FIDELITY LEASING

FIRST FIDELITY LEASING MODARABA

Managed by:
Fidelity Capital Management (Private) Limited

Annual Report
2014

CONTENTS

CORPORATE INFORMATION	02
VISION AND MISSION STATEMENT	03
KEY OPERATING DATA FOR LAST SIX YEARS	04
NOTICE OF ANNUAL REVIEW MEETING	05
DIRECTORS' REPORT	06-08
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	09-10
REVIEW REPORT TO THE CERTIFICATE HOLDERS ON CODE OF CORPORATE GOVERNANCE	11
AUDITORS' REPORT TO THE CERTIFICATE HOLDERS	12-13
SHARI'AH ADVISOR'S REPORT	14
BALANCE SHEET	15
PROFIT AND LOSS ACCOUNT	16
STATEMENT OF COMPREHENSIVE INCOME	17
CASH FLOW STATEMENT	18
STATEMENT OF CHANGES IN EQUITY	19
NOTES TO THE ACCOUNTS	20-49
PATTERN OF CERTIFICATE HOLDINGS	51-52

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 5 7 1 3 4 6 1 – 6 4 Fax: 0 4 2 – 3 5 7 5 9 1 2 2 Email: info@fidelitymodaraba.com **Website: www.fidelitymodarab.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 2014 Rupees	June 2013 Rupees	June 2012 Rupees	June 2011 Rupees	June 2010 Rupees	June 2009 Rupees
Operating results						
Revenues	26.95	21.89	45.36	68.79	55.88	71.44
Operating profit before						
Profit / (Loss) after taxation and management fee	3.76	7.18	16.96	(11.85)	(2.27)	41.68
Financial position						
Fixed assets (owned and leased out)	250.52	242.60	249.34	75.27	105.76	181.43
Total assets	375.801	374.280	420.93	432.87	459.59	494.24
Certificateholders equity	348.84	344.99	352.80	325.20	326.70	351.54
Paid up capital	264.13	264.13	264.13	264.13	264.13	264.13
Earning (Loss) per certificate	0.14	0.27	0.64	(0.45)	(0.09)	1.58
Profit distribution (%)	0.00	0.00	5.00	-	-	10.00
Break-up value per certificate	13.21	13.06	13.36	12.31	12.37	13.31

NOTICE TO THE CERTIFICATE HOLDERS

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, 2014 will be held on Thursday October 30, 2014 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, 2014 to October 30, 2014 (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, 2014 shall be entitled to attend the meeting.

Mohammed Waheed
(Company Secretary)

October 2, 2014
Lahore

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 23rd Annual Report of First Fidelity Leasing Modaraba along with the audited financial statements and the auditors' report thereon for the year ended June 30, 2014.

Financial Results

The financial results of the Modaraba are summarized as follows.

	Rupees in '000'	
	2014	2013
Income	26,953	21,898
Expenses	(23,470)	(25,235)
Operating profit/ (loss) before provision and taxation	3,483	(3,338)
Provision for non-performing receivables	306	10,523
Modaraba Company's management fee	-	-
Profit before taxation	3,789	7,186
Taxation	(24)	-
Profit after tax	3,764	7,186
Appropriations		
Appropriated as follows:		
Transferred to statutory reserve	(753)	(1,437)
Profit distribution	**Nil**	**Nil**
Earnings per Certificate:		
Earnings per certificate stood at	Re.0.14	Re. 0.27

Review of Operations

The management of the Modaraba was successful in completing sale of its land at Manawan, however operations of the Modaraba remained stunted due to non disposal of its investment in corporate tower. As referred to in note 15.2.2 to the financial statements and as highlighted by auditors' report, the Modaraba has major investment in corporate tower. The progress on the building was expected to be met through sale of floors however due to depressed economic situation and undergoing development activities of underpasses and metro bus project in the vicinity of the project, construction activity on the tower remained stalled and buyers were not forthcoming. However, during the period under report, queries were being made by different prospective buyers and a few showed serious interests in buying the floors. However, the offered price for the floors was not up to the mark, hence, no deal could be finalized. The management expects better offers in the coming year enabling Modaraba to divest from the project on profitable terms. 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 accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.

(e) The system of internal control is sound and has been effectively implemented and monitored.

(f) There are no significant doubts upon the Moradabad's ability to continue as a going concern.

(g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.

(h) A statement setting out status of the compliance with the best practices of corporate governance is attached.

Key Operating and Financial Data

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

Trading in Modaraba certificates by Directors etc.

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

Board Meetings

During the year under review five 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	5
Mr. S.M. Nasim	5
Mr. Abdul Hameed Kiyani	5

Audit Committee Meetings

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

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

Human Resource Committee Meetings

During the year under review four human resource and remuneration committee meetings were held, which were attended by the directors as follows:

Name of Director	Meetings Attended
Mr. S.M. Nasim	4
Siyyid Tahir Nawazish	4
Mr. Abdul Hameed Kiyani	4

DIRECTORS' REPORT

Credit Rating

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

Value of Provident Fund and Gratuity Fund Investment

The Modaraba operates a contributory 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, 2014 works out to Rs.520, 715. 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, 2014 works out to Rs.4, 707,690.

Pattern of Certificate holdings

The pattern of certificate holdings is annexed to this report.

Auditors

M/s Riaz Ahmad & Co. Chartered Accountants after continuing as auditors of the Modaraba for a period of five years have retired and as such are not eligible for reappointment. The new auditors will be appointed in due course of time with the approval of the Registrar Modaraba.

Future Outlook and Strategy

The Management of the Modaraba is focused on disposal of its investment in corporate tower as early as possible. The deployment of proceeds of investment 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 pointed by the Registrar Modaraba, Securities and Exchange Commission of Pakistan, Modaraba Association of Pakistan and other Regulators.

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

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

For and on behalf of the
Board of Directors

Wasim ul Haq Osmani
Chief Executive

October 2, 2014
Lahore

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of company: First Fidelity Leasing Modaraba

Year ending: June 30, 2014

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.

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

11. The report of the directors of the Management Company on the financial statement of the Modaraba of this year has been prepared in compliance with the requirements of the 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

Wasim ul Haq Osmani
Chief Executive

October 02, 2014
Lahore

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") 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 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Modaraba is listed.

The responsibility for compliance with the Code 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 Management Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As a part of our audit of the 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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.

Following instance of non-compliance with the requirement of the Code was observed which is not stated in the statement of compliance:

The Board of directors has not made arrangements for directors' training program 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 above instance of non compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Management Company for the year ended 30 June 2014.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of Engagement Partner
Syed Mustafa Ali

October 02, 2014
LAHORE

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Fidelity Leasing Modaraba ("the Modaraba")** as at 30 June 2014 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-

We draw attention to Note 15.2.2 to the financial statements, which describes the matter regarding advance against purchase of ground floor in Corporate Tower, Lahore. According to the settlement agreement and agreement to sell and buy back, construction of the tower was due to be completed by 28 December 2013. However, the construction work has stalled at plinth level. Settlement of this advance and recovery of murabaha investment (Note 5.3) are dependent upon completion of the tower through raising further funds or disposal of the tower in its existing state to an interested party for which the management of the Modaraba and its client are actively working upon. Pending the outcome of the aforesaid efforts, management of the Modaraba has not measured the recoverable amount of the aforesaid advance. Resultantly, impairment loss, if any, has not been recognized in these financial statements.

