee benefits	21	1,811,748	1,844,798
Deferred morabaha income	22	-	427,012
		<u>7,926,377</u>	<u>9,614,769</u>
<b>TOTAL LIABILITIES</b>		<u>68,132,008</u>	<u>40,042,457</u>
<b>NET ASSETS</b>		<u>352,807,382</u>	<u>335,186,127</u>
<b>FINANCED BY</b>			
Certificate capital	23	264,138,040	264,138,040
Reserves	24	88,669,342	71,048,087
<b>TOTAL EQUITY AND RESERVES</b>		<u>352,807,382</u>	<u>335,186,127</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	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 2012



	Note	2012 Rupees	2011 Rupees
<b>INCOME</b>			
Ijarah rentals earned		8,244,649	11,743,792
Rental income from investment properties		-	11,807,537
Profit on morabaha investments		16,275,027	13,785,173
Brokerage commission		794,029	257,337
Other income	26	20,054,299	33,871,951
		<u>45,368,004</u>	<u>71,465,790</u>
<b>EXPENSES</b>			
Depreciation on ijarah assets	14	4,487,530	10,219,057
Depreciation on investment properties	12	2,093,051	3,643,085
Administrative and general expenses	27	17,932,725	20,746,080
Stock exchange and CDC charges		161,662	131,940
Financial charges	28	90,736	7,461,896
		<u>24,765,704</u>	<u>42,202,058</u>
<b>OPERATING PROFIT BEFORE PROVISIONS AND TAXATION</b>			
		<u>20,602,300</u>	<u>29,263,732</u>
Provision for non-performing receivables	29	(418,073)	(19,422,111)
		<u>20,184,227</u>	<u>9,841,621</u>
Modaraba management company fee	30	(2,018,423)	(984,162)
Provision for workers' welfare fund		-	(177,149)
<b>PROFIT BEFORE TAXATION</b>			
		<u>18,165,804</u>	<u>8,680,310</u>
Taxation			
-current	31	-	-
-prior year		(1,195,881)	-
		<u>(1,195,881)</u>	<u>-</u>
<b>PROFIT AFTER TAXATION</b>			
		<u>16,969,923</u>	<u>8,680,310</u>
<b>EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>			
	32	<u>0.64</u>	<u>0.33</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 2012

	2012 Rupees	2011 Rupees
<b>PROFIT AFTER TAXATION</b>	16,969,923	8,680,310
<b>OTHER COMPREHENSIVE INCOME</b>		
Surplus on remeasurement of available for sale investments	1,403,284	1,303,630
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>18,373,207</u>	<u>9,983,940</u>

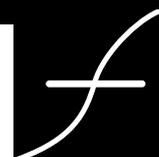
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(Private) Limited

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012



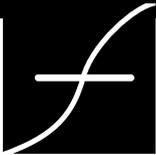
	Note	2012 Rupees	2011 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	36	(18,655,154)	(46,314,370)
Financial charges paid		(834,861)	(13,828,170)
Profit received on morabaha / musharika investments		12,386,218	16,044,961
Profit on bank deposits received		135,987	70,315
Employee benefits paid		(836,803)	(776,974)
Income tax paid		(44,208)	(1,121,459)
<b>Net cash used in operating activities</b>		(7,848,821)	(45,925,697)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Security deposits against ijarah assets		873,122	(9,594,689)
Proceeds from disposal of ijarah assets		2,977,613	17,841,962
Ijarah assets acquired		(7,186,912)	(6,426,302)
Proceeds from sale of fixed assets		2,990,671	216,603
Fixed assets acquired - own use		(1,931,715)	(3,233,100)
Investment property acquired		(3,724,575)	-
Proceeds from sale of short term investments		3,515,467	-
Proceeds from sale of investment property		6,793,920	105,000,000
<b>Net cash generated from investing activities</b>		4,307,591	103,804,474
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finances under musharika arrangements		(1,149,000)	(4,351,000)
Finances under morabaha arrangement		-	(50,093,994)
Profit distribution		(75,496)	(348,469)
<b>Net cash used in financing activities</b>		(1,224,496)	(54,793,463)
<b>Net increase in cash and cash equivalents</b>		(4,765,726)	3,085,314
<b>Cash and cash equivalents at the beginning of the year</b>		16,489,917	13,404,603
<b>Cash and cash equivalents at the end of the year</b>	3	11,724,191	16,489,917

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

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(Private) Limited

**Director**  
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(Private) Limited

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(Private) Limited



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	CERTIFICATE CAPITAL	CAPITAL RESERVES			REVENUE RESERVE	TOTAL
		STATUTORY	FAIR VALUE	SUB TOTAL	UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS)	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Balance as at 30 June 2010</b>	264,138,040	72,057,350	200,620	72,257,970	(11,193,823)	325,202,187
Profit for the year	-	-	-	-	8,680,310	8,680,310
Other comprehensive income for the year	-	-	1,303,630	1,303,630	-	1,303,630
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)	-
<b>Balance as at 30 June 2011</b>	264,138,040	73,793,412	1,504,250	75,297,662	(4,249,575)	335,186,127
Profit for the year	-	-	-	-	16,969,923	16,969,923
Other comprehensive income for the year	-	-	1,403,284	1,403,284	-	1,403,284
Total comprehensive income for the year ended 30 June 2012	-	-	1,403,284	1,403,284	16,969,923	18,373,207
Transfer to profit and loss account	-	-	(751,952)	(751,952)	-	(751,952)
Transfer to statutory reserve	-	3,393,985	-	3,393,985	(3,393,985)	-
<b>Balance as at 30 June 2012</b>	264,138,040	77,187,397	2,155,582	79,342,979	9,326,363	352,807,382

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

**Chief Executive**  
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(Private) Limited

**Director**  
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(Private) Limited

**Director**  
Fidelity Capital Management  
(Private) Limited

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



### 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 Pakistan Mercantile 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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP shall prevail.

##### 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 and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and measurement estimates are significant to the Modaraba's financial statements or where judgments were exercised in application of accounting policies are as follows:

- a) Determination and measurement of useful life and residual value of fixed assets and ijara assets (Note 2.2)
- b) Provision for non-performing receivables (Notes 2.17 and 2.18)
- c) Staff retirement benefits (Note 2.13)



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

- 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 2011:

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 International Accounting Standards Board (IASBs) comprehensive review of off balance sheet 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. However, this amendment has no material impact on these financial statements

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2011). 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. However, this amendment has no material impact on these financial statements.

- 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 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.

