

**FIDELITY
LEASING**

FIRST FIDELITY LEASING MODARABA

Managed by: Fidelity Capital Management (Private) Limited



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CORPORATE INFORMATION

Board of Directors

Fidelity Capital Management (Private) Limited.

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

Company Secretary / CFO

Mr. Mohammed Waheed

Auditors of Modaraba

Rahman Sarfaraz Rahim Iqbal Rafiq
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: 042 - 35713461 - 6 4
Fax: 042 - 35759122
Email: info@fidelitymodaraba.com
Website: www.fidelitymodarab.com

Registrars

Corptec Associates (Private) Limited
503-E, Johar Town Lahore.
Tel: 042 - 35170336 - 7
Fax: 042 - 35170338
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 2015 Rupees	June 2014 Rupees	June 2013 Rupees	June 2012 Rupees	June 2011 Rupees	June 2010 Rupees
Operating results						
Revenues	14.25	40.72	21.89	45.36	68.79	55.88
Operating profit before (Loss)/Profit after taxation and management fee	(7.30)	3.76	7.18	16.96	(11.85)	(2.27)
Financial position						
Fixed assets (owned and leased out)	242.31	250.94	242.60	249.34	75.27	105.76
Total assets	367.02	375.801	374.280	420.93	432.87	459.59
Certificateholders equity	342.29	348.84	344.99	352.80	325.20	326.70
Paid up capital	264.13	264.13	264.13	264.13	264.13	264.13
(Loss)/Earning per certificate	(0.25)	0.14	0.27	0.64	(0.45)	(0.09)
Profit distribution (%)	0.00	0.00	0.00	0.50	-	-
Break-up value per certificate	12.93	13.21	13.06	13.36	12.31	12.37



NOTICE TO 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, 2015 will be held on Friday October 30, 2015 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, 2015 to October 30, 2015 (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, 2015 shall be entitled to attend the meeting.

**October 07, 2015
Lahore**

**Mohammad Waheed
(Company Secretary)**



DIRECTORS' REPORT

The Board of Directors of Fidelity Capital Management (Private) Limited, the Management company of First Fidelity Leasing Modaraba, are pleased to present the 24th Annual Report of First Fidelity Leasing Modaraba along with the audited financial statements and the auditors' report thereon for the year ended June 30, 2015.

Financial Results

The financial results of the Modaraba are summarized as follows.

	Rupees in '000'	
	2015	2014
Income	11,571	40,719
Expenses	(21,460)	(23,470)
Operating profit / (loss) before provision and taxation	(9,889)	3,483
Changes in impairment allowance for non-performing receivables	2,585	(13,460)
Modaraba Company's management fee	-	-
(Loss)/ loss before taxation	(7,303)	3,789
Taxation	2	(24)
(Loss)/Profit after tax	(7,301)	3,764

Appropriations

Appropriated as follows:

Transferred to statutory reserve	-	(753)
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Profit distribution

Nil	Nil
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Earning per Certificate :

(Loss)/Profit per certificate stood at	Re.(0.28)	Re.0.14
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Review of Operations

As referred to in note 18.2.1 to the financial statements and as highlighted by auditors' report Modaraba's major portfolio at present is in the corporate tower and to some extent in Murree Villas. The management is anxious to get Modaraba's funds back so that we may revert back to our core business. During the year under reference, the investment in these properties could not be liquidated at profitable terms due to which new investments for generation of regular stream of income could not be undertaken and the income reported is from the core business of brought forward investments in leasing and morabaha, etc. The management is stressing the owner of the corporate tower to complete it with the help of finances from other sources so that it is completed; at least, to the extent we are able to liquidate the investment. As regards Murree Villas, the management has geared up efforts either to sell the property as such or to complete it by construction through a contractor and hopefully in the financial year ending 30 June 2016 the investment will be liquidated. Once these investments are liquidated, it will have salutary effect on the income of the Modaraba.