Except for the effects of adjustments, if any, as might have been determined to be necessary, had we been able to satisfy ourselves in respect of the matter stated in the preceding paragraph, we report that:

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

(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 except for the change as stated in Note 2.13 with which we concur;

(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;

(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 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

October 02, 2014
LAHORE

SHARI'AH ADVISOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2014

I have conducted the Shari'ah review of M/s First Fidelity Leasing Modaraba managed by Fidelity Capital Management (Pvt.) Limited, the Modaraba Management Company for the year ended June 30, 2014 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that in my opinion;

1. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;

2. Following were the major developments took place during the year:

   Training and Development:

   The Internal Shari'ah Auditor of the Modaraba is fully equipped with all relevant industry tools through training. During the year, Internal Shari'ah Auditor of the Modaraba has attended the specialized training course on Islamic Banking & Finance.

   The agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;

   To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas.

   There has been no earning that has been realized from the sources or by means prohibited by Shari'ah which could have been credited to charity accounts.
   The amount kept under the head of charity was partially donated to two renowned approved charitable hospitals/institutions.

   Recommendations

   The management should continue its endeavor to comply with the rulings of Shari'ah in its business operations and future transactions.

   The Modaraba should focus on new innovations and explore possibility of entering into more specialized Shari'ah compliant business modes.

   It has been recommended that remaining amount kept under the head of charity should be disbursed ASAP.

   Conclusion:

   Based on the above mentioned facts, I am of the view that the business operations of First Fidelity Leasing Modaraba are Shari'ah Compliant, to the best of my knowledge.

   May Allah make us successful in this world and hereafter and forgive our mistakes.

   Signatures

   Mufti Muhammad Umar Ashraf
   Shari'ah Advisor
   September 25, 2014

BALANCE SHEET
AS AT 30 JUNE 2014

	Note	2014 Rupees	Restated 2013 Rupees	Restated 01 July 2012 Rupees
ASSETS				
CURRENT ASSETS				
Cash and bank balances	3	10,169,776	25,717,356	11,724,191
Short term investment	4	25,442	-	3,353,488
Short term morabaha investments - secured	5	81,606,010	73,010,433	105,596,193
Ijarah rentals receivable	6	620,442	268,892	185,345
Advances, deposits, prepayments and other receivables	7	17,943,003	14,546,170	26,806,520
Current portion of non-current assets	8	734,555	265,143	257,722
		111,099,228	113,807,994	149,923,459
NON-CURRENT ASSETS				
Employee benefit - prepayments	20	7,289	-	-
Long term morabaha investments - secured	9	791,746	-	-
Long term receivables and deposits	10	1,345,371	1,282,891	1,214,368
Long term investment	11	5,750,000	5,750,000	-
Investment properties	12	-	4,554,035	9,813,787
Trading right entitlement certificate, card and room	13	6,280,000	6,280,000	10,630,000
Ijarah assets	14	23,058,600	14,665,565	18,009,398
Fixed assets	15	227,469,114	227,940,145	231,348,378
		264,702,120	260,472,636	271,015,931
TOTAL ASSETS		375,801,348	374,280,630	420,939,390
LIABILITIES				
CURRENT LIABILITIES				
Deferred morabaha income	5	1,736,010	4,340,433	5,531,332
Placement	16	-	1,000,000	35,000,000
Creditors, accrued and other liabilities	17	14,126,350	14,376,481	17,542,881
Current portion of non-current liabilities	18	3,438,913	3,570,632	2,131,418
		19,301,273	23,287,546	60,205,631
NON-CURRENT LIABILITIES				
Deferred income tax	30	2,544	-	-
Security deposits against ijarah assets	19	6,342,807	4,512,040	6,114,629
Employee benefits	20	1,190,359	1,494,967	1,477,484
Deferred morabaha income	23	119,944	-	
		7,655,654	6,007,007	7,592,113
TOTAL LIABILITIES		26,956,927	29,294,553	67,797,744
NET ASSETS		348,844,421	344,986,077	353,141,646
FINANCED BY				
Certificate capital	21	264,138,040	264,138,040	264,138,040
Reserves	22	84,706,381	80,848,037	89,003,606
TOTAL EQUITY AND RESERVES		348,844,421	344,986,077	353,141,646
CONTINGENCIES AND COMMITMENTS	24			

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 2014

	Note	2014 Rupees	Restated 2013 Rupees
INCOME			
Ijarah rentals earned		6,881,412	6,984,785
Profit on morabaha investments		5,714,231	1,780,788
Brokerage commission		-	737,791
Other income	25	14,357,559	12,394,465
		26,953,202	21,897,829
EXPENSES			
Depreciation on ijarah assets	14	5,083,058	4,726,047
Depreciation on investment properties	12	-	30,632
Administrative and general expenses	26	18,092,417	20,238,942
Stock exchange and CDC charges		267,181	230,620
Financial charges	27	27,705	9,163
		23,470,361	25,235,404
		3,482,841	(3,337,575)
Provision for non-performing receivables - Reversal	28	305,815	10,523,476
		3,788,656	7,185,901
Modaraba management company fee	29	-	-
Provision for workers' welfare fund		3,788,656	7,185,901
Taxation	30	(24,000)	
PROFIT AFTER TAXATION		3,764,656	7,185,901
EARNINGS PER CERTIFICATE - BASIC AND DILUTED	31	0.14	0.27

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 2014

	2014 Rupees	Restated 2013 Rupees
PROFIT AFTER TAXATION	3,764,656	7,185,901
OTHER COMPREHENSIVE (LOSS) / INCOME		
Item that will not be reclassified to profit or loss:		
Gain / (loss) on remeasurements of defined benefit plan	70,790	(33,986)
Items that may be reclassified subsequently to profit or loss:		
Surplus on remeasurement of available for sale investment	25,442	-
Reclassification adjustment relating to disposal of available for sale investments	-	(2,155,582)
Deferred income tax relating to surplus on available for sale investment	(2,544)	-
Other comprehensive income / (loss) for the year	22,898	(2,155,582)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,858,344	4,996,333

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

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used) in / generated from operations	35	(24,812,889)	6,724,577
Financial charges paid		(27,694)	(5,623)
Profit received on morabaha investments		4,098,876	6,871,360
Profit on bank deposits received		39,987	-
Employee benefits paid		(597,123)	(677,455)
Income tax paid		(27,483)	(412,760)
Net cash (used in) / generated from operating activities		(21,326,326)	12,500,099
CASH FLOWS FROM INVESTING ACTIVITIES			
Long term receivables and deposits		(56,846)	(75,944)
Security deposits against ijarah assets		4,157,285	1,736,770
Proceeds from disposal of ijarah assets		2,113,149	744,639
Ijarah assets acquired		(18,063,800)	(4,027,000)
Proceeds from sale of fixed assets		-	108,606
Fixed assets acquired		(848,500)	(172,180)
Room in Islamabad Stock Exchange		-	(1,400,000)
Short term investment made		(21,100,000)	-
Proceeds from sale of short term investments		21,340,000	3,039,952
Proceeds from sale of investment property		18,550,000	15,702,000
Net cash generated from investing activities		6,091,288	15,656,843
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit distribution		(312,542)	(14,163,777)
Net cash used in financing activities		(312,542)	(14,163,777)
Net (decrease) / increase in cash and cash equivalents		(15,547,580)	13,993,165
Cash and cash equivalents at the beginning of the year		25,717,356	11,724,191
Cash and cash equivalents at the end of the year	3	10,169,776	25,717,356