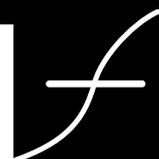
- f) Standards and amendments to published approved standards that are not yet effective but relevant to the Modaraba

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 2012 or later periods:

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The clarifying amendments to IAS 32 are effective for annual periods beginning on or after 01 January 2014. However, these amendments are not expected to have a material impact on the Modaraba's financial statements.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2015). It addresses the classification, measurement and recognition of financial assets and financial liabilities. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that shall replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change shall mainly affect financial institutions. There shall be no impact on the Modaraba's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Modaraba does not have any such liabilities.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Modaraba's financial statements.

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. However, this amendment is not expected to have a material impact on the Modaraba's financial statements.

IAS 16 (Amendment), 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2013). This amendment requires that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. However, this amendment is not expected to have a material impact on the Modaraba's financial statements.

IAS 19 (Amendment), 'Employee Benefits' (effective for annual periods beginning on or after 01 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19. The management of the Modaraba is in the process of evaluation the impacts of these amendments on the Modaraba's financial statements.

On 17 May 2012, IASB issued Annual Improvements to IFRSs: 2009 – 2011 Cycle, incorporating amendments to five IFRSs more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial Instruments: Presentation', that are considered relevant to the Modaraba's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. 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

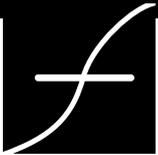
There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2012 but are considered not to be relevant or do not have any significant impact on the Modaraba's financial statements and are therefore not detailed in these financial statements.

### 2.2 Fixed assets

#### Assets in own use and depreciation

Fixed assets except for land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the items. Land and capital-in-progress are stated at cost less any identified impairment loss. 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.



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized only when it is probable that future economic benefits associated with the item will flow to the Modaraba 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.

Gains or losses 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.

### 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 (excluding provision for non-performing receivables and write-offs)

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 losses are recognized immediately as an expense in the profit and loss account.

### 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 of the cost of an asset over its estimated useful life at the rates given in Note 12.

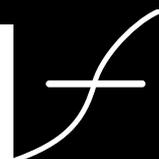
The assets residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized as per note 2.2 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.

Gains or losses 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.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



### 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'.

#### 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, placement 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.



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

Financial assets are de-recognized when the Modaraba loses control of the contractual rights that comprise the financial assets. 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 investment) 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.

### 2.10 Offsetting of financial assets and financial liabilities

A financial assets 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 net basis or to realize the asset and settle the liability simultaneously.

### 2.11 Provisions

Provisions are recorded when the Modaraba has 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 statement 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 2012 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 2012 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 expenses 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 2012



### 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 deposited 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.

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

### 2.20 Segment reporting

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment and the Modaraba's performance is evaluated on overall basis.



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 Rupees	2011 Rupees
<b>3 CASH AND BANK BALANCES</b>		
Cash in hand	17,279	31,116
Cash at banks:		
Current account - State Bank of Pakistan	7,301	18,522
Saving accounts (Note 3.1)	11,699,611	16,440,279
	11,706,912	16,458,801
	<u>11,724,191</u>	<u>16,489,917</u>

3.1 These carry markup ranging from 5% to 6% (2011: 5%) per annum.

### 4 SHORT TERM INVESTMENTS

Quoted shares - available for sale (Note 4.1)	3,353,488	3,827,142
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#### 4.1 Particulars of available for sale investments

	2012		
	Shares	Cost	Market value
	Number	Rupees	Rupees
Hamid Textile Mills Limited	573,200	2,265,252	556,004
Shakarganj Mills Limited	217,196	9,358,976	2,797,484
		<u>11,624,228</u>	
Add: Fair value adjustment recognized through other comprehensive income (Note 4.2)		2,155,582	
Less: Impairment loss already charged to profit and loss account		10,426,322	
		<u>3,353,488</u>	<u>3,353,488</u>

All shares are ordinary shares having face value of Rupees 10 each.

	2011		
	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	3,253,942
		<u>24,380,322</u>	
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			
		<u>22,057,430</u>	
		<u>3,827,142</u>	<u>3,827,142</u>

All shares are ordinary shares having face value of Rupees 10 each.

#### 4.2 Fair value reserve

Opening balance as on 01 July	1,504,250	200,620
Fair value adjustment recognized in other comprehensive income during the year	1,403,284	1,303,630
Transferred to profit and loss account	(751,952)	-
	651,332	1,303,630
Closing balance as on 30 June	<u>2,155,582</u>	<u>1,504,250</u>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



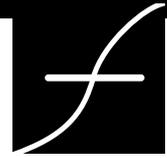
	2012 Rupees	2011 Rupees
<b>5 SHORT TERM MORABAHA INVESTMENTS - SECURED</b>		
Considered good	34,847,760	25,316,441
Considered doubtful	285,997,355	258,617,355
	<u>320,845,115</u>	<u>283,933,796</u>
Add: Deferred / unearned morabaha income	5,531,332	6,419,307
	<u>326,376,447</u>	<u>290,353,103</u>
Less: Provision for doubtful morabaha investments (Note 5.2)	220,780,254	218,315,855
	<u>105,596,193</u>	<u>72,037,248</u>
<b>5.1</b>	These represent receivables against morabaha transactions on deferred payment basis at a profit margin rate ranging from 16.50% to 19% (2011: 16.50% to 19%) per annum. These are secured against mortgage of properties, pledge of machinery, personal guarantees and demand promissory notes.	
<b>5.2</b>	This includes provision of Rupees 202,204,231 (2011: Rupees 202,204,231) 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 the Modaraba's favour, however, due to inadequate securities, chances of any substantial recovery are slim.	
<b>6 IJARAH RENTALS RECEIVABLE</b>		
Considered good - secured	185,345	1,085,706
Considered doubtful	36,302,478	36,302,478
Less: Provision for doubtful ijarah rentals receivable (Note 6.1)	36,302,478	36,302,478
	-	-
	<u>185,345</u>	<u>1,085,706</u>
<b>6.1 Provision for doubtful ijarah rentals receivable</b>		
Opening balance	36,302,478	33,622,798
Add: Provision charged during the year	-	2,679,680
Closing balance	<u>36,302,478</u>	<u>36,302,478</u>
<b>7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Prepayments	245,974	294,991
Short term security deposit	-	19,209,000
Profit on morabaha investments	5,216,804	377,384
Income tax refundable	870,614	2,022,287
Receivable from clients - secured (Note 7.1)	12,066,024	10,883,683
Receivable from Hajveri Modaraba Management Company (Private) Limited (Note 7.2)	5,576,032	5,576,032
Miscellaneous receivables - considered good	4,831,072	2,906,301
	<u>28,806,520</u>	<u>41,269,678</u>
<b>7.1 Receivable from clients - secured</b>		
Considered good	12,066,024	10,883,683
Considered doubtful	8,561,202	10,607,528
Less: Provision against doubtful receivables	8,561,202	10,607,528
	-	-
	<u>12,066,024</u>	<u>10,883,683</u>
<b>7.1.1</b>	These comprise of receivables generated as a consequence of carrying on the business by brokerage division.	
<b>7.2</b>	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 2012