Corporate Governance Compliance

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

- 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.
- 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 (chairman)	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	2
Siyyid Tahir Nawazish	2
Mr. Abdul Hameed Kiyani	2

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, 2015 works out to Rs.746,025. 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, 2015 works out to Rs.4,753,296.

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 were not eligible for reappointment. The new auditors M/s Rahman Sarfraz Rahim Iqbal Rafiq Chartered Accountants has been appointed with the approval of the Registrar Modaraba.

Future Outlook and Strategy

The Management visualises Modaraba's future prospects bright on realization of funds out of investments in the current real estate projects so as to invest in business modes to generate regular stream of income for the benefit of the certificate holders.

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.

Lahore
October 07, 2015

For and on behalf of the
Board of Directors

Wasim ul Haq Osmani
Chief Executive



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement is being presented to comply with the Code of Corporate Governance as contained in the listing 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. The Board is in the process of developing the mechanism for annual evaluation of its own performance.
11. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made by the Board during the year.
12. 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.
13. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.
14. 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.
15. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
16. 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.
17. 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.
18. The Board has formed a Human Resource and Remuneration (HR&R) Committee. It comprises of 3 members, all of whom are non-executive directors.
19. 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.
20. 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.
21. 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.
22. 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).
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
24. We confirm that all other material requirements of the CCG have been complied with.

Lahore

October 07, 2015

For and on behalf of the
Board of Directors

Wasim ul Haq Osmani
Chief Executive



REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH 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 **June 30, 2015** to comply with the requirements of Listing Regulation No 35 of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited where the Company 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 requirements 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 instance of non-compliance as described in the preceding paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with best practices contained in the Code as applicable to the Management Company for the year ended **June 30, 2015**.

Further, we highlight below instance of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in Statement of Compliance:

Reference	Description
Paragraph 10	The Board is in the process of developing the mechanism for annual evaluation of its own performance

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Engagement Partner: **ZUBAIR IRFAN MALIK**

Date: October 07, 2015

Place: Lahore



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **FIRST FIDELITY LEASING MODARABA** ("the Modaraba") as at **June 30, 2015** and the related profit and loss account, statement of profit or loss and other 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 purpose of our audit. The financial statements of the Modaraba for the year ended June 30, 2014 were audited by another auditor whose report dated October 02, 2014 expressed a qualified opinion on those financial statements.

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 above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

- I. As referred to in note 18.2.1 to the financial statements, the construction of the Tower was due to be completed by December 28, 2013 as per the settlement agreement and agreement sell and buy back. However, the construction work has stalled at the plinth level. Settlement of the advance is dependent upon completion of the Tower through raising further funds or disposal of the tower in existing state to an interested party for which the management as well as the contractor are actively working upon. Pending the outcome of the aforesaid efforts, management has not measured the recoverable amount of the advance. Accordingly, impairment loss, if any, has not been recognized in these financial statements.
- II. Except for the effects, if any, of the matter described in paragraph (I) above:
 - a) in our opinion, proper books of account 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 account and are further in accordance with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects 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 profit or loss and other 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 June 30, 2015 and of the loss, other comprehensive loss, its cash flows and changes in equity for the year then ended; and
- III. in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Engagement Partner: **ZUBAIR IRFAN MALIK**

Date: **October 07, 2015**

Place: **Lahore**



SHARI'AH ADVISOR'S REPORT

For the year ended 30 June 2015

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, 2015 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 Internal Shariah Audit functions plays a vital role in achieving the objective of ensuring Shariah Compliance by evaluating the adherence to Shariah guidelines in each and every activity undertaken by the Modaraba;
2. 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;
3. The Modaraba primarily used Ijara and Morabaha for its financing activities, all these transactions are/were being executed under my supervision/review. 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;
4. On liabilities side the Modaraba has not availed financing from any financial institution or a corporate entity during the year, furthermore there is not any brought forward figure, under this head, appearing in the book of accounts of the Modaraba.
5. In order to further strengthen the level of Shariah Compliance while executing various transaction, the Modaraba strictly focus and keep on to detailed Shariah Compliance Guidelines issued by Securities and Exchange Commission of Pakistan.
6. 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.