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

Chief Executive
Fidelity Capital Management
(Private) Limited

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(Private) Limited

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	CERTIFICATE CAPITAL	CAPITAL RESERVES			REVENUE RESERVE	TOTAL
		STATUTORY	FAIR VALUE	SUB TOTAL	UNAPPROPRIATED PROFIT	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 30 June 2012	264,138,040	77,187,397	2,155,582	79,342,979	9,381,363	352,862,382
Effect of change in accounting policy (Note 2.13)	-	-	-	-	334,264	334,264
Balance as at 30 June 2012 (Restated)	264,138,040	77,187,397	2,155,582	79,342,979	9,715,627	353,196,646
Transaction with owners - Final dividend for the year ended 30 June 2012	-	-	-	-	(13,206,902)	(13,206,902)
Profit for the year	-	-	-	-	7,185,901	7,185,901
Other comprehensive loss for the year	-	-	(2,155,582)	(2,155,582)	(33,986)	(2,189,568)
Total comprehensive income for the year ended 30 June 2013	-	-	(2,155,582)	(2,155,582)	7,151,915	4,996,333
Transfer to statutory reserve	-	1,437,180	-	1,437,180	(1,437,180)	-
Balance as at 30 June 2013 (Restated)	264,138,040	78,624,577	-	78,624,577	2,223,460	344,986,077
Profit for the year	-	-	-	-	3,764,656	3,764,656
Other comprehensive income for the year	-	-	22,898	22,898	70,790	93,688
Total comprehensive income for the year ended 30 June 2014	-	-	22,898	22,898	3,835,446	3,858,344
Transfer to statutory reserve	-	752,931	-	752,931	(752,931)	-
Balance as at 30 June 2014	264,138,040	79,377,508	22,898	79,400,406	5,305,975	348,844,421

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

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

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(Private) Limited

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 2013:

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. The application of the amendments does not result in material impact on the Modaraba.s financial statements.

IAS 16 (Amendment), .Property, Plant and Equipment. (effective for annual periods beginning on or after 01 January 2013). This amendment requires that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The application of the amendments does not result in 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 Modaraba has changed its accounting policy to comply with the amendment (Note 2.13).

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. The application of the amendments does not result in material impact on the Modaraba.s financial statements.

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

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 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.

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 2014 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 .Financial Instruments: Recognition and Measurement.. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Modaraba is in the process of evaluating the impacts of the aforesaid standard on the Modaraba.s financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2015) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements However, the amendments are not expected to have a material impact on the Modaraba.s financial statements.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 . 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 8 'Operating Segments' and IFRS 13 .Fair Value Measurement., which are considered relevant to the Modaraba's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Modaraba's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2011 . 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 .Fair Value MeasurementL, that is considered relevant to the Modaraba's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Modaraba's financial statements and have therefore not been analyzed in detail.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. However, the interpretation is not expected to have a material impact on the Modaraba.s financial statements.

IFRS 13 .Fair value Measurement. (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Modaraba.s financial statements.

IAS 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.

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 2014 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 of the cost of an asset over its estimated useful life at the rates given in Note 15.1.

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

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

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

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

Ijarah asset and depreciation

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

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

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

The carrying amounts of the Modaraba.s assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets. recoverable amount is estimated and impairment losses are recognized immediately as an expense in the profit and loss account.

2.4 Cards and rooms

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

2.5 Investment properties

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

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

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized as per note 2.2 and the assets so replaced, if any, are retired.

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

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

2.6 Investments

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

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

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

a) Investment at fair value through profit or loss

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

b) Held to maturity

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

c) Available for sale

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

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 2014 to determine and adjust the liability on the balance sheet date. The actuary, for ascertaining the defined benefit liability, has adopted the projected unit credit method. Employee compensated absence is accounted for as other long term employee benefit in accordance with the requirements of IAS 19 ¡°Employee Benefits¡±. Remeasurements (including actuarial gains and losses) of this defined benefit liability arising at each valuation date are recognized in profit and loss.

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 2014 to determine and adjust the liability / asset on the balance sheet date using projected unit credit method.

During the year, the Modaraba has adopted IAS 19 (Revised) ¡°Employee Benefits¡± and changed its basis for recognition of actuarial gains and losses on its defined benefit plan.

The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognized in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognized in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (revised), the Modaraba's policy for Employee - Gratuity Staff stands amended as follows:

- The amount arising as a result of remeasurements are recognized in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

Previously, the Modaraba recognized actuarial gains and losses over the expected average remaining working lives of the employees, to the extent that unrecognized actuarial gains / losses exceeds 10 percent of present value of defined benefit obligation.

Effect of this change in accounting policy is given below:

	2014 (Rupees)	2013 (Rupees)
Increase in un appropriated profit at the beginning of the year	300,278	334,264
Increase / (decrease) in other comprehensive income	70,790	(33,986)
Decrease in liability for gratuity / increase in un appropriated profit at the end of the year	371,068	300,278

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.

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 of 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 of 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.

	2014 Rupees	2013 Rupees
3 CASH AND BANK BALANCES		
Cash in hand	18,133	15,685
Cash at banks:		
Current account - State Bank of Pakistan	6,838	10,258
Saving accounts (Note 3.1)	10,144,805	25,691,413
	10,151,643	25,701,671
	10,169,776	25,717,356

3.1 These carry markup at 7% (2013: 6% to 7%) per annum.

4 SHORT TERM INVESTMENT		
Investment in NAFA fund - available for sale	25,442	-
4.1 Fair value reserve		
Opening balance as on 01 July	-	2,155,582
Fair value adjustment recognised in other comprehensive income during the year	25,442	-
Less: Related deferred tax liability	(2,544)	-
Transferred to profit and loss account on disposal	-	(2,155,582)
	22,898	(2,155,582)
Closing balance as on 30 June	22,898	-

5 SHORT TERM MORABAHA INVESTMENTS - SECURED		
Considered good (Note 5.3)	60,870,000	43,320,000
Considered doubtful	227,284,231	232,584,231
	288,154,231	275,904,231
Add: Deferred / unearned morabaha income	1,736,010	4,340,433
	289,890,241	280,244,664
Less: Provision for doubtful morabaha investments (Note 5.2)	208,284,231	207,234,231
	81,606,010	73,010,433

5.1 These represent receivables against morabaha transactions on deferred payment basis at a profit margin rate ranging from 12.98% to 19% (2013: 12.25% to 19%) per annum. These are secured against mortgage of properties, personal guarantees and demand promissory notes.

5.2 This includes provision of Rupees 202,204,231 (2013: 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, Lahore 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 35 million (2013: Rupees 38.950 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 kibor plus 2.5 % per annum. Principal plus profit is repayable on expiry of the facility.

		2014 Rupees	2013 Rupees
6	**IJARAH RENTALS RECEIVABLE**		
	Considered good - secured	620,442	268,892
	Considered doubtful	36,150,459	36,150,459
	Less: Provision for doubtful ijarah rentals receivable (Note 6.1)	36,150,459	36,150,459
		-	-
		620,442	268,892
6.1	**Provision for doubtful ijarah rentals receivable**		
	Opening balance	36,150,459	36,302,478
	Add: Provision charged / (reversed) during the year	-	(152,019)
	Closing balance	36,150,459	36,150,459
7	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**		
	Prepayments	325,008	284,157
	Profit on morabaha investments - net	1,741,587	126,232
	Income tax refundable	1,286,857	1,283,374
	Receivable from clients - secured (Note 7.1)	10,353,218	9,228,309
	Receivable from Hajveri Modaraba Management Company (Private) Limited (Note 7.2)	3,206,064	3,206,064
	Miscellaneous receivables - considered good	1,030,269	418,034
		17,943,003	14,546,170
7.1	**Receivable from clients - secured**		
	Considered good	10,353,218	9,228,309
	Considered doubtful	7,126,181	8,481,996
	Less: Provision against doubtful receivables	7,126,181	8,481,996
		-	-
		10,353,218	9,228,309

7.1.1 These comprise of receivables generated as a consequence of carrying on the business by brokerage division. These are secured against respective listed shares of the clients.

