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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
Meezan 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 2 2
Email: info@fidelitymodaraba.com
Website: www.fidelitymodaraba.com

Registrars

Corptec Associates (Private) Limited
503-E, Johar Town Lahore.
Tel: 0 4 2 – 3 5 1 7 0 3 3 6 - 7
Fax: 0 4 2 – 3 5 1 7 0 3 3 8
Email: corptecassociates@gmail.com



Vision

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

Mission

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



KEY OPERATING DATA FOR LAST SIX YEARS

(Rupees in Millions)

	June 2013 Rupees	June 2012 Rupees	June 2011 Rupees	June 2010 Rupees	June 2009 Rupees	June 2008 Rupees
Operating results						
Revenues	21.89	45.36	68.79	55.88	71.44	118.95
Operating profit before						
Profit / (Loss) after taxation and management fee	6.39	16.96	(11.85)	(2.27)	41.68	33.20
Financial position						
Fixed assets (owned and leased out)	242.55	249.34	75.27	105.76	181.43	158.92
Total assets	374.225	420.93	432.87	459.59	494.24	501.30
Certificateholders equity	343.84	352.80	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	0.24	0.64	(0.45)	(0.09)	1.58	1.26
Profit distribution (%)	0.00	5.00	-	-	10.00	10.00
Break-up value per certificate	13.02	13.36	12.31	12.37	13.31	13.20



NOTICE TO CERTIFICATE HOLDERS
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, 2013 will be held on Wednesday October 30, 2013 at 11:30 A.M. at Ground Floor, 90-A-1, Canal Bank, Gulberg-II, Lahore. The Certificate transfer books of the Modaraba remain closed from October 24, 2013 to October 30, 2013 (both days inclusive) for the determination of names of certificate holders for attendance of Annual Review Meeting. Certificate holders whose names are entered in the Register of Certificate holders as on October 23, 2013 shall be entitled to attend the meeting.

Lahore
October 7, 2013

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 22nd Annual Report of First Fidelity Leasing Modaraba along with the audited financial statements and the auditors' report thereon for the year ended June 30, 2013.

Financial Results

The financial results of the Modaraba are summarized as follows.

	Rupees in '000'	
	2013	2012
Income	21,898	45,368
Expenses	(25,320)	(24,766)
Operating (loss)/ profit before provision and taxation	(3,423)	20,602
Provision for non-performing receivables	10,523	(418)
Modaraba Company's management fee	(710)	(2,018)
Profit before taxation	6,390	18,166
Taxation	-	(1,196)
Profit after tax	6,390	16,970
Appropriations		
Appropriated as follows:		
Transferred to statutory reserve	(1,278)	(3,394)
Profit distribution	Nil	(13,207)
Earnings per Certificate:		
Earnings per certificate stood at	Re. 0.24	Re.0.64

Review of Operations

In its efforts to divest investment properties, the management contracted sale of its land at Manawan against advance received. The balance sale proceeds were due in the year ended June 30, 2013. Unfortunately, due to a stay order granted to maintain 'status quo' in a civil suit filed by a neighbor for perceived encroachment on his land. Neither the civil suit nor the stay order has any merit as they do not challenge the title and physical possession of Modarabas' land. It is expected that after vacation of stay order shortly, sale of balance land will be made, resulting in recognition of further gain in the next year.

As referred to in note 14.2.2 to the financial statements the Modaraba has major investment in Corporate tower. The progress on the building was expected to be met through sale of floors of the building. However due to depressed economic situation, exacerbated by development of underpasses and metro bus project in the vicinity of the project, the sale of floors could not be made and work on the tower remained stalled at plinth level. The completion of underpasses and metro bus projects however have salutary effect on salability and prices of commercial buildings in the area due to improved infrastructure. Furthermore investors are available in post-election scenario. The management of Corporate tower and the management of Modaraba are actively seeking and negotiating with potential buyers for sale of building floors to generate funds for completion of the tower. Possibility is also being explored by the management of Corporate tower to wholly and substantially sell the tower to some interested party.

DIRECTORS' REPORT



Based on the situation, the management is hopeful that sale of further floors will be made in the current year to generate funds for completion of the tower paving the way for the Modaraba to divest its investment at the earliest in a feasible manner. Once investment is realized, the Modaraba will focus on its core activities like leasing, morabaha, etc, which have the characteristic of generating regular stream of income.

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 financial reporting standards (IFRS), as applicable in Pakistan have been followed in preparation of financial statements.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored.
- (f) There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- (h) A statement setting out status of the compliance with the best practices of corporate governance is attached.

Key Operating and Financial Data

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

Trading in Modaraba certificates by Directors etc.

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

Board Meetings

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

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

Audit Committee Meetings

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

Name of Director	Meetings Attended
Siyyid Tahir Nawazish	5
Mr. S.M. Nasim	6
Mr. Abdul Hameed Kiyani	5



DIRECTORS' REPORT

Credit Rating

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

Value of Provident Fund and Gratuity Fund Investment

The Modaraba operates a contributory recognized 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, 2013 works out to Rs.816,018/-. 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, 2013 works out to Rs.4,110,605/-.

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 2013-14. 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 look 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 7, 2013

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, 2013

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. No casual vacancy occurred on the Board of Management Company during the year.
5. 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.

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.



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made by the Board during the year.
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.
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 have been complied with.

For and on behalf of the
Board of Directors

Lahore
October 07, 2013

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 2013, 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 and Lahore 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.

The Board has not made arrangements for directors' training programme for one of the non-exempted director of the Management Company as required by clause (xi) of the Code of Corporate Governance.

Based on our review, except for the matter described in the preceding paragraph, 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 2013.

RIAZ AHMAD & COMPANY

Chartered Accountants

Name of Engagement Partner

Syed Mustafa Ali

LAHORE

October 07, 2013



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of First Fidelity Leasing Modaraba ("the Modaraba") as at 30 June 2013 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 2013 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushar Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to Note 14.2.2 to the financial statements, which describes the matter regarding advance against purchase of ground floor in Corporate Tower, Lahore. The construction work has stalled at plinth level. However, efforts are being made to generate funds for timely completion of the tower. Our opinion is not qualified in respect of this matter.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of Engagement partner:
Syed Mustafa Ali

LAHORE:
October 07, 2013



SHARI'AH ADVISOR'S REPORT

I have conducted the Shari'ah review of First Fidelity Leasing Modaraba (FFLM) managed by Fidelity Capital Management {Private} Limited, for the year ended June 30, 2013 in accordance with the requirements of Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas. According to my observations, followings are my opinion in this regard:

The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit to a good extent and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles; Following are the major developments in respect of Shari'ah that took place during this year:

- (i) Modaraba has now opened an account with Meezan Bank Limited for its normal Banking operations. Previously the Modaraba was undertaking its banking operations through conventional commercial banks however the profits earned on these accounts till June 2013 were credited to charity fund and not taken to income account.
- (ii) Moreover, to cope with the risks, Takaful effectively has taken the place of conventional Insurance. All office equipment and Ijara facilities are being covered through Pak Qatar Takaful Limited and the group life insurance coverage is also obtained through Pak Qatar Family Takaful Limited.
- (iii) With the grace of Almighty Allah it is found that Modaraba has no share in any non Shari'ah compliant company as mentioned by SECP. The only script held by the Modaraba i.e. Hamid Textile Mills Limited has also been disposed-off.
- (iv) Modaraba is following the standard agreement of SECP in all kinds of Islamic products, (Ijara, Morabaha and Musharika).
- (v) It was also recommended to the Modaraba that Morabaha sale price once agreed cannot be changed and the facility cannot be rolled-over/extended, The Modaraba however has agreed to that and has committed that no further amounts will be charged to income account.