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. The amounts already invested in development projects should be liquidated ASAP and be shifted towards core business of the Modaraba.

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.

Signature

Mufti Muhammad Umar Ashraf
Shari'ah Advisor
Dated: October 02, 2015




BALANCE SHEET AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances	6	399,712	10,169,776
Short term investments	7	-	25,442
Short term finances under murabahah arrangements - Secured	8	87,738,880	81,606,010
Ijarah rentals receivable - Secured	9	380,154	620,442
Profit receivable - Secured		6,485,698	1,741,587
Advances, deposits, prepayments and other receivables	10	13,984,903	14,914,559
Advance income tax		1,221,058	1,286,857
Current portion of non-current assets	11	763,190	734,555
		110,973,595	111,099,228
NON-CURRENT ASSETS			
Long term prepayments	23.1.1	-	7,289
Long term finances under murabahah arrangements - Secured	12	385,890	791,746
Long term advances and deposits	13	1,472,545	1,345,371
Long term investment	14	5,750,000	5,750,000
Membership assets	15	6,280,000	6,280,000
Assets leased out under ijarah contracts	16	16,114,597	23,058,600
Investment property	17	-	-
Property and equipment	18	226,206,814	227,469,114
		256,209,846	264,702,120
TOTAL ASSETS		367,183,441	375,801,348
LIABILITIES			
CURRENT LIABILITIES			
Deferred murabahah income		368,880	1,736,010
Accrued and other liabilities	19	17,643,289	14,126,350
Current portion of non-current liabilities	20	2,028,922	3,438,913
		20,041,091	19,301,273
NON-CURRENT LIABILITIES			
Deferred taxation	21	-	2,544
Security deposits	22	4,081,359	6,342,807
Employees retirement benefits	23	1,375,578	1,190,359
Deferred murabahah income	24	74,906	119,944
		5,531,843	7,655,654
Contingencies and commitments	25		
TOTAL LIABILITIES		25,572,934	26,956,927
NET ASSETS		341,610,507	348,844,421
REPRESENTED BY			
Authorized certificate capital			
62,500,000 (2014: 62,500,000) modaraba certificates of Rs. 10 each		625,000,000	625,000,000
Issued, subscribed and paid-up capital	26	264,138,040	264,138,040
Reserves	27	77,472,467	84,706,381
TOTAL EQUITY		341,610,507	348,844,421

The annexed notes 1 to 49 form an integral part of these financial statements.

For Fidelity Capital Management (Private) Limited
[The Management Company]


Chief Executive

Fidelity Capital Management
(Private) Limited


Director

Fidelity Capital Management
(Private) Limited


Director

Fidelity Capital Management
(Private) Limited

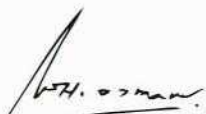


PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
INCOME			
Income from ijarah financing		6,532,879	10,226,840
Profit on murabahah financing		4,977,253	16,134,859
Net other income	28	61,266	14,357,559
		11,571,398	40,719,258
EXPENSES			
Amortization of assets leased out under ijarah contracts	16	(4,620,740)	(5,083,058)
Administrative and general expenses	29	(16,503,793)	(18,092,417)
Stock exchange and CDC charges		(316,526)	(267,181)
Financial charges	30	(19,173)	(27,705)
		(21,460,232)	(23,470,361)
Changes in impairment allowance for non-performing assets	31	2,585,209	(13,460,241)
(Loss)/profit before management fee and taxation		(7,303,625)	3,788,656
Management fee	32	-	-
(Loss)/profit before taxation		(7,303,625)	3,788,656
Taxation	33	2,544	(24,000)
(Loss)/profit after taxation		(7,301,081)	3,764,656
(Loss)/earnings per certificate - basic and diluted	34	(0.28)	0.14

The annexed notes 1 to 49 form an integral part of these financial statements.