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 Lahore High Court, Lahore. In view of this, no provision has been made in these financial statements against this receivable.

		2014 Rupees	2013 Rupees
8	**CURRENT PORTION OF NON-CURRENT ASSETS**		
	Long term morabaha investments (Note 9.1)	475,046	-
	Long term receivables (Note 10.2)	259,509	265,143
		734,555	265,143
9	**LONG TERM MORABAHA INVESTMENTS - SECURED**		
	Balance receivable	1,000,000	-
	Add: Deferred / unearned morabaha income	266,792	-
		1,266,792	-
	Less: Current portion of long term morabaha investments (Note 9.1)	475,046	-
		791,746	-
9.1	**Current portion of long term morabaha investments**		
	Morabaha investments	328,198	-
	Deferred / unearned morabaha income (Note 9.2)	146,848	-
		475,046	-

9.2 These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin ranging from 17% to 18% per annum. These are secured against mortgage of properties and demand promissory notes.

10	**LONG TERM RECEIVABLES AND DEPOSITS**		
	Long term loans to employees (Note 10.1)	744,380	687,534
	Securities and deposits	860,500	860,500
		1,604,880	1,548,034
	Less: Current portion of long term receivables (Note 10.2)	259,509	265,143
		1,345,371	1,282,891

10.1 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 1,330,008 (2013: Rupees 714,564). These loans are repayable in 36 equal installments.

10.2	**Current portion of long term receivables**		
	Loans to employees	259,509	265,143
11	**LONG TERM INVESTMENT**		
	Unquoted shares - available for sale (Note 11.1)	5,750,000	5,750,000

11.1 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.

12 INVESTMENT PROPERTIES

	Cost				Depreciation				Book value as at 30 June 2014	Annual rate of depreciation (%)
	As at 01 July 2013	Additions	Deletions	As at 30 June 2014	As at 01 July 2013	For the year	Adjustments on deletions	As at 30 June 2014		
	Rupees									
Land	4,554,035	-	(4,554,035)	-	-	-	-	-	-	-
	4,554,035	-	(4,554,035)	-	-	-	-	-	-	

	Cost				Depreciation				Book value as at 30 June 2013	Annual rate of depreciation (%)
	As at 01 July 2012	Additions	Deletion	As at 30 June 2013	As at 01 July 2012	For the year	Adjustments on deletions	As at 30 June 2013		
	Rupees									
Land	8,352,655	-	(3,798,620)	4,554,035	-	-	-	-	4,554,035	-
Building	1,470,322	-	(1,470,322)	-	9,190	30,632	(39,822)	-	-	2.5
	9,822,977	-	(5,268,942)	4,554,035	9,190	30,632	(39,822)	-	4,554,035	

12.1 Details of investment property disposed of during the year is as follows:

INVESTMENT PROPERTY	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS	MODE OF DISPOSAL	SOLD TO
	Rupees					
Land (Manawan)	4,554,035	-	4,554,035	18,550,000	Bid	Mr. Muhammad Sadiq Mehboob, Lahore
	4,554,035	-	4,554,035	18,550,000		

12.2 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 addendum was made to original agreement for transfer of possession and sale of 2 kanals and 5.5 marlas against payment of Rupees 12.950 million. On 20 June 2013, owner of adjacent property Mr. Muhammad Jamil filed a civil suit for permanent injunction with consequential relief against the Modaraba. During the year the Honorable Court disposed of the proceedings against the Modaraba. The Modaraba, after this order has sold the balance area of land under the aforesaid agreement through sale deed executed on 19 December 2013.

	2014 Rupees	2013 Rupees
13 TRADING RIGHT ENTITLEMENT CERTIFICATE, CARD AND ROOM		
Trading right entitlement certificate (Note 11.1)	-	-
Corporate membership of Islamabad Stock Exchange (Note 11.1)	-	-
Membership of Pakistan Mercantile Exchange Limited	1,010,000	1,010,000
Room at Islamabad Stock Exchange	5,270,000	5,270,000
	6,280,000	6,280,000

14 IJARAH ASSETS

	Plant and machinery	Office equipment	Vehicles	Total
	RUPEES			
At 30 June 2012				
Cost	17,985,092	636,325	15,334,678	33,956,095
Accumulated depreciation	(10,862,487)	(278,217)	(4,805,993)	(15,946,697)
Net book value	7,122,605	358,108	10,528,685	18,009,398
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	(897,507)	(125,000)	(4,678,539)	(5,701,046)
Accumulated depreciation	617,108	53,912	2,385,240	3,056,260
	(280,399)	(71,088)	(2,293,299)	(2,644,786)
Depreciation charge	(2,742,357)	(142,396)	(1,841,294)	(4,726,047)
Closing net book value	4,633,849	299,624	9,732,092	14,665,565
At 30 June 2013				
Cost	17,621,585	666,325	13,994,139	32,282,049
Accumulated depreciation	(12,987,736)	(366,701)	(4,262,047)	(17,616,484)
Net book value	4,633,849	299,624	9,732,092	14,665,565
Year ended 30 June 2014				
Opening net book value	4,633,849	299,624	9,732,092	14,665,565
Additions	6,970,000	140,300	10,953,500	18,063,800
Disposals:				
Cost	(5,379,363)	(479,000)	(4,523,449)	(10,381,812)
Accumulated depreciation	3,180,704	277,374	2,336,027	5,794,105
	(2,198,659)	(201,626)	(2,187,422)	(4,587,707)
Depreciation charge	(2,574,734)	(98,811)	(2,409,513)	(5,083,058)
Closing net book value	6,830,456	139,487	16,088,657	23,058,600
At 30 June 2014				
Cost	19,212,222	327,625	20,424,190	39,964,037
Accumulated depreciation	(12,381,766)	(188,138)	(4,335,533)	(16,905,437)
Net book value	6,830,456	139,487	16,088,657	23,058,600
Annual rate of depreciation (%)	20 - 33	25 - 33	20 - 33	

	2014 RUPEES	2013 RUPEES
15 FIXED ASSETS		
Assets in own use (Note 15.1)	3,469,114	3,940,145
Capital work in progress - property in course of construction (Note 15.2)	224,000,000	224,000,000
	227,469,114	227,940,145

15.1 ASSETS IN OWN USE

	Furniture and fixtures	Computers and equipment	Vehicles	Total
	Rupees			
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	278,428	1,085,005	3,734,945	5,098,378
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	231,596	930,832	2,777,717	3,940,145
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	231,596	930,832	2,777,717	3,940,145
Year ended 30 June 2014				
Opening net book value	231,596	930,832	2,777,717	3,940,145
Additions	47,300	76,200	725,000	848,500
Depreciation charge	(56,676)	(221,832)	(1,041,023)	(1,319,531)
Closing net book value	222,220	785,200	2,461,694	3,469,114
At 30 June 2014				
Cost	760,979	5,618,086	5,954,200	12,333,265
Accumulated depreciation	(470,811)	(4,832,886)	(3,492,506)	(8,796,203)
Accumulated impairment	(67,948)	-	-	(67,948)
Net book value	222,220	785,200	2,461,694	3,469,114
Annual rate of depreciation (%)	10	10-20	20	

15.1.2 The cost of fixed assets as on 30 June 2014 includes fully depreciated assets of Rupees 3,682,929 (2013: Rupees 3,383,689) which are still in use of the Modaraba.