Training:

After my appointment I have arranged training workshops and guidelines on sessions on different Islamic products for coordination among all other relevant office staff.

Observations:

- (i) Sequence of execution of legal documents (Ijarah, Murabaha.etc) should be according to Shari'ah compliance mechanism.
- (ii) Mechanism regarding utilization of funds kept under the head of charity is made according to the instructions of circular 8.
- (iii) It has been recommended that non Shari'ah compliance income under the head of charity should be disbursed ASAP.

Recommendation:

The management should maintain its endeavors to comply with rulings of Shari'ah in its business operations and future transactions.

Conclusion: Alhamdulillah, after introduction of Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas by Securities & Exchange Commission of Pakistan (SECP), the Management of First Fidelity Leasing Modaraba has effectively shown its sincerity to comply with Shari'ah Rulings in its true spirit. According to my knowledge the business operations of First Fidelity Leasing Modaraba are grooming under Shari'ah compliant mechanism and it will achieve the goals of Shari'ah Compliance. (INSHALLAH)

Muhammad Umar Ashraf
Signature & stamp of the Shari'ah Advisor
Dated: October 07, 2013

BALANCE SHEET AS AT 30 JUNE 2013



	Note	2013 Rupees	2012 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances	3	25,717,356	11,724,191
Short term investments	4	-	3,353,488
Short term morabaha investments - secured	5	73,010,433	105,596,193
Ijarah rentals receivable	6	268,892	185,345
Advances, deposits, prepayments and other receivables	7	14,491,170	28,806,520
Current portion of non-current assets	8	265,143	257,722
		<u>113,752,994</u>	<u>149,923,459</u>
NON-CURRENT ASSETS			
Deferred income tax	28	-	-
Long term receivables and deposits	9	1,282,891	1,214,368
Long term investment	10	5,750,000	-
Investment properties	11	4,554,035	9,813,787
Trading right entitlement certificate, card and room	12	6,280,000	10,630,000
Ijarah assets	13	14,665,565	18,009,398
Fixed assets	14	227,940,145	231,348,378
		<u>260,472,636</u>	<u>271,015,931</u>
TOTAL ASSETS		<u>374,225,630</u>	<u>420,939,390</u>
LIABILITIES			
CURRENT LIABILITIES			
Deferred morabaha income	5	4,340,433	5,531,332
Placement	15	1,000,000	35,000,000
Creditors, accrued and other liabilities	16	15,172,021	17,542,881
Current portion of non-current liabilities	17	3,570,632	2,131,418
		<u>24,083,086</u>	<u>60,205,631</u>
NON-CURRENT LIABILITIES			
Security deposits against ijarah assets	18	4,512,040	6,114,629
Employee benefits	19	1,795,245	1,811,748
		<u>6,307,285</u>	<u>7,926,377</u>
TOTAL LIABILITIES		<u>30,390,371</u>	<u>68,132,008</u>
NET ASSETS		<u>343,835,259</u>	<u>352,807,382</u>
FINANCED BY			
Certificate capital	20	264,138,040	264,138,040
Reserves	21	79,697,219	88,669,342
TOTAL EQUITY AND RESERVES		<u>343,835,259</u>	<u>352,807,382</u>
CONTINGENCIES AND COMMITMENTS			
	22		

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 2013

	Note	2013 Rupees	2012 Rupees
INCOME			
Ijarah rentals earned		6,984,785	8,244,649
Profit on morabaha investments		1,780,788	16,275,027
Brokerage commission		737,791	794,029
Other income	23	12,394,465	20,054,299
		<u>21,897,829</u>	<u>45,368,004</u>
EXPENSES			
Depreciation on ijarah assets	13	4,726,047	4,487,530
Depreciation on investment properties	11	30,632	2,093,051
Administrative and general expenses	24	20,324,442	17,932,725
Stock exchange and CDC charges		230,620	161,662
Financial charges	25	9,163	90,736
		<u>25,320,904</u>	<u>24,765,704</u>
		(3,423,075)	20,602,300
Provision for non-performing receivables	26	10,523,476	(418,073)
		<u>7,100,401</u>	<u>20,184,227</u>
Modaraba management company fee	27	(710,040)	(2,018,423)
		<u>6,390,361</u>	<u>18,165,804</u>
PROFIT BEFORE TAXATION			
Taxation			
-current	28	-	-
-prior year		-	(1,195,881)
		<u>-</u>	<u>(1,195,881)</u>
PROFIT AFTER TAXATION		<u>6,390,361</u>	<u>16,969,923</u>
EARNINGS PER CERTIFICATE - BASIC AND DILUTED	29	<u>0.24</u>	<u>0.64</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 2013



	2013 Rupees	2012 Rupees
PROFIT AFTER TAXATION	6,390,361	16,969,923
OTHER COMPREHENSIVE (LOSS) / INCOME		
Item that may not be reclassified to profit or loss:		
Items that may be reclassified subsequently to profit or loss:		
Surplus on remeasurement of available for sale investments	-	1,403,284
Reclassification adjustment relating to disposal of available for sale investments	(2,155,582)	(751,952)
Other comprehensive (loss) / income for the year	(2,155,582)	651,332
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>4,234,779</u>	<u>17,621,255</u>

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

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(Private) Limited

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Director
Fidelity Capital Management
(Private) Limited



CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used) in operations	33	6,648,633	(18,655,154)
Financial charges paid		(5,623)	(834,861)
Profit received on morabaha investments		6,871,360	12,386,218
Profit on bank deposits received		-	135,987
Employee benefits paid		(677,455)	(836,803)
Income tax paid		(412,760)	(44,208)
Net cash generated from / (used in) operating activities		12,424,155	(7,848,821)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security deposits against ijarah assets		1,736,770	873,122
Proceeds from disposal of ijarah assets		744,639	2,977,613
Ijarah assets acquired		(4,027,000)	(7,186,912)
Proceeds from sale of fixed assets		108,606	2,990,671
Fixed assets acquired - own use		(172,180)	(1,931,715)
Investment property acquired		-	(3,724,575)
Room in Islamabad Stock Exchange		(1,400,000)	-
Proceeds from sale of short term investments		3,039,952	3,515,467
Proceeds from sale of investment property		15,702,000	6,793,920
Net cash generated from investing activities		15,732,787	4,307,591
CASH FLOWS FROM FINANCING ACTIVITIES			
Finances under musharika arrangements		-	(1,149,000)
Profit distribution		(14,163,777)	(75,496)
Net cash used in financing activities		(14,163,777)	(1,224,496)
Net increase / (decrease) in cash and cash equivalents		13,993,165	(4,765,726)
Cash and cash equivalents at the beginning of the year		11,724,191	16,489,917
Cash and cash equivalents at the end of the year	3	25,717,356	11,724,191

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

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013



	CERTIFICATE CAPITAL	CAPITAL RESERVES			REVENUE RESERVE	TOTAL
		STATUTORY	FAIR VALUE	SUB TOTAL	UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS)	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 30 June 2011	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	-	-	651,332	651,332	-	651,332
Total comprehensive income for the year ended 30 June 2012	-	-	651,332	651,332	16,969,923	17,621,255
Transfer to statutory reserve	-	3,393,985	-	3,393,985	(3,393,985)	-
Balance as at 30 June 2012	264,138,040	77,187,397	2,155,582	79,342,979	9,326,363	352,807,382
Transaction with owners - Final dividend for the year ended 30 June 2012	-	-	-	-	(13,206,902)	(13,206,902)
Profit for the year	-	-	-	-	6,390,361	6,390,361
Other comprehensive loss for the year	-	-	(2,155,582)	(2,155,582)	-	(2,155,582)
Total comprehensive income for the year ended 30 June 2013	-	-	(2,155,582)	(2,155,582)	6,390,361	4,234,779
Transfer to statutory reserve	-	1,278,072	-	1,278,072	(1,278,072)	-
Balance as at 30 June 2013	264,138,040	78,465,469	-	78,465,469	1,231,750	343,835,259

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

Chief Executive
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(Private) Limited

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Director
Fidelity Capital Management
(Private) Limited



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 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 member of the Islamabad Stock Exchange 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) |

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 2012:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 and 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.