For Fidelity Capital Management (Private) Limited
[The Management Company]



Chief Executive

Fidelity Capital Management
(Private) Limited



Director

Fidelity Capital Management
(Private) Limited



Director

Fidelity Capital Management
(Private) Limited



UNIVERSITY OF THE PACIFIC

INCOME

EXPENSES

UNIVERSITY OF THE PACIFIC



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash used in operations	36	(11,888,377)	(18,298,281)
(Payments)/receipts for:			
Employees retirement benefits		(108,332)	(597,123)
Income taxes		-	(27,483)
Proceeds from transfer of Ijarah assets		6,020,163	2,113,149
Purchase of Ijarah assets		(3,696,900)	(18,063,800)
Profit distribution		(28,813)	(312,542)
Net cash used in operating activities		(9,702,259)	(35,186,080)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(96,412)	848,500
Purchase of short term investments		-	(21,100,000)
Proceeds from sale of short term investments		28,607	21,340,000
Proceeds from disposal of investment property		-	18,550,000
Net cash (used in)/generated from investing activities		(67,805)	19,638,500
CASH FLOW FROM FINANCING ACTIVITIES			
		-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(9,770,064)	(15,547,580)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		10,169,776	25,717,356
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	37	399,712	10,169,776

The annexed notes 1 to 49 form an integral part of these financial statements.

For Fidelity Capital Management (Private) Limited
[The Management Company]


Chief Executive
Fidelity Capital Management
(Private) Limited


Director
Fidelity Capital Management
(Private) Limited


Director
Fidelity Capital Management
(Private) Limited



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

Note	Issued subscribed and paid-up capital Rupees	Capital Reserves			Revenue Reserve	Total equity Rupees
		Statutory reserve Rupees	Available for sale financial assets Rupees	Total Rupees	Accumulated profit/(loss) Rupees	
As at July 01, 2013	264,138,040	78,624,577	-	78,624,577	2,223,460	344,986,077
Comprehensive income						
Profit after taxation	-	-	-	-	3,764,656	3,764,656
Other comprehensive income	-	-	22,898	22,898	70,790	93,688
Total comprehensive income	-	-	22,898	22,898	3,835,446	3,858,344
Transaction with owners	-	-	-	-	-	-
Transfer to statutory reserve	27.1	752,931	-	752,931	(752,931)	-
As at June 30, 2014	264,138,040	79,377,508	22,898	79,400,406	5,305,975	348,844,421
As at July 01, 2014	264,138,040	79,377,508	22,898	79,400,406	5,305,975	348,844,421
Comprehensive loss						
Loss after taxation	-	-	-	-	(7,301,081)	(7,301,081)
Other comprehensive income	-	-	(22,898)	(22,898)	90,065	67,167
Total comprehensive loss	-	-	(22,898)	(22,898)	(7,211,016)	(7,233,914)
Transaction with owners	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-
As at June 30, 2015	264,138,040	79,377,508	-	79,377,508	(1,905,041)	341,610,507

The annexed notes 1 to 49 form an integral part of these financial statements.

For Fidelity Capital Management (Private) Limited
[The Management Company]

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1 REPORTING ENTITY

First Fidelity Leasing Modaraba ('the Modaraba') is a perpetual, multi-purpose and multi-dimensional modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Fidelity Capital Management (Private) Limited ('the Management Company'), a company incorporated in Pakistan under the Companies Ordinance 1984. The registered office of the Modaraba is situated at Ground Floor 90, A-1 Canal Bank, Gulber-II, Lahore. The Modaraba was floated on December 05, 1991 and is listed on all stock exchanges in Pakistan. The Modaraba is primarily engaged in the business of ijarah, musharakah and murabahah 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 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 ("the Ordinance"), the Modaraba Companies and Modaraba Rules, 1981 ("the Rules"), Prudential Regulations for Modarabas ("the Regulations") and other directives ("the Directives") issued by the Securities and Exchange Commission of Pakistan together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs"), the International Accounting Standards ("IASs") and the Islamic Financial Accounting Standards ("IFASs") as notified under the provisions of the Companies Ordinance, 1984 and made applicable to modarabas under the Ordinance, the Rules, the Regulations and the Directives. The requirements of the Ordinance, the Rules, the Regulations or the Directives take precedence wherever they differ from the requirements of approved standards. Further, where the requirements of IFAS differ from the requirements of other approved standards, the IFASs take precedence.