	2012 Rupees	2011 Rupees
<b>8 CURRENT PORTION OF NON-CURRENT ASSETS</b>		
Long term morabaha investments (Note 9.1)	-	1,268,046
Long term receivables (Note 11.2)	257,722	266,105
	<u>257,722</u>	<u>1,534,151</u>
<b>9 LONG TERM MORABAHA INVESTMENTS - SECURED</b>		
Balance receivable	-	7,074,063
Add: Deferred / unearned morabaha income	-	1,596,995
	-	<u>8,671,058</u>
Less: Current portion of long term morabaha investments (Note 9.1)	-	1,268,046
	-	<u>7,403,012</u>
<b>9.1 Current portion of long term morabaha investments</b>		
Morabaha investment	-	98,063
Deferred / unearned morabaha income (Note 9.2)	-	1,169,983
	-	<u>1,268,046</u>
<b>9.2</b> 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.		
<b>10 LONG TERM MUSHARIKA INVESTMENT - SECURED</b>		
Enplan (Private) Limited (Note 15.2.2)	-	99,000,000
	<u>-</u>	<u>99,000,000</u>
<b>11 LONG TERM RECEIVABLES AND DEPOSITS</b>		
Long term morabaha profit receivable	-	150,611
Long term loans to employees (Note 11.1)	611,590	642,297
Securities and deposits	860,500	902,935
	<u>1,472,090</u>	<u>1,695,843</u>
Less: Current portion of long term receivables (Note 11.2)	257,722	266,105
	<u>1,214,368</u>	<u>1,429,738</u>
<b>11.1</b> These represent loans to employees for purchase of vehicles and for personal purposes (upto 3 basic salaries) as per the Modaraba's policy. These carry profit rate of 5% per annum. Loans for purchase of vehicles are secured against lien on vehicles. The maximum aggregate amount due from staff at the end of any month during the year was Rupees 767,503 (2011: Rupees 754,743). These loans are repayable in 36 equal instalments.		
<b>11.2 Current portion of long term receivables</b>		
Loans to employees	257,722	266,105
	<u>257,722</u>	<u>266,105</u>

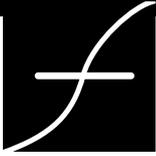
## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



### 12 INVESTMENT PROPERTIES

	Cost			Depreciation			Book value as at 30 June 2012	Annual rate of depreciation (%)
	As at 01 July 2011	Additions	As at 30 June 2012	As at 01 July 2011	For the year	As at 30 June 2012		
Land	14,312,250	979,678	8,352,655	-	-	-	8,352,655	-
Building	50,000,000	1,470,322	1,470,322	2,604,167	1,259,190	(3,854,167)	1,461,132	2.5
Furniture and fixtures	7,913,750	1,274,575	-	1,648,706	833,861	(2,482,567)	-	10
	<u>72,226,000</u>	<u>3,724,575</u>	<u>9,822,977</u>	<u>4,252,873</u>	<u>2,093,051</u>	<u>(6,336,734)</u>	<u>9,190</u>	<u>9,813,787</u>
	Rupees							
	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	As at 30 June 2011		
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	-	1,648,706	10
Electrical installation	4,000,000	-	-	2,400,000	400,000	(2,800,000)	-	10
	<u>153,829,818</u>	<u>-</u>	<u>72,226,000</u>	<u>12,159,279</u>	<u>3,643,085</u>	<u>(11,549,491)</u>	<u>4,252,873</u>	<u>67,973,127</u>
	Rupees							

12.1 The market value of investment properties is estimated at Rupees 43.845 million (2011: Rupees 115.430 million). The valuation has been carried out by independent valuers.



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

12.2 Land included a plot of land measuring 11 kanals and 11 marlas at the main canal road near Jallo Lahore. During the year the Modaraba entered into a compromise agreement with owner of the adjacent land to settle Pre-emption (Haq Shufa) suit in Civil Court. As per the compromise agreement land area of 5 kanals and 12 marlas out of total land of 11 kanals and 11 marlas was sold to Mrs. Shaheen Nusrat at the rate of Rupees 1,213,000 per kanal being actual cost paid by the Modaraba and the case was settled through compromise decree issued by the Court.

12.3 Land and building include House No. 49/A, bearing Khasra No. 1506, Khewet No. 1, Khatooni No. 13, situated at Defence Fort Colony near Punjab Housing Society, Ghazi Road, Tehsil Cant. District Lahore. The said property has been acquired through Court auction and the auction has been confirmed in favour of the Modaraba by the Court. Due to pending sale certificate by the Court and decision on Court's auctioneer fee, the property has not been transferred in the name of the Modaraba. However, the Modaraba has original sale deed and the property in its possession.

12.4 Details of investment properties disposed of during the year are as follows:

INVESTMENT PROPERTY	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS	MODE OF DISPOSAL	SOLD TO
Land (Munawan Property - 5 Kanals 12 Marlas)	6,939,273	-	6,939,273	6,793,920	Through compromise decree (Note 12.2)	Mrs Shaheen Nusrat
Building, furniture & fixtures (MM Tower - 6th Floor)	59,188,325	6,336,734	52,851,591	70,000,000	Settlement agreement (Note 16)	Trust Investment Bank Limited (associated undertaking)
	<u>66,127,598</u>	<u>6,336,734</u>	<u>59,790,864</u>	<u>76,793,920</u>		