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.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact 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 2013 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 14.1.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



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 off the cost of an asset over its estimated useful life at the rates given in Note 11.

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.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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. Unquoted investments are stated at cost less impairment loss, if any.

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, morabaha investments, loans and advances, other receivables, cash and bank balances, morabaha finance, 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.

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

2.9 Payables

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

2.10 Offsetting of financial assets and financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



2.11 Provisions

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

2.12 Foreign currencies

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

2.13 Staff retirement benefits

Employees compensated absences

Employees of the 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 2013 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 numbers of year of service up to the date of leaving the Modaraba. Actuarial valuation was carried out on 30 June 2013 to determine and adjust the liability on the balance sheet date. The actuary, for ascertaining the fair value of assets and liabilities, has adopted the projected unit credit method.

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

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

Provident fund

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

2.14 Revenue recognition

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



	2013 Rupees	2012 Rupees
3 CASH AND BANK BALANCES		
Cash in hand	15,685	17,279
Cash at banks:		
Current account - State Bank of Pakistan	10,258	7,301
Saving accounts (Note 3.1)	25,691,413	11,699,611
	25,701,671	11,706,912
	25,717,356	11,724,191

3.1 These carry markup ranging from 6% to 7% (2012: 5% to 6%) per annum.

4 SHORT TERM INVESTMENTS

Quoted shares - available for sale (Note 4.1) - 3,353,488

	2012		
	Shares Number	Cost Rupees	Market value Rupees
Hamid Textile Mills Limited	573,200	2,265,252	556,004
Shakarganj Mills Limited	217,196	9,358,976	2,797,484
		11,624,228	
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	
		3,353,488	3,353,488

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

	2013 Rupees	2012 Rupees
4.2 Fair value reserve		
Opening balance as on 01 July	2,155,582	1,504,250
Fair value adjustment recognized in other comprehensive income during the year	-	1,403,284
Transferred to profit and loss account	(2,155,582)	(751,952)
	(2,155,582)	651,332
Closing balance as on 30 June	-	2,155,582



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 Rupees	2012 Rupees
5 SHORT TERM MORABAHA INVESTMENTS - SECURED		
Considered good (Note 5.3)	43,320,000	34,847,760
Considered doubtful	232,584,231	285,997,355
	<u>275,904,231</u>	<u>320,845,115</u>
Add: Deferred / unearned morabaha income	4,340,433	5,531,332
	<u>280,244,664</u>	<u>326,376,447</u>
Less: Provision for doubtful morabaha investments (Note 5.2)	207,234,231	220,780,254
	<u>73,010,433</u>	<u>105,596,193</u>
5.1	These represent receivables against morabaha transactions on deferred payment basis at a profit margin rate ranging from 12.25% to 19% (2012: 16.50% to 19%) per annum. These are secured against mortgage of properties, pledge of machinery, personal guarantees and demand promissory notes.	
5.2	This includes provision of Rupees 202,204,231 (2012: 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.	
5.3	These include an amount of Rupees 38.950 million (2012: Rupees 23.300 million) advanced to Enplan (Private) Limited against Murabaha facility under the terms of settlement agreement dated 01 April 2011. It is secured against equitable as well as registered mortgage over land and building thereon measuring 4 kanals and 1 marla. It carries mark up at the rate of 1 year kibar plus 2.5 % per annum. Principal plus profit is repayable on expiry of the facility.	
6 IJARAH RENTALS RECEIVABLE		
Considered good - secured	268,892	185,345
Considered doubtful	36,150,459	36,302,478
Less: Provision for doubtful ijarah rentals receivable (Note 6.1)	36,150,459	36,302,478
	<u>-</u>	<u>-</u>
	<u>268,892</u>	<u>185,345</u>
6.1 Provision for doubtful ijarah rentals receivable		
Opening balance	36,302,478	36,302,478
Add: Provision charged / (reversed) during the year	(152,019)	-
Closing balance	<u>36,150,459</u>	<u>36,302,478</u>
7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Prepayments	284,157	245,974
Profit on morabaha investments - net	126,232	5,216,804
Income tax refundable	1,283,374	870,614
Receivable from clients - secured (Note 7.1)	9,228,309	12,066,024
Receivable from Hajveri Modaraba Management Company (Private) Limited (Note 7.2)	3,206,064	5,576,032
Miscellaneous receivables - considered good	363,034	4,831,072
	<u>14,491,170</u>	<u>28,806,520</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



	2013 Rupees	2012 Rupees
7.1 Receivable from clients - secured		
Considered good	9,228,309	12,066,024
Considered doubtful	8,481,996	8,561,202
Less: Provision against doubtful receivables	8,481,996	8,561,202
	-	-
	<u>9,228,309</u>	<u>12,066,024</u>

7.1.1 These comprise of receivables generated as a consequence of carrying on the business by brokerage division.

7.2 This represents amount withdrawn by previous management company of First Hajveri Modaraba from time to time during prior years out of Modaraba Fund on account of remuneration in violation of section 18 of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The present management filed civil suit against the company for recovery of the amount which has been returned for want of jurisdiction. The Modaraba has filed an appeal in the Lahore High Court against the decision of the civil court. The appeal has been adjourned with a date in office. The present management came in possession of 2,053,200 certificates of Erstwhile First Hajveri Modaraba subsequently converted into 578,041 certificates of First Fidelity Leasing Modaraba consequent to amalgamation. The present management has prayed to the Court that these certificates be attached and sold for adjustment of claim of the Modaraba. The suit was returned by the civil court with the objection that the same should be filed with the Modaraba Tribunal. The Modaraba has filed an appeal against this order which is pending in the High Court. During the year the Modaraba has adjusted the receivable with its dividend payable on these shares to First Hajveri Management Company. In view of this, no provision has been made in these financial statements against this receivable.

	2013 Rupees	2012 Rupees
8 CURRENT PORTION OF NON-CURRENT ASSETS		
Long term receivables (Note 9.2)	<u>265,143</u>	<u>257,722</u>
9 LONG TERM RECEIVABLES AND DEPOSITS		
Long term loans to employees (Note 9.1)	687,534	611,590
Securities and deposits	860,500	860,500
	<u>1,548,034</u>	<u>1,472,090</u>
Less: Current portion of long term receivables (Note 9.2)	265,143	257,722
	<u>1,282,891</u>	<u>1,214,368</u>

9.1 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 714,564 (2012: Rupees 767,503). These loans are repayable in 36 equal installments.