15.2 CAPITAL WORK IN PROGRESS - PROPERTY IN COURSE OF CONSTRUCTION

	2014 Rupees	2013 Rupees
Corporate Tower, Lahore (Note 15.2.2)	204,000,000	204,000,000
Villas at Murree (Note 15.2.1)	20,000,000	22,250,000
	224,000,000	226,250,000
Less: Impairment loss on two villas	-	(2,250,000)
Closing balance	224,000,000	224,000,000

15.2.1 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. 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 was created against 2 villas during year ended 30 June 2013, land of which has not been purchased by the Modaraba. Market value of the property (4 villas) is estimated at Rupees 48 million. The valuation has been carried out by independent valuer.

15.2.2 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 Shohvez 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 Shohvez 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 Shohvez Riaz moved an application before the Additional District Collector (ADC), previously DO(R), for setting aside ex-parte order. The ADC dismissed the application vide its order dated 08 February 2014 and ordered review of oral mutation No. 858 dated 16 December 2006. After the aforesaid order, the property has been transferred in the name of the Modaraba in revenue records through mutation No. 1393 dated 26 May 2014.

15.2.1 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 exposure of Trust Investment Bank Limited to Enplan (Private) 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 364.852 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. Possibilities are being explored by the management of Enplan (Private) Limited to wholly and substantially sell the tower to some 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.

16 PLACEMENT

This represents advance / placement from Trust Investment Bank Limited (TIBL) - associated company arised 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 2014, the Modaraba repaid Rupees 1 million to Trust Investment Bank Limited .

	2014 Rupees	Restated 2013 Rupees
17 CREDITORS, ACCRUED AND OTHER LIABILITIES		
Accrued financial charges	3,551	3,540
Ijarah rentals received in advance	-	1,421
Due to customers (Note 17.1)	490,784	665,061
Accrued and other payables	2,703,335	2,465,217
Unclaimed profit distribution	10,751,531	11,064,073
Modaraba management company fee payable (Note 29)	-	-
Provision for workers' welfare fund	177,149	177,149
	14,126,350	14,376,461

17.1 These comprise of payables generated as a consequence of carrying on the business by brokerage division.

	2014 Rupees	2013 Rupees
18 CURRENT PORTION OF NON-CURRENT LIABILITIES		
Security deposits against ijarah assets (Note 19)	3,292,065	3,570,632
Deferred morabaha income (Note 23)	146,848	-
	3,438,913	3,570,632
19 SECURITY DEPOSITS AGAINST IJARAH ASSETS		
Security deposits against ijarah assets	9,634,872	8,082,672
Less: Current portion (Note 18)	3,292,065	3,570,632
	6,342,807	4,512,040

	2014 Rupees	Restated 2013 Rupees
20 EMPLOYEE BENEFITS		
Gratuity (Note 20.1)	(7,289)	160,045
Employees compensated absences (Note 20.2)	1,190,359	1,334,922
	1,190,359	1,494,967

20.1 Gratuity

The amounts recognized in the balance sheet are as follows:

Present value of defined benefit obligation	4,700,401	4,270,650
Fair value of plan assets	(4,707,690)	(4,110,605)
	(7,289)	160,045

a) Net recognized (asset) / liability

Liability as at 01 July	160,045	172,318
Expense charged to the profit and loss	363,779	460,323
Remeasurements recognized in other comprehensive income	(70,790)	33,986
Contributions made by the Modaraba during the year	(460,323)	(506,582)
(Asset) / liability as at 30 June	(7,289)	160,045

	2014 Rupees	Restated 2013 Rupees
b) Movement in present value of defined benefit obligation		
Present value of defined benefit obligation as at 01 July	4,270,650	3,606,305
Current service cost	371,141	437,921
Interest cost on defined benefit obligation	448,418	468,820
Benefits paid during the year	-	-
Remeasurements (experience adjustments)	(389,808)	(242,396)
Present value of defined benefit obligation as at 30 June	4,700,401	4,270,650
c) Movement in fair value of plan assets		
Fair value of plan assets as at 01 July	4,110,605	3,433,987
Interest income on plan assets	455,780	446,418
Contributions during the year	460,323	506,582
Benefits paid during the year	-	-
Return on plan assets, excluding interest income	(319,018)	(276,382)
Fair value of plan assets as at 30 June	4,707,690	4,110,605
d) Plan assets consist of the following:		
Investments in units of mutual fund	4,677,789	4,026,517
Cash at bank	29,901	84,088
	4,707,690	4,110,605

e) The Modaraba's objective is to match plan assets to the benefit obligations by investing in securities with maturities that match the benefit payments as they fall due. The Modaraba actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit plan obligation. The Modaraba has not changed the processes used to manage its risks from previous periods. The Modaraba does not use derivatives to manage its risk. A large portion of plan assets in 2014 consists of units of mutual fund. The Modaraba believes that mutual funds offer the best returns over the term with an acceptable level of risk under islamic mode of investment.

f) Expense charged to the profit and loss		
Current service cost	371,141	437,921
Interest cost on defined benefit obligation	448,418	468,820
Interest income on plan assets	(455,780)	(446,418)
	363,779	460,323
g) Total remeasurements recognized in other comprehensive income		
Remeasurements of plan obligation (experience adjustments)	(389,808)	(242,396)
Return on plan assets, excluding interest income	319,018	276,382
	(70,790)	33,986

h) Historical information

	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees
Present value of defined benefit obligation	4,700,401	4,270,650	3,606,305	3,344,439	3,009,253
Fair value of plan assets	(4,707,690)	(4,110,605)	(3,433,987)	(3,004,377)	(2,404,332)
Deficit in the plan	(7,289)	160,045	172,318	340,062	604,921
Experience adjustments arising on plan obligation	389,808	242,396	420,751	514,620	240,541
Experience adjustments arising on plan assets	319,018	276,382	412,355	287,069	214,991

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

	Per annum	
	2014	2013
Discount rate used for year end obligation	13.5%	10.5%
Discount rate used for interest cost in profit and loss	10.5%	13.0%
Expected rate of increase in salary	12.5%	9.5%
Expected rate of return on plan assets	10.50%	12%

Mortality was assumed as per SLIC (2001 - 2005) Mortality Table with one year set back.

j) The Modaraba expects to pay Rupees 439,356 in contributions to defined benefit plan in year 2015.

k) The average duration of the defined benefit obligation is 10 years.

l) Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the trust deed of the Plans. Responsibility for governance of the Fund, including investment decisions and contribution schedules, lies with the Board of Trustees. The modaraba management company appoints the trustees and all trustees are employees. There is no minimum contribution requirement to the fund.

m) The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the plan, at the beginning of the period, for returns over the entire life of restated obligation.

n) **Sensitivity analysis**

The sensitivity of the defined benefit obligation to change in 100 basic points (1 percent) of discount rate at the end of the year is as follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption (Rupees)	Decrease in assumption (Rupees)
Discount rate at 30 June	1.00%	(4,260,108)	5,201,980
Future salary increases	1.00%	5,207,017	(4,248,217)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the amounts recognized within the balance sheet.