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



	2012		2011	
	Rupees		Rupees	
13 CARDS AND ROOMS				
Corporate membership of Islamabad Stock Exchange		5,750,000		5,750,000
Membership of Pakistan Mercantile Exchange Limited		1,010,000		1,010,000
Rooms		3,870,000		3,870,000
		<u>10,630,000</u>		<u>10,630,000</u>
14 IJARAH ASSETS				
	Plant and machinery	Office equipment	Vehicles	Total
	-----RUPEES-----			
At 30 June 2010				
Cost	20,486,671	603,850	62,757,490	83,848,011
Accumulated depreciation	<u>(8,935,493)</u>	<u>(287,782)</u>	<u>(30,216,673)</u>	<u>(39,439,948)</u>
Net book value	<u>11,551,178</u>	<u>316,068</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	<u>(4,496,821)</u>	<u>(376,000)</u>	<u>(43,271,962)</u>	<u>(48,144,783)</u>
Accumulated depreciation	<u>3,376,891</u>	<u>267,080</u>	<u>26,658,850</u>	<u>30,302,821</u>
	(1,119,930)	(108,920)	(16,613,112)	(17,841,962)
Depreciation charge	<u>(4,631,982)</u>	<u>(129,034)</u>	<u>(5,458,041)</u>	<u>(10,219,057)</u>
Closing net book value	<u>6,395,266</u>	<u>493,416</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	<u>(10,190,584)</u>	<u>(149,736)</u>	<u>(9,015,864)</u>	<u>(19,356,184)</u>
Net book value	<u>6,395,266</u>	<u>493,416</u>	<u>15,884,664</u>	<u>22,773,346</u>
Year ended 30 June 2012				
Opening net book value	6,395,266	493,416	15,884,664	22,773,346
Additions	3,357,222	174,000	3,655,690	7,186,912
Disposals:				
Cost	<u>(1,957,980)</u>	<u>(180,827)</u>	<u>(13,221,540)</u>	<u>(15,360,347)</u>
Accumulated depreciation	<u>1,183,822</u>	<u>42,828</u>	<u>6,670,367</u>	<u>7,897,017</u>
	(774,158)	(137,999)	(6,551,173)	(7,463,330)
Depreciation charge	<u>(1,855,725)</u>	<u>(171,309)</u>	<u>(2,460,496)</u>	<u>(4,487,530)</u>
Closing net book value	<u>7,122,605</u>	<u>358,108</u>	<u>10,528,685</u>	<u>18,009,398</u>
At 30 June 2012				
Cost	17,985,092	636,325	15,334,678	33,956,095
Accumulated depreciation	<u>(10,862,487)</u>	<u>(278,217)</u>	<u>(4,805,993)</u>	<u>(15,946,697)</u>
Net book value	<u>7,122,605</u>	<u>358,108</u>	<u>10,528,685</u>	<u>18,009,398</u>
Annual rate of depreciation (%)	20 - 50	25 - 33	20 - 50	



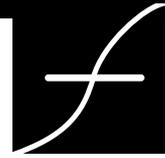
## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 RUPEES	2011 RUPEES
15 FIXED ASSETS		
Assets in own use (Note 15.1)	5,098,378	7,525,519
Capital work in progress - property in course of construction (Note 15.2)	226,250,000	22,250,000
	<u>231,348,378</u>	<u>29,775,519</u>

### 15.1 ASSETS IN OWN USE

	Furniture and fixtures	Computers and equipment	Vehicles	Total
	----- Rupees -----			
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>
Year ended 30 June 2012				
Opening net book value	349,960	3,469,613	3,705,946	7,525,519
Additions	-	307,215	1,624,500	1,931,715
Disposals:				
Cost	-	(2,999,742)	(2,512,650)	(5,512,392)
Accumulated depreciation	-	793,768	1,951,979	2,745,747
	-	(2,205,974)	(560,671)	(2,766,645)
Depreciation charge	(71,532)	(485,849)	(1,034,830)	(1,592,211)
Closing net book value	<u>278,428</u>	<u>1,085,005</u>	<u>3,734,945</u>	<u>5,098,378</u>
At 30 June 2012				
Cost	835,060	13,204,463	6,694,000	20,733,523
Accumulated depreciation	(488,684)	(9,669,640)	(2,959,055)	(13,117,379)
Accumulated impairment	(67,948)	(2,449,818)	-	(2,517,766)
Net book value	<u>278,428</u>	<u>1,085,005</u>	<u>3,734,945</u>	<u>5,098,378</u>
Annual rate of depreciation (%)	10	10-20	20	

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



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

PARTICULARS	QUANTITY	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS	MODE OF DISPOSAL	SOLD TO
.....Rupees.....							
<b>COMPUTERS AND EQUIPMENT</b>							
Generators	4	2,767,442	741,199	2,026,243	2,200,000	Negotiation	Mr. Ameer Ali, Lahore
Generator	1	230,000	51,750	178,250	230,000	Negotiation	Mr. Yousaf Saleemi, Sahiwal
		<u>2,997,442</u>	<u>792,949</u>	<u>2,204,493</u>	<u>2,430,000</u>		
<b>VEHICLES</b>							
Toyota Corolla GLI LEB - 8660	1	1,431,500	870,829	560,671	560,671	Insurance claim	EFU General Insurance Limited
Toyota Corolla LEB - 3231	1	1,081,150	1,081,150	-	70,080	Modaraba policy	Mr. Muhammad Arshad (Employee), Lahore
		<u>2,512,650</u>	<u>1,951,979</u>	<u>560,671</u>	<u>630,751</u>		
Aggregate of other item of fixed asset in own use with individual book values not exceeding Rupees 50,000		2,300	819	1,481	-	Written off	
		<u>5,512,392</u>	<u>2,745,747</u>	<u>2,766,645</u>	<u>3,060,751</u>		

15.1.2 The cost of fixed assets as on 30 June 2012 includes fully depreciated assets of Rupees 8,558,251 (2011: Rupees 10,221,516) which are still in use of the Modaraba.

### 15.2 CAPITAL WORK IN PROGRESS - PROPERTY IN COURSE OF CONSTRUCTION

	2012 Rupees	2011 Rupees
Opening balance (Note 15.2.1)	22,250,000	24,500,000
Addition during the year (Note 15.2.2)	204,000,000	-
Less: Impairment loss	-	(2,250,000)
Closing balance	<u>226,250,000</u>	<u>22,250,000</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. The villas are currently under construction and are in semi-finished form. 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. The Modaraba has decided to complete the property on its own for transfer of the same to Trust Investment Bank Limited (associated undertaking) under settlement agreement dated 28 June 2012 (Note 16).

15.2.2 This represents advance against ground floor consisting of total area of 10,221 square feet in Corporate Tower, Garden Town Lahore by adjustment of total Musharika Investment to Enplan (Private) Limited (Notes 10 and 16) through agreements dated 28 June 2012.



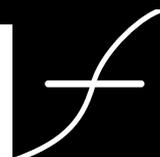
## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

### 16 PLACEMENT

This represents advance / placement from Trust Investment Bank Limited (TIBL) - associated company arising consequent to the transfer of total exposure of Enplan (Private) Limited amounting to Rupees 105 million to the Moradaba in accordance with the settlement arrangement dated 28 June 2012. This arrangement is for 9 months and carries zero markup. This placement would be adjusted/swapped with the rights and rewards of Murree Villas (Note 15.2.1) in finished form on or before March 2013 at an agreed value of Rupees 35 million. In case of delay in the completion of property, this arrangement shall be converted into mark-up bearing placement at the rate of 6 months KIBOR from 01 April 2013.