	2013 Rupees	2012 Rupees
9.2 Current portion of long term receivables		
Loans to employees	<u>265,143</u>	<u>257,722</u>
10 LONG TERM INVESTMENT		
Unquoted shares - available for sale (Note 10.1)	<u>5,750,000</u>	<u>-</u>

10.1 In accordance with the requirements of The Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Modaraba has received equity shares of Islamabad Stock Exchange Limited (ISE) and a Trading Right Entitlement (TRE) certificate in lieu of its membership card of ISE. The Modaraba's entitlement in respect of ISE's shares is determined on the basis of valuation of assets and liabilities of ISE as approved by the SECP and the Modaraba has been allotted 3,034,603 shares having face value of Rupees 10 each, out of which 1,820,762 shares are kept in a blocked account with CDC and divestment of the same will be made in accordance with the requirements of the Act. However, the proceeds of these shares and right to dividend / bonus is vested with the member whereas voting rights attached to these shares are suspended.

According to the opinion of Technical Advisory Committee (TAC) of Institute of Chartered Accountants of Pakistan (ICAP) the shares should be classified as 'Available for Sale' and the effect of any subsequent measurement of their fair value should be recognized in accordance with the requirements of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement'. Further, the TRE certificate issued to the original membership cardholder should be separately identified as an intangible asset under the requirements of International Accounting Standard 38 'Intangible Assets'. Since the par value of shares received by the Modaraba is more than the carrying value of membership card, investment in ISE is recognized to the extent of the carrying value of membership card and TRE certificate in ISE is recognized at nil value. Any subsequent measurement of the shares and / or TRE certificate would only be possible when their reliable fair values can be measured. This would most likely happen when the divestment of blocked shares will be made in accordance with the requirements of the Act.

The Act restricts TRE certificates only to companies as defined in Companies Ordinance, 1984, therefore, trading rights of the Modaraba has been suspended on the order of SECP on 7 May 2013 by ISE. The Modaraba's submission to the SECP that Modaraba is a corporate legal entity, has not been accepted. Being aggrieved, the Modaraba has filed a writ petition before Islamabad High Court, Islamabad to declare the said order of SECP / ISE illegal on the grounds that the Modaraba is a listed company and every listed company is a public limited company under the Companies Ordinance, 1984. The case is still pending before the Honourable Islamabad High Court.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

INVESTMENT PROPERTIES

	Cost			Depreciation			Book value as at 30 June 2013	Annual rate of depreciation (%)
	As at 01 July 2012	Additions	Deletions	As at 01 July 2012	For the year	Adjustments on deletions		

Land	8,352,655	-	(3,798,620)	4,554,035	-	-	4,554,035	-
Building	1,470,322	-	(1,470,322)	-	9,190	(39,822)	-	2.5
	<u>9,822,977</u>	<u>-</u>	<u>(5,268,942)</u>	<u>4,554,035</u>	<u>9,190</u>	<u>(39,822)</u>	<u>4,554,035</u>	

	Cost			Depreciation			Book value as at 30 June 2012	Annual rate of depreciation (%)
	As at 01 July 2011	Additions	Deletion	As at 01 July 2011	For the year	Adjustments on deletions		

Land	14,312,250	979,678	(6,939,273)	8,352,655	-	-	8,352,655	-
Building	50,000,000	1,470,322	(50,000,000)	1,470,322	2,604,167	(3,854,167)	1,461,132	2.5
Furniture and fixtures	7,913,750	1,274,575	(9,188,325)	-	1,648,706	(2,482,567)	-	10
	<u>72,226,000</u>	<u>3,724,575</u>	<u>(66,127,598)</u>	<u>9,822,977</u>	<u>4,252,873</u>	<u>(6,336,734)</u>	<u>9,190</u>	

11.1 The market value of investment properties is estimated at Rupees 16,754 million (2012: Rupees 31,605 million). The valuation has been carried out by independent valuers.

11.2 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 (Manawan)	2,818,942	-	2,818,942	12,950,000	Bid	Mr. Muhammad Sadiq Mehboub, Lahore
Land	979,678	-	979,678	1,118,620		
Building	1,470,322	39,822	1,430,500	1,633,380	Bid	Mr. Muhammad Amjad Saleemi, Lahore
	<u>5,268,942</u>	<u>39,822</u>	<u>5,229,120</u>	<u>15,702,000</u>		

11.3 During the year ended 30 June 2013 the Modaraba entered into an agreement to sell total land of 5 kanals and 19 marlas situated at the Main Canal Road near Jallo Lahore at Rupees 5,294 million per kanal. An amendment was made to original agreement for transfer of possession of 2 kanals and 5.5 marlas against advance payment of Rupees 12,950 million. Sale deed was executed on 29 May 2013 and possession was also transferred to the buyer. However, sale deed is unregistered and mutation of revenue records in favour of the buyer has not been made yet. On 20 June 2013, owner of adjacent property Mr. Muhammad Jamil filed a civil suit for permanent injunction with consequential relief against the Modaraba. Honourable Senior Civil Judge ordered to maintain status quo regarding the land till the next hearing and the matter is still pending before the court.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



	2013 Rupees	2012 Rupees
12 TRADING RIGHT ENTITLEMENT CERTIFICATE, CARD AND ROOM		
Trading right entitlement certificate (Note 10.1)	-	-
Corporate membership of Islamabad Stock Exchange (Note 10.1)	-	5,750,000
Membership of Pakistan Mercantile Exchange Limited	1,010,000	1,010,000
Room at Islamabad Stock Exchange	5,270,000	3,870,000
	<u>6,280,000</u>	<u>10,630,000</u>

13 IJARAH ASSETS

	Plant and machinery	Office equipment	Vehicles	Total
	-----RUPEES-----			
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>
Year ended 30 June 2013				
Opening net book value	7,122,605	358,108	10,528,685	18,009,398
Additions	534,000	155,000	3,338,000	4,027,000
Disposals:				
Cost	<u>(897,507)</u>	<u>(125,000)</u>	<u>(4,678,539)</u>	<u>(5,701,046)</u>
Accumulated depreciation	<u>617,108</u>	<u>53,912</u>	<u>2,385,240</u>	<u>3,056,260</u>
	(280,399)	(71,088)	(2,293,299)	(2,644,786)
Depreciation charge	<u>(2,742,357)</u>	<u>(142,396)</u>	<u>(1,841,294)</u>	<u>(4,726,047)</u>
Closing net book value	<u>4,633,849</u>	<u>299,624</u>	<u>9,732,092</u>	<u>14,665,565</u>
At 30 June 2013				
Cost	17,621,585	666,325	13,994,139	32,282,049
Accumulated depreciation	<u>(12,987,736)</u>	<u>(366,701)</u>	<u>(4,262,047)</u>	<u>(17,616,484)</u>
Net book value	<u>4,633,849</u>	<u>299,624</u>	<u>9,732,092</u>	<u>14,665,565</u>
Annual rate of depreciation (%)	20 - 50	25 - 33	20 - 50	



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 RUPEES	2012 RUPEES
14 FIXED ASSETS		
Assets in own use (Note 14.1)	3,940,145	5,098,378
Capital work in progress - property in course of construction (Note 14.2)	<u>224,000,000</u>	<u>226,250,000</u>
	<u><u>227,940,145</u></u>	<u><u>231,348,378</u></u>