	2014 Rupees	2013 Rupees
20.2 Employees compensated absences		
Opening balance	1,334,922	1,305,166
Amount recognized during the year in profit and loss	(7,763)	200,629
Benefit paid during the year	(136,800)	(170,873)
Closing balance	1,190,359	1,334,922

	2014 Rupees	2013 Rupees
a) Movement in liability for defined benefit obligation		
Present value of defined benefit obligation as at 01 July	1,334,922	1,305,166
Current service cost	276,715	193,301
Interest cost on defined benefit obligation	132,985	169,672
Benefits paid during the year	(136,800)	(170,873)
Remeasurements (experience adjustments)	(417,463)	(162,344)
Present value of defined benefit obligation as at 30 June	1,190,359	1,334,922
b) Amount recognized in profit and loss		
Current service cost	276,715	193,301
Interest cost on defined benefit obligation	132,985	169,672
Remeasurements (experience adjustment)	(417,463)	(162,344)
	(7,763)	200,629

c) Historical information

	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees
Present value of defined benefit obligation	1,190,359	1,334,922	1,305,166	1,178,868	807,608
Experience adjustments arising on plan liabilities	(417,463)	(162,344)	(72,866)	9,161	(207,084)

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

	Per annum	
	2014	2013
Discount rate used for year end obligation	13.5%	10.5%
Discount rate used for interest cost in profit and loss	10.5%	13.0%
Expected rate of increase in salary	12.5%	9.5%
Average number of leaves utilized per annum	20 days	20 days

Mortality was assumed as per SLIC (2001 - 2005) Mortality Table with one year set back.

e) The average duration of the defined benefit obligation is 11 years.

f) Sensitivity analysis

The sensitivity of the defined benefit obligation to change in 100 basic points (1 percent) of discount rate at the end of the year is as follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption (Rupees)	Decrease in assumption (Rupees)
Discount rate at 30 June	1.00%	(1,070,793)	1,328,703
Future salary increases	1.00%	1,328,703	(1,068,800)

This sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the amounts recognized within the balance sheet.

		2014 Rupees	2013 Rupees
21	**CERTIFICATE CAPITAL**		
	Authorized certificate capital		
	62,500,000 (2013: 62,500,000) modaraba certificates of Rupees10 each	625,000,000	625,000,000
	Issued, subscribed and paid-up certificate capital		
	16,656,491 (2013:16,656,491) modaraba certificates of Rupees 10 each fully paid up in cash	166,564,910	166,564,910
	3,976,908 (2013: 3,976,908) modaraba certificates of Rupees 10 each issued as fully paid bonus certificates	39,769,080	39,769,080
	5,780,405 (2013: 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

21.1 Fidelity Capital Management (Private) Limited, the management company, holds 5,869,614 (2013: 5,869,614) modaraba certificates in the Modaraba.

22	**RESERVES**		
	Capital reserves		
	Statutory reserve (Note 22.1)	79,377,508	78,624,577
	Fair value reserve (Note 22.2)	22,898	-
	Revenue reserve		
	Unappropriated profit	5,305,975	2,223,460
		84,706,381	80,848,037

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

22.2 This represented unrealized gain on re-measurement of available for sale equity investment at fair value.

23	**DEFERRED MORABAHA INCOME**		
	Long term deferred morabaha income	266,792	-
	Less: Current maturity of deferred morabaha income (Note 18)	146,848	-
		119,944	-

24 **CONTINGENCIES AND COMMITMENTS**

Contingencies

There were no reportable contingencies other than those disclosed in these financial statements as at 30 June 2014.

	Commitments	Nil	Nil

25	**OTHER INCOME**		
	Return on bank deposits	39,987	-
	Fees, commission and other charges	46,073	17,141
	Return on loans to employees	35,534	31,229
	Gain on sale of investment	240,000	1,842,044
	Gain on sale of fixed assets - net	-	31,171
	Gain on sale of investment property	13,995,965	10,472,880
		14,357,559	12,394,465

		2014 Rupees	2013 Rupees
26	**ADMINISTRATIVE AND GENERAL EXPENSES**		
	Salaries and other benefits (Note 26.1)	9,722,083	9,449,908
	Legal and professional	594,260	596,040
	Printing and stationery	366,794	480,537
	Travelling, conveyance and vehicles' running	2,205,235	2,219,545
	Insurance	283,412	277,702
	Fee, subscription and taxes	620,045	571,911
	Auditors' remuneration (Note 26.2)	541,000	505,000
	Rent and taxes	251,400	69,368
	Repair and maintenance	185,851	172,510
	Electricity, water and gas	280,075	267,031
	Entertainment	348,348	306,503
	Advertisement	71,750	199,165
	Telephone and postage	537,881	862,937
	Depreciation on fixed assets in own use (Note 15.1)	1,319,531	1,252,978
	Impairment on capital work in progress (Note 15.2)	-	2,250,000
	Miscellaneous	764,752	757,807
		18,092,417	20,238,942

26.1 Salaries and other benefits include Rupees 363,779 (2013: Rupees 460,323) in respect of gratuity and Rupees 473,436 (2013: Rupees 479,129) on account of provident fund contribution.

26.2	**Auditors' remuneration**		
	Audit fee	275,000	250,000
	Review of half yearly accounts	126,000	115,000
	Certifications	100,000	100,000
	Out of pocket expenses	40,000	40,000
		541,000	505,000
27	**FINANCIAL CHARGES**		
	Bank and other charges	24,154	5,623
	Interest on amount payable to provident fund trust	3,551	3,540
		27,705	9,163
28	**PROVISION FOR NON-PERFORMING RECEIVABLES**		
	Opening balance	255,120,458	265,643,934
	Add: Charged during the year	3,440,000	6,969,372
	Less: Reversed during the year	3,745,815	17,492,848
	Net reversal during the year	(305,815)	(10,523,476)
	Closing balance	254,814,643	255,120,458
28.1	**Break up of closing balance**		
	Provision against doubtful morabaha investments (Note 5)	208,284,231	207,234,231
	Provision against doubtful ijarah rentals receivable (Note 6.1)	36,150,459	36,150,459
	Provision against receivables from clients (Note 7.1)	7,126,181	8,481,996
	Provision against profit receivable on morabaha investment	3,253,772	3,253,772
		254,814,643	255,120,458

29 **MODARABA MANAGEMENT COMPANY FEE**

Management fee payable to modaraba management company for the year ended 30 June 2013 amounting to Rupees 710,040 has been reversed as per instructions of SECP as the Modaraba did not distribute 90% of its profit available for appropriation to certificate holders. This adjustment has been recognized retrospectively and comparative amounts for the year ended 30 June 2013 have been restated in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". No provision for modaraba management company fee has been provided for the year ended 30 June 2014 on the same basis.

	2014 Rupees	2013 Rupees
30 PROVISION FOR TAXATION		
Current:		
For the year (Note 30.1)	24,000	-
Deferred income tax (Note 30.2)	2,544	-

30.1 Provision for current tax represents capital gain tax. No other provision for tax is recognized as the Modaraba has estimated carry forwardable tax losses of Rupees 66.356 million (2013: Rupees 55.800 million). 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.