	2012 Rupees	2011 Rupees
<b>17 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Accrued financial charges	-	744,125
Ijarah rentals received in advance	88,731	24,720
Due to customers	1,320,998	671,459
Accrued and other payables	1,916,632	2,337,760
Unclaimed profit distribution	12,020,948	12,096,444
Moraraba management company fee payable	2,018,423	984,162
Provision for workers' welfare fund	177,149	177,149
	<u>17,542,881</u>	<u>17,035,819</u>
<b>18 FINANCES UNDER MUSHARIKA ARRANGEMENTS</b>		
Kohinoor Energy Limited - Employees Gratuity Fund (Note 18.1)	-	1,149,000
18.1 This finance was obtained under musharika arrangement from Kohinoor Energy Limited - Employees Gratuity Fund. This musharika arrangement was for one year and carried markup at the rate of 16% per annum. This musharika arrangement was fully repaid in January 2012.		
<b>19 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>		
Security deposits against ijarah assets (Note 20)	2,131,418	4,653,579
Deferred morabaha income (Note 22)	-	1,169,983
	<u>2,131,418</u>	<u>5,823,562</u>
<b>20 SECURITY DEPOSITS AGAINST IJARAH ASSETS</b>		
Long term security deposits against ijarah assets	8,246,047	11,996,538
Less: Current portion (Note 19)	2,131,418	4,653,579
	<u>6,114,629</u>	<u>7,342,959</u>
<b>21 EMPLOYEE BENEFITS</b>		
Gratuity (Note 21.1)	506,582	665,930
Employees compensated absences (Note 21.2)	1,305,166	1,178,868
	<u>1,811,748</u>	<u>1,844,798</u>
21.1 Gratuity		
The amounts recognized in the balance sheet are as follows:		
Present value of defined benefit obligation	3,606,305	3,344,439
Fair value of plan assets	(3,433,987)	(3,004,377)
Unrecognized actuarial gains	334,264	325,868
	<u>506,582</u>	<u>665,930</u>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



	2012 Rupees	2011 Rupees			
a) Change in present value of net staff gratuity					
Liability as at 01 July	665,930	703,238			
Charge for the year	506,582	665,930			
Contributions made by the Modaraba during the year	(665,930)	(703,238)			
Liability as at 30 June	<u>506,582</u>	<u>665,930</u>			
b) Movement in liability for defined benefit obligation					
Present value of defined benefit obligation as at 01 July	3,344,439	3,009,253			
Current service cost	458,974	593,340			
Interest cost	468,221	361,110			
Benefits paid during the year	(244,578)	(104,644)			
Actuarial gain on present value of defined benefit obligation	(420,751)	(514,620)			
Present value of defined benefit obligation as at 30 June	<u>3,606,305</u>	<u>3,344,439</u>			
c) Movement in fair value of plan assets					
Fair value of plan assets as at 01 July	3,004,377	2,404,332			
Expected return on plan assets	420,613	288,520			
Contributions during the year	665,930	703,238			
Benefits paid during the year	(244,578)	(104,644)			
Actuarial loss on plan assets	(412,355)	(287,069)			
Fair value of plan assets as at 30 June	<u>3,433,987</u>	<u>3,004,377</u>			
d) Actual return on plan assets	<u>8,258</u>	<u>1,451</u>			
e) Plan assets consist of the following:					
Debt instruments	3,292,875	2,298,875			
Cash at bank	141,112	705,502			
	<u>3,433,987</u>	<u>3,004,377</u>			
f) Movement in actuarial gains					
Un recognized actuarial gains as at 01 July	325,868	98,317			
Actuarial gains arising during the year	8,396	227,551			
Un recognized actuarial gains as at 30 June	<u>334,264</u>	<u>325,868</u>			
g) Charge for the year					
Current service cost	458,974	593,340			
Interest cost	468,221	361,110			
Expected return on plan assets	(420,613)	(288,520)			
	<u>506,582</u>	<u>665,930</u>			
h) Historical Information					
	2012	2011	2010	2009	2008
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligation	3,606,305	3,344,439	3,009,253	2,507,715	2,151,058
Present value of defined benefit assets	(3,433,987)	(3,004,377)	(2,404,332)	(1,776,397)	(1,098,907)
Deficit in the plan	<u>172,318</u>	<u>340,062</u>	<u>604,921</u>	<u>731,318</u>	<u>1,052,151</u>
Experience adjustment arising on plan liabilities	(420,751)	(514,620)	(240,541)	(405,145)	1,115,853
Experience adjustment arising on plan assets	(412,355)	(287,069)	(214,991)	(126,599)	8,332
i) Assumptions used for valuation of the defined benefit scheme are as under:					
	Per annum				
	2012	2011			
Discount rate	13%	14%			
Expected rate of increase in salary	12%	13%			
Expected rate of return on plan assets	14%	12%			
Average expected remaining working life time of employee	14 years	14 years			

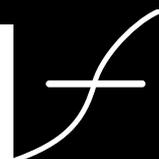
j) The Modaraba expects to pay Rupees 460,323 in contributions to defined benefit plan in 2013.



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 Rupees	2011 Rupees			
21.2 Employees compensated absences					
Opening balance	1,178,868	807,608			
Amount recognized during the year	297,171	444,996			
Payments made during the year	<u>(170,873)</u>	<u>(73,736)</u>			
Closing balance	<u>1,305,166</u>	<u>1,178,868</u>			
a) Movement in liability for defined benefit obligation					
Present value of defined benefit obligation as at 01 July	1,178,868	807,608			
Current service cost	204,995	338,922			
Interest cost	165,042	96,913			
Benefits paid during the year	(170,873)	(73,736)			
Actuarial (gain) / loss on present value of defined benefit obligation	<u>(72,866)</u>	<u>9,161</u>			
Present value of defined benefit obligation as at 30 June	<u>1,305,166</u>	<u>1,178,868</u>			
b) Charge for the year					
Current service cost	204,995	338,922			
Interest cost	165,042	96,913			
Actuarial (gains) / losses charged	<u>(72,866)</u>	<u>9,161</u>			
	<u>297,171</u>	<u>444,996</u>			
c) Historical information					
	2012	2011	2010	2009	2008
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligation	<u>1,305,166</u>	<u>1,178,868</u>	<u>807,608</u>	<u>893,396</u>	<u>615,969</u>
Experience adjustment arising on plan liabilities	<u>(72,866)</u>	<u>9,161</u>	<u>(207,084)</u>	<u>134,382</u>	<u>169,509</u>
				Per annum	
				2012	2011
Discount rate				13%	14%
Expected rate of increase in salary				12%	13%
Average number of leaves utilized per annum				20 days	16 days
22 DEFERRED MORABAHA INCOME					
Long term deferred morabaha income				-	1,596,995
Less: Current maturity of deferred morabaha income (Note 19)				-	1,169,983
				<u>-</u>	<u>427,012</u>
23 CERTIFICATE CAPITAL					
Authorized certificate capital					
62,500,000 (2011: 62,500,000) modaraba certificates of Rupees10 each				<u>625,000,000</u>	<u>625,000,000</u>
Issued, subscribed and paid-up certificate capital					
16,656,491 (2011:16,656,491) modaraba certificates of Rupees 10 each fully paid up in cash				166,564,910	166,564,910
3,976,908 (2011: 3,976,908) modaraba certificates of Rupees 10 each issued as fully paid bonus certificates				39,769,080	39,769,080
5,780,405 (2011: 5,780,405) modaraba certificates of Rupees 10 each issued to certificate holders of First Hajveri Modaraba in accordance with the scheme of amalgamation				<u>57,804,050</u>	<u>57,804,050</u>
				<u>264,138,040</u>	<u>264,138,040</u>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



23.1 Fidelity Capital Management (Private) Limited, the management company, holds 5,869,614 (2011: 5,869,614) modaraba certificates in the Modaraba.