14.1 ASSETS IN OWN USE

	Furniture and fixtures	Computers and equipment	Vehicles	Total
	----- Rupees -----			
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 impairment	-	-	-	-
Accumulated depreciation	-	793,768	1,951,979	2,745,747
Depreciation charge	(71,532)	(2,205,974)	(560,671)	(2,766,645)
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>
Year ended 30 June 2013				
Opening net book value	278,428	1,085,005	3,734,945	5,098,378
Additions	27,000	145,180	-	172,180
Disposals:	-	-	-	-
Cost	(148,381)	(7,807,757)	(1,464,800)	(9,420,938)
Accumulated impairment	-	2,449,818	-	2,449,818
Accumulated depreciation	146,736	5,282,579	1,464,370	6,893,685
	(1,645)	(75,360)	(430)	(77,435)
Depreciation charge	(72,187)	(223,993)	(956,798)	(1,252,978)
Closing net book value	<u>231,596</u>	<u>930,832</u>	<u>2,777,717</u>	<u>3,940,145</u>
At 30 June 2013				
Cost	713,679	5,541,886	5,229,200	11,484,765
Accumulated depreciation	(414,135)	(4,611,054)	(2,451,483)	(7,476,672)
Accumulated impairment	(67,948)	-	-	(67,948)
Net book value	<u>231,596</u>	<u>930,832</u>	<u>2,777,717</u>	<u>3,940,145</u>
Annual rate of depreciation (%)	10	10-20	20	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



14.1.1 No fixed assets with individual book value exceeding Rupees 50,000/- were disposed of during the year.

14.1.2 The cost of fixed assets as on 30 June 2013 includes fully depreciated assets of Rupees 3,383,689 (2012: Rupees 8,558,251) which are still in use of the Modaraba.

14.2 CAPITAL WORK IN PROGRESS - PROPERTY IN COURSE OF CONSTRUCTION

	2013 Rupees	2012 Rupees
Opening balance	226,250,000	22,250,000
Addition during the year	-	204,000,000
Less: Impairment loss on two villas (Note 14.2.1)	(2,250,000)	-
Closing balance	<u>224,000,000</u>	<u>226,250,000</u>

14.2.1 This includes advance paid to Rehman Construction Company under two Memoranda of Understanding (MOU's) 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 measuring 1 Kanal 08 Marlas of four out of six villas was also purchased by the Modaraba through registered sale deed. Mutation of revenue records in favour of the Modaraba is still pending. In addition to the land of these four villas, charge on additional area of land was created in favour of the Modaraba through registered mortgage deed and power of attorney to secure the advance. Additional provision of Rupees 2.250 million has been created against 2 villas, land of which has not been purchased by the Modaraba. Market value of the property (4 villas) is estimated at Rupees 35.200 million. The valuation has been carried out by independent valuer.

After purchase of aforesaid land by the Modaraba, land measuring 5 Kanals 18 Marlas including the land purchased by the Modaraba was purchased by Muhammad Shahvez Riaz through oral mutation dated 16 December 2006. The Modaraba filed case with District Officer (Revenue) DO(R), Rawalpindi. Reports of Tehsildar Murree and Deputy District Officer (Revenue) Murree were also obtained which stated that the aforesaid land is owned by the Modaraba and subsequent oral mutation number 858 dated 16 December 2006 in favour of Muhammad Shahvez Riaz needs to be reviewed. On 21 June 2011, DO(R), Rawalpindi ordered ex-parte to review the oral mutation. Copy of the order of DO(R) was sent to Tehsildar Murree for review of the said mutation. Thereafter, Muhammad Shahvez Riaz moved an application before the Additional District Collector (ADC), previously DO(R), for setting aside ex-parte order. The matter is pending for arguments. The Modaraba's legal counsel believes that it stands on stronger footing, as the deed of title of Modaraba to the above mentioned property has been signed and executed before the entry and execution of oral mutation No. 858 on 16 December, 2006.

14.2.2 This includes an advance against purchase of ground floor, measuring 10,221 square feet, in Corporate Tower ('the tower'), Garden Town, Lahore by settlement of total Musharika Investment to Enplan (Private) Limited of Rupees 99 million and takeover of Musharika Investment of Trust Investment Bank Limited of Rupees 105 million through settlement agreement dated 28 June 2012. On 29 June 2012, the Modaraba entered into an agreement to sell and buy back the ground floor of the tower with Enplan (Private) Limited. According to the terms of agreement, Enplan (Private) Limited shall complete the tower within 18 months of the date of agreement. The Modaraba is also entitled to have the sale deed of the floor executed in its name and it has constructive possession of the property. The Modaraba has also extended morabaha facilities to Enplan (Private) Limited as per agreed terms for completion of the tower (Note 5.3). If the floor is not purchased by Enplan (Private) Limited within required time, the Modaraba has a right to sell the floor to any third party. Enplan (Private) Limited also has an option to repurchase the floor after the said period of 18 months at an agreed price of Rupees 204 million plus 15% per annum profit for the period from the date of the agreement till the actual settlement. The Modaraba has registered and equitable mortgage over the property of the tower which has market value of Rupees 362 million, estimated by an independent valuer.

Due to economic situation and non-availability of credit facilities, the construction of the property could not commence and the work has stalled at plinth level. However, after the construction of Kalma Chowk underpass the value of the property has appreciated due to its location and accessibility. Further, investors are available after post election scenario. The managements of Enplan (Private) Limited and the Modaraba are actively seeking and negotiating with buyers for sale of further floors to generate funds for completion of the tower. Possibility is also explored by the management of Enplan (Private) Limited to wholly and substantially sell the tower to an interested party. In this case the proceeds will be adjusted towards the purchase of first floor from Modaraba before vacation of charge by the Modaraba. Based on the situation, the management is hopeful that sale of further floors will be made in the current year to generate funds to complete the tower.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

15 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 Modaraba in accordance with the settlement arrangement dated 28 June 2012. This arrangement was for 9 months and carries zero markup. During the year ended 30 June 2013, the Modaraba repaid Rupees 34 million to Trust Investment Bank Limited .

	2013 Rupees	2012 Rupees
16 CREDITORS, ACCRUED AND OTHER LIABILITIES		
Accrued financial charges	3,540	-
Ijarah rentals received in advance	1,421	88,731
Due to customers	665,081	1,320,998
Accrued and other payables	2,550,717	1,916,632
Unclaimed profit distribution	11,064,073	12,020,948
Modaraba management company fee payable	710,040	2,018,423
Provision for workers' welfare fund	177,149	177,149
	<u>15,172,021</u>	<u>17,542,881</u>
17 CURRENT PORTION OF NON-CURRENT LIABILITIES		
Security deposits against ijarah assets (Note 18)	<u>3,570,632</u>	<u>2,131,418</u>
18 SECURITY DEPOSITS AGAINST IJARAH ASSETS		
Security deposits against ijarah assets	8,082,672	8,246,047
Less: Current portion (Note 17)	3,570,632	2,131,418
	<u>4,512,040</u>	<u>6,114,629</u>
19 EMPLOYEE BENEFITS		
Gratuity (Note 19.1)	460,323	506,582
Employees compensated absences (Note 19.2)	1,334,922	1,305,166
	<u>1,795,245</u>	<u>1,811,748</u>
19.1 Gratuity		
The amounts recognized in the balance sheet are as follows:		
Present value of defined benefit obligation	4,270,650	3,606,305
Fair value of plan assets	(4,110,605)	(3,433,987)
Unrecognized actuarial gains	300,278	334,264
	<u>460,323</u>	<u>506,582</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