The Securities and Exchange Commission of Pakistan vide Circular No. 10 of 2004 date February 13, 2004 has deferred, till further orders, the applicability of the IAS 17 "Leases" with effect from July 01, 2003. Accordingly, this IAS has not been considered for the purpose of preparation of these financial statements.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value/amortized cost and employees retirement benefits at present value. In these financial statements, except for the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2.3.1 Recoverable amount and impairment

The Modaraba reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication. Musharakah, Murabahah and Ijarah finances, and related other receivables are tested for impairment taking into account the borrowers' payment/credit history, adequacy of security and requirements of Prudential Regulations for Modarabas.

2.3.2 Depreciation method, rates and useful lives of property and equipment

The Modaraba reassesses useful lives, depreciation method and rates for each item of property and equipment annually by considering expected pattern of economic benefits that the Modaraba expects to derive from that item.

2.3.3 Obligation under defined benefit plan

The Modaraba's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation.

2.3.4 Provisions

Provisions, other than allowances for impairment, are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Modaraba would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.4 Functional currency

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

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

- 3.1 The following new/revised standards/interpretations and amendments are effective in the current year but are either not relevant to the Modaraba or their application does not have any material impact on the financial statements of the Modaraba.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 – Impairment of Assets)

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and introduce an explicit requirement to disclose the discount rate used in determining impairment or reversals where recoverable amount, based on fair value less costs to sell, is determined using a present value technique.

Offsetting financial assets and financial liabilities (Amendments to IAS 32 – Financial Instruments: Presentation)

The amendments update the application guidance in IAS 32 to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment focuses on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Contributions from employees or third parties (Amendments to IAS 19 – Employee Benefits)

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

Novation of Derivative and Continuation of Hedge Accounting (Amendments to IAS 39 – Financial Instruments: Recognition and Measurement)

The amendments clarify that there is no need to discontinue hedge accounting if a hedge derivative is novated provided certain criteria are met.

Annual Improvements 2010-2012

Annual Improvements 2010-2012 cycle makes changes to the following standards:

IFRS 2 - Share Based Payment: Amends the definition of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

IFRS 3 - Business Combinations: Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8 - Operating Segments: Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarifies that reconciliations of segment assets only required if segment assets reported regularly.

IFRS 13 - Fair Value Measurement: Clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is still available.

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarifies that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24 - Related Party Disclosures: Clarifies how payment to entities providing management services are to be disclosed.

Annual Improvements 2011-2013

Annual Improvements 2011-2013 cycle makes changes to the following standards:

IFRS 1 - First-time Adoption of International Financial Reporting Standards: Clarifies which versions of IFRSs can be used on initial adoption.

IFRS 3 - Business Combinations: Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 - Fair Value Measurement: Clarifies the scope of portfolio exception.

IAS 40 - Investment Property: Clarifies the interrelationship with IFRS 3 - Business Combinations when classifying property as investment property or owner-occupied property.

IFRIC 21 - Levies (2013)

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 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. It provides the following guidance on recognition of a liability to pay levies:



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- The liability is recognized progressively if the obligating event occurs over a period of time.
- If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

3.2 The following new/revised standards/interpretations and amendments are effective in the current year but have been notified for adoption under section 234 of the Companies Ordinance, 1984 for annual periods beginning on or after January 01, 2015.

IFRS 10 - Consolidated Financial Statements (2011)

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities.