### 24 RESERVES

#### Capital reserves

Statutory reserve (Note 24.1)	77,187,397	73,793,412
Fair value reserve (Note 24.2)	2,155,582	1,504,250

#### Revenue reserve

Unappropriated profits / (Accumulated loss)	9,326,363	(4,249,575)
	<u>88,669,342</u>	<u>71,048,087</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 2012 (2011: Nil).

### 26 OTHER INCOME

Return on bank deposits	135,987	70,315
Fees, commission and other charges	176,684	121,775
Return on loans to employees	34,501	35,014
Gain on sale of investments	2,390,481	-
Gain on sale of fixed assets in own use - net	294,106	22,432
Gain on sale of investment properties - net	17,003,056	33,622,415
Credit balance written back	19,484	-
	<u>20,054,299</u>	<u>33,871,951</u>

### 27 ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and other benefits (Note 27.1)	10,087,202	9,487,153
Legal and professional	388,174	595,500
Printing and stationery	145,509	388,326
Travelling, conveyance and vehicles' running	1,864,336	1,524,205
Insurance	476,473	570,146
Fee, subscription and taxes	490,317	761,227
Auditors' remuneration (Note 27.2)	545,670	469,700
Rent and taxes	183,876	551,771
Repair and maintenance	204,673	187,785
Electricity, water and gas	383,807	507,336
Entertainment	292,030	284,117
Advertisement	47,750	238,345
Donation	-	5,000
Telephone and postage	522,389	490,674
Depreciation on fixed assets in own use (Note 15.1)	1,592,211	1,877,453
Impairment loss on capital work in progress (Note 15.2)	-	2,250,000
Miscellaneous	708,308	557,342
	<u>17,932,725</u>	<u>20,746,080</u>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

27.1	Salaries and other benefits include Rupees 506,582 (2011: Rupees 665,930) in respect of gratuity and Rupees 506,204 (2011: Rupees 444,996) on account of provident fund contribution.	2012 Rupees	2011 Rupees
27.2	Auditors' remuneration		
	Audit fee	305,000	275,000
	Review of half yearly accounts	104,500	95,000
	Certifications	100,000	75,000
	Out of pocket expenses	36,170	24,700
		545,670	469,700
28	FINANCIAL CHARGES		
	Return on morabaha / musharika finances	32,911	7,429,908
	Bank and other charges	49,857	31,988
	Interest on provident fund trust	7,968	-
		90,736	7,461,896
29	PROVISION FOR NON-PERFORMING RECEIVABLES		
	Opening balance	265,225,861	245,803,750
	Add: Charged during the year	3,664,400	20,715,848
	Less: Reversed during the year	3,246,327	1,293,737
	Net charged during the year	418,073	19,422,111
	Closing balance	265,643,934	265,225,861
29.1	Break up of closing balance		
	Provision for classified morabaha facilities (Note 5)	220,780,254	218,315,855
	Provision against doubtful ijarah rentals (Note 6.1)	36,302,478	36,302,478
	Provision against receivables from clients (Note 7.1)	8,561,202	10,607,528
		265,643,934	265,225,861
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		
	Current:		
	For the year (Note 31.1)	-	-
	Prior year	(1,195,881)	-
		(1,195,881)	-
31.1	The income of non-trading modarabas is exempt from tax provided not less than 90% of their profits are distributed to the certificate holders. The Modaraba intends to continue availing tax exemption by distributing at least 90% of its profit to the certificate holders. Accordingly no provision for current and deferred tax is required. Further, provision of minimum tax is not applicable to the Modaraba as per sub clause (xiii) of clause 11A of part IV of second schedule to the Income Tax Ordinance, 2001.		
32	EARNINGS PER CERTIFICATE - BASIC AND DILUTED		
	Profit attributable to ordinary certificates holders	Rupees 16,969,923	8,680,310
	Weighted average number of ordinary certificates	Numbers 26,413,804	26,413,804
	Earnings per certificate	Rupees 0.64	0.33
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 2012 approximate to Rupees 14,537,285 (2011: Rupees 16,020,021). The amount of future ijarah rentals receivable and period during which they fall due are:		

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



	2012 Rupees	2011 Rupees
Not later than one year	6,891,064	6,664,272
Later than one year but not later than five years	7,646,221	9,355,749
Later than five years	-	-
	<u>14,537,285</u>	<u>16,020,021</u>

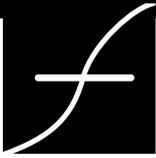
33.1 The Modaraba has entered into various Ijarah agreement for periods ranging from 3 to 5 years (2011:3 to 5 years). Security deposits ranging from 5% to 70% (2011: 5% to 70%) are obtained at the time of disbursement. The rate of profit implicit in Ijarah ranges from 18% to 20% (2011: 18% to 20%) per annum.

### 34 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2012		
	Officers Rupees	Other Rupees	Total Rupees
Remuneration	6,064,038	881,523	6,945,561
House rent	1,516,009	220,381	1,736,390
Gratuity and employee compensated absences	803,753	-	803,753
Provident fund contribution	465,138	41,062	506,200
Other allowances	91,698	3,600	95,298
	<u>8,940,636</u>	<u>1,146,566</u>	<u>10,087,202</u>
Number of employees at the year end	<u>14</u>	<u>10</u>	<u>24</u>

	2011		
	Officers Rupees	Other Rupees	Total 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>

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



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

### 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:

	2012 Rupees	2011 Rupees
Bank balances	11,706,912	16,458,801
Short term investments	3,353,488	3,827,142
Ijarah rentals receivables	185,345	1,085,706
Musharika investment	-	99,000,000
Morabaha investments	100,064,861	72,692,004
Advances, deposits and other receivables	27,689,932	38,952,400
Long term receivables and deposits	1,472,090	1,695,843
	144,472,628	233,711,896

#### 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			2012	2011
	Short term	Long term	Agency	Rupees	
NIB Bank Limited	A1+	AA-	PACRA	2,194	23,739
Samba Bank Limited	A-1	AA-	JCR-VIS	158,666	2,034,863
MCB Bank Limited	A1+	AA+	PACRA	11,538,719	360,980
Faysal Bank Limited	A1+	AA	PACRA	32	14,020,697
State Bank of Pakistan	-	-	-	7,301	18,522
				11,706,912	16,458,801