	2013 Rupees	2012 Rupees
a) Change in present value of net staff gratuity		
Liability as at 01 July	506,582	665,930
Charge for the year	460,323	506,582
Contributions made by the Modaraba during the year	(506,582)	(665,930)
Liability as at 30 June	<u>460,323</u>	<u>506,582</u>
b) Movement in liability for defined benefit obligation		
Present value of defined benefit obligation as at 01 July	3,606,305	3,344,439
Current service cost	437,921	458,974
Interest cost	468,820	468,221
Benefits paid during the year	-	(244,578)
Actuarial gain on present value of defined benefit obligation	(242,396)	(420,751)
Present value of defined benefit obligation as at 30 June	<u>4,270,650</u>	<u>3,606,305</u>
c) Movement in fair value of plan assets		
Fair value of plan assets as at 01 July	3,433,987	3,004,377
Expected return on plan assets	446,418	420,613
Contributions during the year	506,582	665,930
Benefits paid during the year	-	(244,578)
Actuarial loss on plan assets	(276,382)	(412,355)
Fair value of plan assets as at 30 June	<u>4,110,605</u>	<u>3,433,987</u>
d) Actual return on plan assets	<u>170,036</u>	<u>8,258</u>
e) Plan assets consist of the following:		
Investments in units of mutual funds	4,026,517	3,292,875
Cash at bank	84,088	141,112
	<u>4,110,605</u>	<u>3,433,987</u>
f) Movement in actuarial gains		
Un recognized actuarial gains as at 01 July	334,264	325,868
Actuarial gains / (losses) arising during the year	(33,986)	8,396
Un recognized actuarial gains as at 30 June	<u>300,278</u>	<u>334,264</u>
g) Charge for the year		
Current service cost	437,921	458,974
Interest cost	468,820	468,221
Expected return on plan assets	(446,418)	(420,613)
	<u>460,323</u>	<u>506,582</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

h) Historical Information

	2013	2012	2011	2010	2009
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligation	4,270,650	3,606,305	3,344,439	3,009,253	2,507,715
Present value of defined benefit assets	(4,110,605)	(3,433,987)	(3,004,377)	(2,404,332)	(1,776,397)
Deficit in the plan	160,045	172,318	340,062	604,921	731,318
Experience adjustment arising on plan liabilities	(242,396)	(420,751)	(514,620)	(240,541)	(405,145)
Experience adjustment arising on plan assets	(276,382)	(412,355)	(287,069)	(214,991)	(126,599)

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

	Per annum	
	2013	2012
Discount rate	10.5%	13%
Expected rate of increase in salary	9.5%	12%
Expected rate of return on plan assets	12%	14%
Average expected remaining working life time of employee	13 years	14 years

j) The Modaraba expects to pay Rupees 387,946 in contributions to defined benefit plan in 2014.

2013	2012
Rupees	Rupees

19.2 Employees compensated absences

Opening balance	1,305,166	1,178,868
Amount recognized during the year	200,629	297,171
Payments made during the year	(170,873)	(170,873)
Closing balance	<u>1,334,922</u>	<u>1,305,166</u>

a) Movement in liability for defined benefit obligation

Present value of defined benefit obligation as at 01 July	1,305,166	1,178,868
Current service cost	193,301	204,995
Interest cost	169,672	165,042
Benefits paid during the year	(170,873)	(170,873)
Actuarial gain on present value of defined benefit obligation	(162,344)	(72,866)
Present value of defined benefit obligation as at 30 June	<u>1,334,922</u>	<u>1,305,166</u>

b) Charge for the year

Current service cost	193,301	204,995
Interest cost	169,672	165,042
Actuarial gains charged	(162,344)	(72,866)
	<u>200,629</u>	<u>297,171</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



c) Historical information

	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees
Present value of defined benefit obligation	1,334,922	1,305,166	1,178,868	807,608	893,396
Experience adjustment arising on plan liabilities	(162,344)	(72,866)	9,161	(207,084)	134,382

	Per annum	
	2013	2012
Discount rate	10.5%	13%
Expected rate of increase in salary	9.5%	12%
Average number of leaves utilized per annum	20 days	20 days
	2013 Rupees	2012 Rupees

20 CERTIFICATE CAPITAL

Authorized certificate capital

62,500,000 (2012: 62,500,000) modaraba certificates of Rupees 10 each 625,000,000 625,000,000

Issued, subscribed and paid-up certificate capital

16,656,491 (2012: 16,656,491) modaraba certificates of Rupees 10 each fully paid up in cash 166,564,910 166,564,910

3,976,908 (2012: 3,976,908) modaraba certificates of Rupees 10 each issued as fully paid bonus certificates 39,769,080 39,769,080

5,780,405 (2012: 5,780,405) modaraba certificates of Rupees 10 each issued to certificate holders of First Hajveri Modaraba in accordance with the scheme of amalgamation 57,804,050 57,804,050
264,138,040 264,138,040

20.1 Fidelity Capital Management (Private) Limited, the management company, holds 5,869,614 (2012: 5,869,614) modaraba certificates in the Modaraba.

21 RESERVES

Capital reserves

Statutory reserve (Note 21.1) 78,465,469 77,187,397

Fair value reserve (Note 21.2) - 2,155,582

Revenue reserve

Unappropriated profits 1,231,750 9,326,363
79,697,219 88,669,342

21.1 This represents special reserve created in compliance with the Prudential Regulations for Modarabas issued by SECP.

21.2 This represented unrealized gain on re-measurement of available for sale equity investments at fair value and was not available for distribution. This was transferred to profit and loss account on realization.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22 CONTINGENCIES AND COMMITMENTS

Contingencies

There were no reportable contingencies other than those disclosed in these financial statements as at 30 June 2013.

	2013 Rupees	2012 Rupees
Commitments	Nil	Nil

23 OTHER INCOME

Return on bank deposits	-	135,987
Fees, commission and other charges	17,141	176,684
Return on loans to employees	31,229	34,501
Gain on sale of investments	1,842,044	2,390,481
Gain on sale of fixed assets in own use - net	31,171	294,106
Gain on sale of investment properties - net	10,472,880	17,003,056
Credit balance written back	-	19,484
	<u>12,394,465</u>	<u>20,054,299</u>

24 ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and other benefits (Note 24.1)	9,449,908	10,087,202
Legal and professional	596,040	388,174
Printing and stationery	480,537	145,509
Travelling, conveyance and vehicles' running	2,219,545	1,864,336
Insurance	277,702	476,473
Fee, subscription and taxes	571,911	490,317
Auditors' remuneration (Note 24.2)	590,500	545,670
Rent and taxes	69,368	204,673
Repair and maintenance	172,510	183,876
Electricity, water and gas	267,031	383,807
Entertainment	306,503	292,030
Advertisement	199,165	47,750
Telephone and postage	862,937	522,389
Depreciation on fixed assets in own use (Note 14.1)	1,252,978	1,592,211
Impairment on capital work in progress (Note 14.2)	2,250,000	-
Miscellaneous	757,807	708,308
	<u>20,324,442</u>	<u>17,932,725</u>

24.1 Salaries and other benefits include Rupees 460,323 (2012: Rupees 506,582) in respect of gratuity and Rupees 479,129 (2012: Rupees 506,204) on account of provident fund contribution.