IFRS 11 - Joint Arrangements (2011)

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers.

IFRS 12 - Disclosure of Interests in Other Entities (2011)

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 - Fair Value Measurement (2011)

The standard establishes a single framework for measuring fair value where that is required by other standards.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of Interests in Other Entities)

The amendments provide transitional relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Investment Entities (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statement)

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation pursuant to exemption.

4 NEW AND REVISED STANDARDS/INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Modaraba.

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Effective date (annual periods beginning on or after)
Equity method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)	January 01, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 - Joint Arrangements)	January 01, 2016
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	January 01, 2016
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets)	January 01, 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)	January 01, 2016
Bearer Plants (Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture)	January 01, 2016
Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)	January 01, 2016
Annual Improvements 2012-2014	July 01, 2016
IFRS 14 - Regulatory Deferral Accounts (2014)	January 01, 2017
IFRS 15 - Revenue from Contracts with Customers (2014)	January 01, 2017
IFRS 9 - Financial Instruments: Classification and Measurement (2014)	January 01, 2018

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

5.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and deposits maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

5.2 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Modaraba using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

5.3 Financial assets

5.3.1 Recognition

A financial instrument is recognized when the Modaraba becomes a party to the contractual provisions of the instrument.

5.3.2 Classification

The Modaraba classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Modaraba determines the classification of its financial assets and liabilities at initial recognition.

5.3.2(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

5.3.2(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through profit or loss if the Modaraba manages such assets and evaluates their performance based on their fair value in accordance with the Modaraba's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking.

5.3.2(c) Held-to-maturity investments

Held-to-maturity financial assets are financial assets with fixed or determinable maturity where management has both the positive intent and the ability to hold the asset till maturity.

5.3.2(d) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as such on initial recognition or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time, which may be sold in response to the needs for liquidity or change in price.

5.3.3 De-recognition

Financial assets are de-recognized if the Modaraba's contractual rights to the cash flows from the financial assets expire or if the Modaraba transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Any gain or loss on de-recognition of financial assets is recognized in profit or loss.

5.3.4 Off-setting

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

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

5.4 Membership assets

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

5.5 Assets leased out under ijarah contracts

Assets leased out are stated at cost less accumulated amortization. Amortization is recognized in profit or loss over shorter of ijarah (lease) term or useful life by applying straight line method. In respect of additions and sales/transfers during the year, depreciation is charged proportionately to the period of ijarah (lease).

5.6 Property and equipment

Property and equipment except for the land and capital work in progress are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation. Land and capital work-in-progress are stated at cost less any identified impairment loss.

Major renewals and improvements to fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Modaraba and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of fixed assets are recognized in profit or loss as incurred.

The Modaraba recognizes depreciation in profit or loss by applying straight line method after taking into account residual value over the useful life of each operating fixed asset using rates specified in note 18.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of fixed assets is recognized in profit or loss.

5.7 Accrued and other liabilities

5.7.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

5.7.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at fair value, which is normally the transaction cost.

5.8 Employees retirement benefits

5.8.1 Short term employee benefits

The Modaraba recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

5.8.2 Post employment benefits

5.8.2(a) Defined benefit plan

The Modaraba operates an approved funded gratuity scheme for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 23 to the financial statements.

5.8.2(b) Defined contribution plan

The Modaraba operates a provident fund scheme for all its employees. Equal monthly contributions are made both by the Modaraba and the employees at the rate of 10% of basic salary. Contributions are recognized in profit or loss. The fund is administered by the Trustees.

5.9 Provisions and contingencies

Provisions are recognized when the Modaraba has a legal and constructive obligation as a result of past events and it is probable that 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. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

5.10 Certificate capital

Certificate capital is recognized as equity. Incremental costs directly attributable to the issue of certificates are recognized as deduction from the equity.