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



### 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	2012				Carrying amount
	Gross amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	
-----Rupees-----					
0 days	5,216,804	5,216,804	-	-	5,216,804
1 day - 89 days	506,032	-	506,032	506,032	-
90 days - 179 days	1,852,825	-	1,852,825	1,852,825	-
180 days - 364 days	2,932,334	-	2,932,334	2,932,334	-
1 year - less than 2 year	5,644,642	-	5,644,642	5,644,642	-
2 year - less than 3 year	-	-	-	-	-
3 year or more	940,835	-	940,835	940,835	-
<b>Total</b>	<b>17,093,472</b>	<b>5,216,804</b>	<b>11,876,668</b>	<b>11,876,668</b>	<b>5,216,804</b>

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	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	-
<b>Total</b>	<b>10,972,375</b>	<b>527,995</b>	<b>10,444,380</b>	<b>10,444,380</b>	<b>527,995</b>

### 35.1.4 Age analysis of morabaha investments

Past due	2012				Carrying amount
	Gross amount	Amount on which no provision required	Amount on which provision required	Provision recognized under Prudential Regulations	
-----Rupees-----					
0 days	34,847,760	34,847,760	-	-	34,847,760
1 day - 179 days	13,000,000	13,000,000	-	-	13,000,000
180 days - 364 days	16,830,000	-	16,830,000	764,400	16,065,600
1 year - less than 2 year	17,000,000	-	17,000,000	3,500,000	13,500,000
2 year - less than 3 year	563,124	-	563,124	563,124	-
3 year or more	238,604,231	-	238,604,231	215,952,730	22,651,501
<b>Total</b>	<b>320,845,115</b>	<b>47,847,760</b>	<b>272,997,355</b>	<b>220,780,254</b>	<b>100,064,861</b>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

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	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 and above	238,604,231	-	238,604,231	215,952,731	22,651,500
<b>Total</b>	<b>291,007,859</b>	<b>32,390,504</b>	<b>258,617,355</b>	<b>218,315,855</b>	<b>72,692,004</b>

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

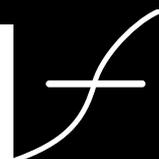
Past due	2012				Carrying amount
	Gross amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	
	-----Rupees-----				
0 days	-	-	-	-	-
1 day -89 days	185,345	185,345	-	-	185,345
90 days -179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	127,210	-	127,210	127,210	-
2 year - less than 3 years	587,895	-	587,895	587,895	-
3 year or more	35,587,373	-	35,587,373	35,587,373	-
<b>Total</b>	<b>36,487,823</b>	<b>185,345</b>	<b>36,302,478</b>	<b>36,302,478</b>	<b>185,345</b>

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	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	-
<b>Total</b>	<b>37,388,184</b>	<b>1,085,706</b>	<b>36,302,478</b>	<b>36,302,478</b>	<b>1,085,706</b>

### 35.1.6 Age analysis of musharika investment

Past due	2012				Carrying amount
	Gross amount	Amount on which no provision required	Amount on which provision required	Provision recognized under prudential regulations	
	-----Rupees-----				
0 days	-	-	-	-	-
1 day -179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	-	-	-	-	-
2 year - less than 3 years	-	-	-	-	-
3 year or more	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



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	-	-	-	-	-
<b>Total</b>	<b>99,000,000</b>	<b>99,000,000</b>	<b>-</b>	<b>-</b>	<b>99,000,000</b>

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.

### 35.1.7 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 2012 is as follows:

Ijarah assets	Morabaha investments	Musharika investment	Total	% age	
-----Rupees-----					
Transport and communications	-	9,461,600	-	9,461,600	8.01
Textiles	2,866,281	-	-	2,866,281	2.43
Food and beverages	-	-	-	-	0.00
Construction	690,000	23,300,000	-	23,990,000	20.32
Individuals	14,453,117	67,303,261	-	81,756,378	69.24
<b>Total</b>	<b>18,009,398</b>	<b>100,064,861</b>	<b>-</b>	<b>118,074,259</b>	<b>100.00</b>

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

Ijarah assets	Morabaha investments	Musharika investment	Total	% age	
-----Rupees-----					
Transport and communications	-	10,000,000	-	10,000,000	6.87
Textiles	2,833,325	-	-	2,833,325	1.95
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
<b>Total</b>	<b>22,773,346</b>	<b>72,692,004</b>	<b>50,000,000</b>	<b>145,465,350</b>	<b>100.00</b>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

### 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:

	2012					
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
-----Rupees-----						
Financial liabilities						
Placement	35,000,000	35,000,000	-	35,000,000	-	-
Creditors, accrued and other liabilities	17,277,001	17,277,001	17,277,001	-	-	-
<b>Total</b>	<b>52,277,001</b>	<b>52,277,001</b>	<b>17,277,001</b>	<b>35,000,000</b>	<b>-</b>	<b>-</b>

	2011					
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
-----Rupees-----						
Financial liabilities						
Musharika finance	1,149,000	1,156,051	1,156,051	-	-	-
Markup accrued on morabaha and musharika finance	744,125	744,125	744,125	-	-	-
Creditors, accrued and other liabilities	16,089,825	16,089,825	16,089,825	-	-	-
<b>Total</b>	<b>17,982,950</b>	<b>17,990,001</b>	<b>17,990,001</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 2012



### 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:

	2012 Rupees	2011 Rupees
Fixed rate instruments		
Financial liabilities		
Musharika finances	-	1,149,000
Financial assets		
Musharika investment	-	99,000,000
Morabaha investments	100,064,861	72,692,004
Floating rate instruments		
Financial asset		
Bank balances	11,699,611	16,440,279

### 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 2011.

	EFFECT ON PROFIT	
	100 bps	
	Increase Rupees	Decrease Rupees
As at 30 June 2012		
Cash flow sensitivity-Variable rate financial assets	116,996	(116,996)
Cash flow sensitivity-Variable rate financial liabilities	-	-
Net effect	<u>116,996</u>	<u>(116,996)</u>
	EFFECT ON PROFIT	
	100 bps	
	Increase Rupees	Decrease Rupees
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>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit 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.