24.2 Auditors' remuneration

Audit fee	335,500	305,000
Review of half yearly accounts	115,000	104,500
Certifications	100,000	100,000
Out of pocket expenses	40,000	36,170
	<u>590,500</u>	<u>545,670</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



	2013 Rupees	2012 Rupees
25 FINANCIAL CHARGES		
Return on morabaha / musharika finances	-	32,911
Bank and other charges	5,623	49,857
Interest on amount payable to provident fund trust	3,540	7,968
	<u>9,163</u>	<u>90,736</u>
26 PROVISION FOR NON-PERFORMING RECEIVABLES		
Opening balance	265,643,934	265,225,861
Add: Charged during the year	6,969,372	3,664,400
Less: Reversed during the year	17,492,848	3,246,327
Net reversal during the year	(10,523,476)	418,073
Closing balance	<u>255,120,458</u>	<u>265,643,934</u>
26.1 Break up of closing balance		
Provision for classified morabaha facilities (Note 5)	207,234,231	220,780,254
Provision against doubtful ijarah rentals (Note 6.1)	36,150,459	36,302,478
Provision against receivables from clients (Note 7.1)	8,481,996	8,561,202
Provision against profit receivable on morabaha investment	3,253,772	-
	<u>255,120,458</u>	<u>265,643,934</u>
27 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.		
	2013 Rupees	2012 Rupees
28 PROVISION FOR TAXATION		
Current:		
For the year (Note 28.1)	-	-
Prior year	-	(1,195,881)
Deferred (Note 28.2)	-	-
	<u>-</u>	<u>(1,195,881)</u>
28.1	As the Modaraba has carry forwardable tax losses of Rupees 59.837 million, therefore, provision for current income tax is not 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.	
28.2 Deferred income tax		
The (liability) / asset for deferred income tax originated due to temporary differences relating to:		
Accelerated tax depreciation	724,047	-
Brought forward tax losses	20,344,756	-
	<u>21,068,803</u>	-
Less: Deferred income tax asset not recognized	21,068,803	-
	<u>-</u>	<u>-</u>
28.2.1	The deferred income tax asset of Rupees 21.068 million (2012: Nil) has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future because taxable profits may not be available against which the temporary differences can be utilized.	



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
29 EARNINGS PER CERTIFICATE - BASIC AND DILUTED			
Profit attributable to ordinary certificates holders	Rupees	6,390,361	16,969,923
Weighted average number of ordinary certificates	Numbers	26,413,804	26,413,804
Earnings per certificate	Rupees	0.24	0.64

29.1 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.

30 FUTURE IJARAH RENTALS RECEIVABLE

Aggregate amount of future ijarah rentals receivable on the basis of agreements executed upto 30 June 2013 approximate to Rupees 9,630,986 (2012: Rupees 14,537,285). The amount of future ijarah rentals receivable and period during which they fall due are:

	2013 Rupees	2012 Rupees
Not later than one year	5,272,286	6,891,064
Later than one year but not later than five years	4,358,700	7,646,221
Later than five years	-	-
	<u>9,630,986</u>	<u>14,537,285</u>

30.1 The Modaraba has entered into various Ijarah agreement for periods ranging from 3 to 5 years (2012: 3 to 5 years). Security deposits ranging from 0% to 70% (2012: 5% to 70%) are obtained at the time of disbursement. The rate of profit implicit in Ijarah ranges from 17% to 20% (2012: 18% to 20%) per annum.

31 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2013		
	Officers Rupees	Others Rupees	Total Rupees
Remuneration	5,796,774	801,052	6,597,826
House rent	1,449,193	200,263	1,649,456
Gratuity and employee compensated absences	660,952	-	660,952
Provident fund contribution	445,495	33,634	479,129
Other allowances	62,545	-	62,545
	<u>8,414,959</u>	<u>1,034,949</u>	<u>9,449,908</u>
Number of employees at the year end	<u>12</u>	<u>10</u>	<u>22</u>

	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>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



32 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.

32.1 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:

	2013 Rupees	2012 Rupees
Bank balances	25,701,671	11,706,912
Investment	5,750,000	3,353,488
Ijarah rentals receivables	268,892	185,345
Morabaha investments	68,670,000	100,064,861
Advances, deposits and other receivables	12,923,639	27,689,932
Long term receivables and deposits	1,548,034	1,472,090
	114,862,236	144,472,628

32.1.1 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			2013	2012
	Short term	Long term	Agency	Rupees	
NIB Bank Limited	A1+	AA-	PACRA	30,204	2,194
Samba Bank Limited	A-1	AA-	JCR-VIS	14,294,403	158,666
MCB Bank Limited	A1+	AAA	PACRA	11,209,010	11,538,719
Faysal Bank Limited	A1+	AA	PACRA	157,795	32
State Bank of Pakistan	-	-	-	10,259	7,301
				25,701,671	11,706,912



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

32.1.2 Description of collateral held

The Modaraba's ijarah arrangements (leases) are secured against ijarah assets. In a few 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.

32.1.3 Age analysis of profit on morabaha investments

Past due	2013				Carrying amount
	Gross amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	
-----Rupees-----					
0 days	4,812,730	126,232	4,686,498	4,686,498	126,232
1 day - 89 days	-	-	-	-	-
90 days - 179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	4,813,782	-	4,813,782	4,813,782	-
2 year - less than 3 year	-	-	-	-	-
3 year or more	940,835	-	940,835	940,835	-
Total	10,567,347	126,232	10,441,115	10,441,115	126,232

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	-
Total	17,093,472	5,216,804	11,876,668	11,876,668	5,216,804

32.1.4 Age analysis of morabaha investments

Past due	2013				Carrying amount
	Gross amount	Amount on which no provision required	Amount on which provision required	Provision recognized under Prudential Regulations	
-----Rupees-----					
0 days	43,320,000	43,320,000	-	-	43,320,000
1 day - 179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	13,300,000	-	13,300,000	1,187,500	12,112,500
2 year - less than 3 year	16,530,000	-	16,530,000	3,292,500	13,237,500
3 year or more	202,754,231	-	202,754,231	202,754,231	-
Total	275,904,231	43,320,000	232,584,231	207,234,231	68,670,000

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 and above	238,604,231	-	238,604,231	215,952,730	22,651,501
Total	320,845,115	47,847,760	272,997,355	220,780,254	100,064,861

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



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.

32.1.5 Age analysis of ijarah rentals receivable

Past due	2013				Carrying amount
	Gross amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	
-----Rupees-----					
0 days	100,104	100,104	-	-	100,104
1 day -89 days	168,788	168,788	-	-	168,788
90 days -179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	-	-	-	-	-
2 year - less than 3 years	127,210	-	127,210	127,210	-
3 year or more	36,023,249	-	36,023,249	36,023,249	-
Total	36,419,351	268,892	36,150,459	36,150,459	268,892

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	-
Total	36,487,823	185,345	36,302,478	36,302,478	185,345

32.1.6 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 2013 is as follows:

	Ijarah assets	Morabaha investments	Total	% age
-----Rupees-----				
Transport and communications	-	7,610,000	7,610,000	9.13
Textiles	1,930,585	-	1,930,585	2.32
Construction	690,000	38,950,000	39,640,000	47.57
Individuals	12,044,980	22,110,000	34,154,980	40.98
Total	14,665,565	68,670,000	83,335,565	100.00

Break down of credit risk exposure by class of business as at 30 June 2012 is as follows:

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

32.2 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:

	2013					
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
	-----R u p e e s-----					
Financial liabilities						
Placement	1,000,000	1,000,000	1,000,000	-	-	-
Creditors, accrued and other liabilities	14,993,451	14,993,451	14,993,451	-	-	-
Total	<u>15,993,451</u>	<u>15,993,451</u>	<u>15,993,451</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

32.2.1 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).