5.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Modaraba, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

5.11.1 Ijarah rentals are recognized over the period of lease as and when the related rentals become due.

5.11.2 Profit on musharakah finances is recognized on time proportion basis as and when accrued.

5.11.3 Murabahah income i.e. the excess of aggregate morabaha instalments over the cost of the asset under morabaha investment is deferred and amortized over the term of the morabaha, so as to produce a constant rate of return on murabaha investment. Documentation charges, front-end fee and other morabaha income are recognized as income on receipt basis.

5.11.4 Return on saving accounts is recognized on time proportion basis as and when accrued.

5.11.5 Brokerage commission is recognized when such services are provided.

5.11.6 Dividend income is recognized when right to receive payment is established.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

5.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

5.13 Taxation

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

5.13.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

5.13.2 Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5.14 Earnings per certificate ('EPC')

Basic EPC is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by the weighted average number of certificates outstanding during the year.

Diluted EPC is calculated by adjusting basic EPC by the weighted average number of certificates that would be issued on conversion of all dilutive potential certificates into certificates and post-tax effect of changes in profit or loss attributable to certificate holders of the Modaraba that would result from conversion of all dilutive potential certificates into certificates.

5.15 Impairment

5.15.1 Financial assets

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



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. Impairment losses in respect of Musharakah, Murabahah and Ijarah finances are determined by reference to the borrowers' payment/credit history, adequacy of security and requirements of the Prudential Regulations for Modarabas. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

5.15.2 Non-financial assets

The carrying amount of the Modaraba's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

5.16 Profit distribution to certificate holders

Profit distribution to certificate holders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Modaraba's financial statements in the year in which the dividends are approved by the Board of Directors of the Management Company.

	Note	2015 Rupees	2014 Rupees
6 CASH AND BANK BALANCES			
Cash in hand		47,035	18,133
Cash at bank			
current accounts in local currency	6.1	10,792	6,838
deposit/saving accounts in local currency	6.2	341,885	10,144,805
		352,677	10,151,643
		<u>399,712</u>	<u>10,169,776</u>

6.1 This represent deposit maintained with State Bank of Pakistan.

6.2 Effective mark-up rate in respect of deposit/saving accounts, for the year is 6% to 7% (2014: 7%) per annum.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

7 SHORT TERM INVESTMENTS

These represent investment in mutual fund units and have been classified as 'available for sale financial assets'. The details are as follows:

	Note	2015 Rupees	2014 Rupees
NAFA Money Market Fund		-	25,442

8 SHORT TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED

Considered good	8.2	59,078,500	60,870,000
Considered doubtful		236,575,731	227,284,231
		295,654,231	288,154,231
Deferred/unearned morabaha income		368,880	1,736,010
		296,023,111	289,890,241
Accumulated impairment	8.3 & 8.4	(208,284,231)	(208,284,231)
		87,738,880	81,606,010

8.1 These represent receivable against murbahaha transactions on deferred payment basis at a specified margin. These are secured against mortgage of property, demand promissory notes and personal guarantees. Profit margin on murabahah transactions ranges from 12.98% to 19% (2014: 12.98% to 19%) per annum.

8.2 These include an amount of Rs. 35 million (2014: Rs. 35 million) advanced to Enplan (Private) Limited against Murabaha facility under the terms of settlement agreement dated April 01, 2011. It is secured against equitable as well as registered mortgage over land and building measuring 4 kanals and 1 marla. It carries profit at the rate of one year 12.98% per annum. Principal as well as profit is receivable in one bullet payment on expiry of the facility. See note 18.2.1.

8.3 This includes provision of Rs. 208 million (2014: Rs. 202 million) in respect of classified facilities of First Hajveri Modaraba (now merged into the Modaraba). Certain recovery suits in this respect are pending adjudication in the Honourable Lahore High Court and Banking Court, which are likely to be decided in the Modaraba's favour. However, due to inadequate securities, chances of substantial recoveries are slim.