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

### 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.

#### Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Modaraba's profit 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 after taxation		Statement of comprehensive income / equity (Fair value reserve)	
	2012	2011	2012	2011
	-----Rupees-----			
KSE 100 (5% increase)	-	-	167,674	191,357
KSE 100 (5% decrease)	-	-	(167,674)	(191,357)

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

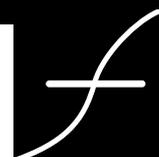
The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree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

	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
As at 30 June 2012				
Assets				
Available for sale financial assets	3,353,488	-	-	3,353,488
As at 30 June 2011				
Assets				
Available for sale financial assets	3,827,142	-	-	3,827,142

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 2012.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



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

-----Rupees-----

### 35.5 Financial instruments by categories As at 30 June 2012 Assets as per balance sheet

Cash and bank balances	11,724,191	-	11,724,191
Short term investments	-	3,353,488	3,353,488
Ijarah rentals receivables	185,345	-	185,345
Morabaha investments	100,064,861	-	100,064,861
Advances, deposits and other receivables	27,689,932	-	27,689,932
Long term receivables and deposits	1,472,090	-	1,472,090
	<u>141,136,419</u>	<u>3,353,488</u>	<u>144,489,907</u>

Financial liabilities at  
amortized cost

Rupees

### Liabilities as per balance sheet

Placement	35,000,000
Creditors, accrued and other liabilities	17,277,001
	<u>52,277,001</u>

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

-----Rupees-----

### As at 30 June 2011 Assets as per balance sheet

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 and musharika finance	744,125
Creditors, accrued and other liabilities	16,089,825
	<u>17,982,950</u>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 Rupees	2011 Rupees
36 CASH USED IN OPERATIONS		
Profit before taxation	18,165,804	8,680,310
Adjustment for non-cash charges and other items:		
Provision for non-performing receivables	418,073	19,422,111
Depreciation	8,172,792	15,739,595
Financial charges	90,736	7,461,896
Profit on morabaha / musharika investments	(16,275,027)	(13,785,173)
Return on bank deposits	(135,987)	(70,315)
Gain on sale of fixed assets	(432,002)	(22,432)
Gain on sale of investment properties	(17,003,056)	(34,945,673)
Gain on sale of investments	(2,390,481)	-
Impairment loss charged in capital work in progress	-	2,250,000
Provision for retirement benefits	803,753	1,110,926
Credit balance written back	(19,484)	-
Working capital changes (Note 36.1)	(10,050,275)	(52,155,615)
	<u>(18,655,154)</u>	<u>(46,314,370)</u>
36.1 Working capital changes		
(Increase) / decrease in operating assets		
Morabaha investment	(29,837,255)	(24,704,026)
Ijarah rentals receivable	900,360	3,230,067
Advances, deposits, prepayments and other receivables	17,470,373	(31,727,975)
	<u>(11,466,522)</u>	<u>(53,201,934)</u>
Increase in operating liabilities		
Creditors, accrued and other liabilities	1,416,247	1,046,319
	<u>(10,050,275)</u>	<u>(52,155,615)</u>
37 SEGMENT INFORMATION		

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

The Modaraba also has a diversified certificate holder population. As at 30 June 2012, there was only one (30 June 2011: one) certificate holder who held more than 10% of the Modaraba's certificate capital. Its holding was 22.22% (30 June 2011: 22.22%).

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2012



### 38 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, staff retirement benefits and others as disclosed in notes 15, 16, 21 and 34 respectively are as follows:

	2012 Rupees	2011 Rupees
Modaraba management company fee payable	2,018,423	984,162
Payable to provident fund trust	189,406	-

### 39 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant reclassification has been made.

### 40 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Modaraba Management Company has proposed a cash dividend for the year ended 30 June 2012 of Rupee 0.50 per Certificate (2011: Nil) at their meeting held on October 08, 2012. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

### 41 GENERAL

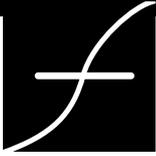
- The financial statements of the Modaraba were approved by the directors of Modaraba Management Company and authorized for issue on October 08, 2012.

- 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  
**(Section 236(1) and 464)**  
**Pattern Of Shareholding**

**Form - 34**

1. Incorporation Number
2. Name of The Company **First Fidelity Leasing Modaraba**
3. Pattern of Holding of the Shares held by the Shareholders as at : **June 30, 2012**
- 4.

No. of Shareholders	Shareholding		Total Shares held
	From	To	
3,564	1	100	143,448
2,493	101	500	604,134
971	501	1,000	754,154
1,108	1,001	5,000	2,229,325
161	5,001	10,000	1,163,145
68	10,001	15,000	814,340
30	15,001	20,000	530,538
27	20,001	25,000	599,828
11	25,001	30,000	302,486
9	30,001	35,000	295,451
9	35,001	40,000	337,030
5	40,001	45,000	211,735
4	45,001	50,000	188,457
3	50,001	55,000	159,362
3	55,001	60,000	172,619
1	60,001	65,000	64,000
1	65,001	70,000	69,500
1	70,001	75,000	75,000
2	75,001	80,000	153,505
1	85,001	90,000	88,100
2	90,001	95,000	186,000
6	95,001	100,000	594,366
1	100,001	105,000	103,796
1	110,001	115,000	115,000
1	115,001	120,000	118,000
1	120,001	125,000	121,869
2	125,001	130,000	252,090
1	145,001	150,000	148,580
1	170,001	175,000	171,000
1	185,001	190,000	189,062
1	200,001	205,000	200,153
1	205,001	210,000	207,000
1	220,001	225,000	224,654
2	255,001	260,000	516,200
1	300,001	305,000	304,792
1	350,001	355,000	350,804
1	415,001	420,000	415,953
2	465,001	470,000	937,624
1	510,001	515,000	511,500
1	575,001	580,000	578,041
1	580,001	585,000	582,170
1	1,025,001	1,030,000	1,028,078
1	1,030,001	1,035,000	1,034,931
1	1,230,001	1,235,000	1,230,370
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
<b>8,508</b>			<b>26,413,804</b>

## CATEGORIES OF CERTIFICATE HOLDING FOR THE YEAR ENDED 30 JUNE 2012



First Fidelity Leasing Modaraba

Categories of Shareholder	Physical	CDC	Total	% age
Directors, Chief Executive Officer, Their Spouses and Minor Childern				
Directors				
Siyid Tahir Nawazish	-	54,552	54,552	0.21
	-	54,552	54,552	0.21
Associated Companies, Undertakings & Related Parties				
Fidelity Capital Management (Pvt) Limited	-	5,869,614	5,869,614	22.22
	-	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
<u>Banks, NBFCs, DFIs, Takaful, Pension Funds</u>	13,432	406,823	420,255	1.59
<u>Modarabas</u>	358	20,630	20,988	0.08
<u>Insurance Companies</u>	40	1,034,931	1,034,971	3.92
<u>Other Companies, Corporate Bodies, Trust etc.</u>	637,570	964,059	1,601,629	6.06
<u>General Public</u>	3,552,449	12,786,498	16,338,947	61.86
	4,222,144	22,191,660	26,413,804	100.00
Shareholders More Than 5.00%				
Fidelity Capital Management (Pvt) Limited			5,869,614	22.22
Mr. Anwar Saeed			1,466,000	5.55

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