30.2 Deferred income tax

The (liability) / asset for deferred income tax originated due to temporary differences relating to:

Surplus on available for sale investment	(2,544)	-
Accelerated tax depreciation	(28,945)	532,388
Carry forward tax losses	16,589,064	13,950,012
	16,557,575	14,482,400
Less: Deferred income tax asset not recognized	16,560,119	14,482,400
	(2,544)	-

30.2.1 The deferred income tax asset of Rupees 16.560 million (2013: Rupees 14.482 million) 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.

31 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Profit attributable to ordinary certificates holders	Rupees	3,764,656	7,185,901
Weighted average number of ordinary certificates	Numbers	26,413,804	26,413,804
Earnings per certificate	Rupees	0.14	0.27

31.1 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.

32 FUTURE IJARAH RENTALS RECEIVABLE

Aggregate amount of future ijarah rentals receivable on the basis of agreements executed upto 30 June 2014 approximate to Rupees 19,104,627 (2013: Rupees 9,630,986). The amount of future ijarah rentals receivable and period during which they fall due are:

Not later than one year	6,598,999	5,272,286
Later than one year but not later than five years	12,505,628	4,358,700
Later than five years	-	-
	19,104,627	9,630,986

32.1 The Modaraba has entered into various Ijarah agreement for periods ranging from 3 to 5 years (2013: 3 to 5 years). Security deposits ranging from 0% to 64% (2013: 0% to 70%) are obtained at the time of disbursement. The rate of profit implicit in Ijarah ranges from 17% to 21% (2013: 17% to 20%) per annum.

33 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2014		
	Officers	Others	Total
	Rupees	Rupees	Rupees
Remuneration	5,841,660	787,500	6,629,160
House rent	1,322,640	184,700	1,507,340
Gratuity and employee compensated absences	356,016	-	356,016
Provident fund contribution	440,868	32,568	473,436
Other allowances	756,131	-	756,131
	8,717,315	1,004,768	9,722,083
Number of employees at the year end	12	9	21

	2013		
	Officers	Other	Total
	Rupees	Rupees	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
	8,414,959	1,034,949	9,449,908
Number of employees at the year end	12	10	22

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

34 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.

34.1 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:

	2014	2013
	Rupees	Rupees
Bank balances	10,151,643	25,701,671
Investments	5,775,442	5,750,000
Ijarah rentals receivables	620,442	268,892
Morabaha investments	80,870,000	68,670,000
Advances, deposits and other receivables	16,331,138	12,923,639
Long term receivables and deposits	1,604,880	1,548,034
	115,353,545	114,862,236

34.1.1 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			2014	2013
	Short term	Long term	Agency	Rupees	
NIB Bank Limited	A1+	AA-	PACRA	32,096	30,204
Samba Bank Limited	A-1	AA-	JCR-VIS	5,551,242	14,294,403
MCB Bank Limited	A1+	AAA	PACRA	1,044,914	11,209,010
Meezan Bank Limited	A-1+	AA	JCR-VIS	3,503,299	-
Faysal Bank Limited	A1+	AA	PACRA	13,254	157,795
State Bank of Pakistan	-	-	-	6,838	10,259
				10,151,643	25,701,671

34.1.2 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, mortgage of properties and demand promissory notes varying from case to case.

34.1.3 Age analysis of profit on morabaha investments

Past due	2014				
	Gross amount	Amount on which no suspension required	Amount on which suspension is required	Suspension made under Prudential Regulations	Carrying amount
	Rupees				
0 days	1,684,344	1,684,344	-	-	1,684,344
1 day - 89 days	12,387,942	57,243	12,330,699	12,330,699	57,243
90 days - 179 days	85,422	-	85,422	85,422	-
180 days - 364 days	268,018	-	268,018	268,018	-
1 year - less than 2 year	-	-	-	-	-
2 year - less than 3 year	714,906	-	714,906	714,906	-
3 year or more	940,835	-	940,835	940,835	-
Total	16,081,467	1,741,587	14,339,880	14,339,880	1,741,587

Past due	2013				
	Gross amount	Amount on which no suspension required	Amount on which suspension is required	Suspension made under Prudential Regulations	Carrying amount
	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

34.1.4 Age analysis of morabaha investments

Past due	2014				
	Gross amount	Amount on which no provision required	Amount on which provision is required	Provision recognized under Prudential Regulations	Carrying amount
	Rupees				
0 days	21,500,000	21,500,000	-	-	21,500,000
1 day -179 days	37,170,000	37,170,000	-	-	37,170,000
180 days- 364 days	3,200,000	-	3,200,000	-	3,200,000
1 year - less than 2 year	-	-	-	-	-
2 year - less than 3 year	19,530,000	-	19,530,000	5,530,000	14,000,000
3 year or more	207,754,231	-	207,754,231	202,754,231	5,000,000
Total	289,154,231	58,670,000	230,484,231	208,284,231	60,870,000

Past due	2013				
	Gross amount	Amount on which no provision required	Amount on which provision is required	Provision recognized under Prudential Regulations	Carrying amount
	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 and above	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

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.

34.1.5 Age analysis of Ijarah rentals receivable

Past due	2014				
	Gross amount	Amount on which no suspension required	Amount on which suspension is required	Suspension made under Prudential Regulations	Carrying amount
	Rupees				
0 days	40,617	40,617	-	-	40,617
1 day -89 days	579,825	579,825	-	-	579,825
90 days -179 days	416,481	-	416,481	416,481	-
180 days - 364 days	471,166	-	471,166	471,166	-
1 year - less than 2 year	32,662	-	32,662	32,662	-
2 year - less than 3 years	37,500	-	37,500	37,500	-
3 year or more	38,538,078	-	38,538,078	38,538,078	-
Total	40,116,329	620,442	39,495,887	39,495,887	620,442

Past due	2013				
	Gross amount	Amount on which no suspension required	Amount on which suspension is required	Suspension made under Prudential Regulations	Carrying amount
	Rupees				
0 days	100,104	100,104	-	-	100,104
1 day -89 days	168,788	168,788	-	-	168,788
90 days -179 days	101,326	-	101,326	101,326	-
180 days - 364 days	45,755	-	45,755	45,755	-
1 year - less than 2 year	24,000	-	24,000	24,000	-
2 year - less than 3 years	148,230	-	148,230	148,230	-
3 year or more	38,648,023	-	38,648,023	38,648,023	-
Total	39,236,226	268,892	38,967,334	38,967,334	268,892

34.1.6 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 2014 is as follows:

	Ijarah assets	Morabaha investments	Total	% age
	Rupees			
Transport and communications	-	5,000,000	5,000,000	4.82
Education	2,000,005	-	2,000,005	1.92
Power	1,490,935	-	1,490,935	1.43
Textiles	500,000	-	500,000	0.48
Construction	690,000	35,000,000	35,690,000	34.34
Individuals	18,377,660	40,870,000	59,247,660	57.01
Total	23,058,600	80,870,000	103,928,600	100.00

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

34.2 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:

	2014					
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
	Rupees					
Financial liabilities						
Creditors, accrued and other liabilities	13,949,201	13,949,201	13,949,201	-	-	-
Total	13,949,201	13,949,201	13,949,201	-	-	-

	2013					
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
	Rupees					
Financial liabilities						
Placement	1,000,000	1,000,000	1,000,000	-	-	-
Creditors, accrued and other liabilities	14,197,911	14,197,911	14,197,911	-	-	-
Total	15,197,911	15,197,911	15,197,911	-	-	-

34.2.1 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).