32.3 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.

32.3.1 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



32.3.2 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:

	2013 Rupees	2012 Rupees
Fixed rate instruments		
Financial assets		
Morabaha investments	29,720,000	76,764,861
Floating rate instruments		
Financial asset		
Morabaha investments	38,950,000	23,300,000
Bank balances	25,691,413	16,440,279

Fair value sensitivity analysis for fixed rate instruments

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

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 2012.

	EFFECT ON PROFIT	
	100 bps	
	Increase Rupees	Decrease Rupees
As at 30 June 2013		
Cash flow sensitivity-Variable rate financial assets	646,414	(646,414)
Cash flow sensitivity-Variable rate financial liabilities	-	-
Net effect	<u>646,414</u>	<u>(646,414)</u>

	EFFECT ON PROFIT	
	100 bps	
	Increase Rupees	Decrease Rupees
As at 30 June 2012		
Cash flow sensitivity-Variable rate financial assets	397,403	(397,403)
Cash flow sensitivity-Variable rate financial liabilities	-	-
Net effect	<u>397,403</u>	<u>(397,403)</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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

32.3.3 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)	
	2013	2012	2013	2012
	-----Rupees-----			
KSE 100 (5% increase)	-	-	-	191,357
KSE 100 (5% decrease)	-	-	-	(191,357)

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

32.4 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 2013				
Assets				
Available for sale financial assets	-	-	5,750,000	5,750,000
As at 30 June 2012				
Assets				
Available for sale financial assets	3,353,488	-	-	3,353,488

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 1 and level 2 financial instruments as on 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



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

-----Rupees-----

32.5 Financial instruments by categories As at 30 June 2013 Assets as per balance sheet

Cash and bank balances	25,717,356	-	25,717,356
Investment	-	5,750,000	5,750,000
Ijarah rentals receivables	268,892	-	268,892
Morabaha investments	68,670,000	-	68,670,000
Advances, deposits and other receivables	12,923,639	-	12,923,639
Long term receivables and deposits	1,548,034	-	1,548,034
	<u>109,127,921</u>	<u>5,750,000</u>	<u>114,877,921</u>

Financial liabilities at amortized cost

Rupees

Liabilities as per balance sheet

Placement	1,000,000
Creditors, accrued and other liabilities	14,993,451
	<u>15,993,451</u>

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

-----Rupees-----

As at 30 June 2012 Assets as per balance sheet

Cash and bank balances	11,724,191	-	11,724,191
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>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 Rupees	2012 Rupees
33 CASH USED IN OPERATIONS		
Profit before taxation	6,390,361	18,165,804
Adjustment for non-cash charges and other items:		
Provision for non-performing receivables - Reversal	(10,523,476)	418,073
Depreciation	6,009,657	8,172,792
Impairment on capital work in progress	2,250,000	
Financial charges	9,163	90,736
Profit on morabaha	(1,780,788)	(16,275,027)
Return on bank deposits	-	(135,987)
Gain on sale of fixed assets	(31,171)	(432,002)
Gain on sale of investment properties	(10,472,880)	(17,003,056)
Gain on sale of investments	(1,842,044)	(2,390,481)
Provision for retirement benefits	660,952	803,753
Credit balance written back	-	(19,484)
Working capital changes (Note 33.1)	15,978,859	(10,050,275)
	<u>6,648,633</u>	<u>(18,655,154)</u>
33.1 Working capital changes		
(Increase) / decrease in operating assets		
Morabaha investment	44,940,884	(29,837,255)
Ijarah rentals receivable	68,472	900,360
Advances, deposits, prepayments and other receivables	6,387,028	17,470,373
	<u>51,396,384</u>	<u>(11,466,522)</u>
Increase in operating liabilities		
Creditors, accrued and other liabilities	(35,417,525)	1,416,247
	<u>15,978,859</u>	<u>(10,050,275)</u>

34 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 2013, there was only one (30 June 2012: one) certificate holder who held more than 10% of the Modaraba's certificate capital. Its holding was 22.22% (30 June 2012: 22.22%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



35 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 14, 15, 19 and 31 respectively are as follows:

	2013 Rupees	2012 Rupees
Modaraba management company fee payable	710,040	2,018,423
Payable to provident fund trust	479,129	189,406
Purchase of operating fixed assets from associated company	18,000	-
Morabaha finance facilities extended to officers of the Modaraba	1,322,963	-

36 CORRESPONDING FIGURES

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

37 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Modaraba Management Company has not proposed any appropriation in their meeting held on October 07, 2013

38 GENERAL

- The financial statements of the Modaraba were approved by the directors of Modaraba Management Company and authorized for issue on October 07, 2013.
- 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, 2013**
- 4.

No. of Shareholders	Shareholding		Total Shares held
	From	To	
3,536	1	100	141,576
2,449	101	500	593,315
931	501	1,000	720,287
1,076	1,001	5,000	2,181,749
148	5,001	10,000	1,069,617
60	10,001	15,000	710,454
33	15,001	20,000	586,448
25	20,001	25,000	545,681
10	25,001	30,000	268,563
10	30,001	35,000	328,200
9	35,001	40,000	337,905
5	40,001	45,000	211,735
4	45,001	50,000	187,703
3	50,001	55,000	159,362
2	55,001	60,000	114,119
1	60,001	65,000	64,000
1	65,001	70,000	69,500
1	70,001	75,000	74,000
1	75,001	80,000	78,500
2	85,001	90,000	177,100
2	90,001	95,000	188,991
5	95,001	100,000	496,500
2	100,001	105,000	208,796
1	105,001	110,000	105,500
3	120,001	125,000	370,369
2	125,001	130,000	252,090
1	200,001	205,000	200,153
1	210,001	215,000	211,500
2	255,001	260,000	517,700
1	300,001	305,000	302,562
1	305,001	310,000	308,792
1	350,001	355,000	350,804
1	415,001	420,000	415,953
1	465,001	470,000	468,624
1	575,001	580,000	578,041
1	580,001	585,000	582,170
1	770,001	775,000	775,000
1	1,000,001	1,005,000	1,005,000
1	1,025,001	1,030,000	1,028,078
1	1,030,001	1,035,000	1,034,931
1	1,170,001	1,175,000	1,175,000
1	1,345,001	1,350,000	1,347,822
1	2,640,001	2,645,000	2,641,380
1	3,225,001	3,230,000	3,228,234
8,341			26,413,804

CATEGORIES OF CERTIFICATE HOLDING FOR THE YEAR ENDED 30 JUNE 2013



First Fidelity Leasing Modaraba

As On: June 30, 2013

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	2,145	-	2,145	0.01
NBP -Trustee Department NI(U)T Fund	-	1,028,078	1,028,078	3.89
	2,145	1,028,078	1,030,223	3.90
Banks, NBFCs, DFIs, Takaful, Pension Funds	13,432	96,463	109,895	0.42
Modarabas	437	20,630	21,067	0.08
Insurance Companies	40	1,034,931	1,034,971	3.92
Other Companies, Corporate Bodies, Trust etc.	650,641	527,107	1,177,748	4.46
General Public (Local)	3,382,859	13,732,875	17,115,734	64.80
	4,049,554	22,364,250	26,413,804	100.00

Shareholders More Than 5.00%	Physical	CDC	Total	% age
Fidelity Capital Management (Pvt) Limited			5,869,614	22.22
Mr. Muhammad Iqbal			1,347,822	5.10

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