34.3 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.

34.3.1 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.

34.3.2 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:

	2014 Rupees	2013 Rupees
Fixed rate instruments		
Financial assets		
Morabaha investments	45,870,000	29,720,000
Floating rate instruments		
Financial asset		
Morabaha investment	35,000,000	38,950,000
Bank balances	10,144,805	25,691,413

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 the year 2013.

	EFFECT ON PROFIT	
	100 bps	
	Increase	Decrease
	Rupees	Rupees
As at 30 June 2014		
Cash flow sensitivity-floating rate financial assets	451,448	(451,448)
Cash flow sensitivity-floating rate financial liabilities	-	-
Net effect	451,448	(451,448)

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

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.

34.3.3 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

There were no investment in listed shares as on 30 june 2014. The Modaraba only owns units of NAFA fund which is an open ended mutual fund. There was no direct 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.

34.4 Fair values of financial assets and liabilities

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

	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2014				
Assets				
Available for sale financial assets	25,442	-	5,750,000	5,775,442
As at 30 June 2013				
Assets				
Available for sale financial assets	-	-	5,750,000	5,750,000

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 repurchase price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The Modaraba has no level 2 financial instruments as on 30 June 2014.

	Loans and receivables	Available for sale	Total
	Rupees		
34.5 Financial instruments by categories			
As at 30 June 2014			
Assets as per balance sheet			
Cash and bank balances	10,169,776	-	10,169,776
Investments	-	5,775,442	5,775,442
Ijarah rentals receivables	620,442	-	620,442
Morabaha investments	80,870,000	-	80,870,000
Advances, deposits and other receivables	16,331,138	-	16,331,138
Long term receivables and deposits	1,604,880	-	1,604,880
	109,596,236	5,775,442	115,371,678

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Creditors, accrued and other liabilities	13,949,201

	Loans and receivables	Available for sale	Total
	Rupees		
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
	109,127,921	5,750,000	114,877,921

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Placement	1,000,000
Creditors, accrued and other liabilities	14,197,911
	15,197,911

		2014 Rupees	2013 Rupees
35	**CASH (USED IN) / GENERATED FROM OPERATIONS**		
	Profit before taxation	3,788,656	7,185,901
	Adjustment for non-cash charges and other items:		
	Provision for non-performing receivables - Reversal	(305,815)	(10,523,476)
	Depreciation	6,402,589	6,009,657
	Impairment on capital work in progress	-	2,250,000
	Financial charges	27,705	9,163
	Profit on morabaha investments	(5,714,231)	(1,780,788)
	Return on bank deposits	(39,987)	-
	Gain on sale of ijarah assets	(130,527)	-
	Gain on sale of fixed assets	-	(31,171)
	Gain on sale of investment properties	(13,995,965)	(10,472,880)
	Gain on sale of investment in NAFA fund	(240,000)	-
	Gain on sale of investments	-	(1,842,044)
	Provision for employee benefits	356,016	660,952
	Working capital changes (Note 35.1)	(14,961,330)	15,259,263
		(24,812,889)	6,724,577
35.1	**Working capital changes**		
	(Increase) / decrease in operating assets		
	Morabaha investments	(13,250,000)	44,940,884
	Ijarah rentals receivable	(351,550)	68,472
	Advances, deposits, prepayments and other receivables	(422,180)	6,462,972
		(14,023,730)	51,472,328
	(Decrease) in operating liabilities		
	Creditors, accrued and other liabilities	(937,600)	(36,213,065)
		(14,961,330)	15,259,263

36 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 of the modaraba management company 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 domicited 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 2014, there was only one (30 June 2013: one) certificate holder who held more than 10% of the Modaraba's certificate capital. Its holding was 22.22% (30 June 2013: 22.22%).

37 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise of associated companies, modaraba management company, directors and key management personnel and retirement benefits. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment, staff retirement benefits and others as disclosed in notes 16, 20 and 33 respectively are as follows:

	2014 Rupees	2013 Rupees
Payable to provident fund trust	-	31,414
Purchase of operating fixed assets from associated company	-	16,000
Morabaha investment and profit thereon receivable from officers of the Modaraba	1,170,000	1,368,714

38 CORRESPONDING FIGURES

Corresponding figures have been restated as mentioned in notes 2.13 and 29. No other significant reclassification and rearrangements have been made.

39 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the modaraba management company has proposed a cash dividend for the year ended 30 June 2014 of Rupees Nil (2013: Nil) per Certificate at their meeting held on October 02, 2104 However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

40 GENERAL

- The financial statements of the Modaraba were approved by the directors of modaraba management company and authorized for issue on October 02, 2104.

- 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 Certificate holding

Form - 34

1. Incorporation Number
2. Name of The Company **First Fidelity Leasing Modaraba**
3. Pattern of Holding of the Certificates held by the Certificate holders as at : **June 30, 2014**
4.

No. of Certificate holders	Certificate holding		Total Certificate held
	From	To	
3,537	1	100	141,866
2,395	101	500	578,569
892	501	1,000	691,591
1,029	1,001	5,000	2,100,883
144	5,001	10,000	1,072,821
55	10,001	15,000	649,714
28	15,001	20,000	497,551
30	20,001	25,000	671,336
7	25,001	30,000	193,584
10	30,001	35,000	332,700
6	35,001	40,000	225,315
5	40,001	45,000	212,440
4	45,001	50,000	191,203
3	50,001	55,000	159,362
3	55,001	60,000	171,119
3	60,001	65,000	190,000
3	65,001	70,000	204,000
3	70,001	75,000	217,200
2	75,001	80,000	155,296
1	80,001	85,000	83,500
1	85,001	90,000	88,100
1	90,001	95,000	93,991
5	95,001	100,000	496,000
1	100,001	105,000	101,205
1	110,001	115,000	110,500
1	125,001	130,000	126,000
1	130,001	135,000	132,369
1	145,001	150,000	150,000
1	185,001	190,000	189,500
1	195,001	200,000	196,230
2	200,001	205,000	405,153
1	210,001	215,000	211,500
1	250,001	255,000	253,124
1	255,001	260,000	260,000
1	265,001	270,000	266,792
1	270,001	275,000	272,000
1	280,001	285,000	281,500
1	300,001	305,000	302,562
1	320,001	325,000	324,500
1	350,001	355,000	350,804
1	410,001	415,000	413,000
1	495,001	500,000	495,078
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	1,030,001	1,035,000	1,034,931
1	1,130,001	1,135,000	1,134,090
1	1,170,001	1,175,000	1,175,000
1	2,640,001	2,645,000	2,641,380
1	3,225,001	3,230,000	3,228,234
8,196			**26,413,804**

CATEGORIES OF CERTIFICATE HOLDING
FOR THE YEAR ENDED 30 JUNE 2014

First Fidelity Leasing Modaraba

As On: June 30, 2014

Categories of Certificate holders	Physical	CDC	Total	% age
Directors, Chief Executive Officer, Their Spouses and Minor Childern				
Directors				
Siyyid 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
	2,145	-	2,145	0.01
Banks, NBFCs, DFIs, Takaful, Pension Funds	29,582	96,463	126,045	0.48
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.	634,491	1,472,796	2,107,287	7.98
General Public	3,330,278	13,867,845	17,198,123	65.11
	3,996,973	22,416,831	26,413,804	100.00

Certificate holders More Than 5.00%				
Fidelity Capital Management (Pvt) Limited			5,869,614	22.22

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