	Note	2015 Rupees	2014 Rupees
8.4 Movement in accumulated impairment is as follows:			
As at beginning of the year		208,284,231	207,234,231
Recognized during the year		-	3,253,772
Reversed during the year		-	(2,203,772)
As at end of the year		208,284,231	208,284,231

9 IJARAH RENTALS RECEIVABLE - SECURED

Considered good		380,154	620,442
Considered doubtful		36,910,678	39,495,887
		37,290,832	40,116,329
Accumulated impairment	9.2	(36,910,678)	(39,495,887)
		380,154	620,442



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
9.1	These are secured against assets leased out under ijarah contracts.		
9.2	Movement in accumulated impairment is as follows:		
As at the beginning of the year		39,495,887	36,150,459
Recognized during the year		1,053,917	3,802,940
Reversed during the year		(3,639,126)	(457,512)
As at the end of the year		<u>36,910,678</u>	<u>39,495,887</u>
10 PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		197,992	325,008
Receivable from clients - secured	10.1	10,004,499	10,353,218
Receivable from Hajveri Modaraba Management Company (Private) Limited	10.2	3,206,064	3,206,064
Other receivables		576,348	1,030,269
		<u>13,984,903</u>	<u>14,914,559</u>

10.1 These represent receivables from brokerage clients. These are secured against respective listed shares of the clients.

	2015 Rupees	2014 Rupees
10.1.1 Receivable from clients - secured		
Considered good	10,004,499	10,353,218
Considered doubtful	7,126,181	7,126,181
	17,130,680	17,479,399
Accumulated impairment	(7,126,181)	(7,126,181)
	<u>10,004,499</u>	<u>10,353,218</u>

10.2 This represents amount withdrawn by Hajveri Modaraba Management Company (Private) Limited ('the Previous management Company') of First Hajveri Modaraba ('the Modaraba') from time to time during prior years out of the Modaraba's fund on account of remuneration in violation of the section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

The present Management Company has filed a civil law suit against the previous Management 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 Company came in possession of 2,053,200 certificates of First Hajveri Modaraba subsequently converted into 578,041 certificates of First Fidelity Leasing Modaraba on amalgamation. The present Management Company 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 present Management Company has filed an appeal against this order in the Honourable Lahore High Court which is pending adjudication.

In view of the aforesaid matters, no provision has been made in these financial statements against this receivable.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
11 CURRENT PORTION OF NON-CURRENT ASSETS			
Long term finances under murabahah arrangements	12	457,167	475,046
Long term receivables	13	306,023	259,509
		<u>763,190</u>	<u>734,555</u>

12 LONG TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED

Murabahah investments	12.1	676,109	1,000,000
Deferred/unearned murabahah income		166,948	266,792
		843,057	1,266,792
Current portion presented under current assets	12.2 & 11	(457,167)	(475,046)
		<u>385,890</u>	<u>791,746</u>

12.1 These represent receivable against murbahaha transactions on deferred payment basis at a specified margin. These are secured against mortgage of property, demand promissory notes and personal guarantees. Profit margin on murabahah transactions ranges from 17% to 18% (2014: 17% to 18%) per annum.

	Note	2015 Rupees	2014 Rupees
12.2 Current portion presented under current assets comprises the following			
Long term finances under murabahah arrangements		365,125	328,198
Deferred/unearned murabahah income		92,042	146,848
		<u>457,167</u>	<u>475,046</u>

13 LONG TERM ADVANCES AND DEPOSITS

Long term loans to employees - Secured	13.1	918,068	744,380
Security deposits		860,500	860,500
		1,778,568	1,604,880
Current portion presented under current assets	13.2 & 11	(306,023)	(259,509)
		<u>1,472,545</u>	<u>1,345,371</u>

13.1 These represent loans to employees for purchase of vehicles and for personal purposes as per the Modaraba's policy. These carry profit rate of 5% per annum. Loans for purchase of vehicles are secured against mortgage of vehicles. These loans are repayable in 36 equal installments.

	2015 Rupees	2014 Rupees
13.2 Current portion presented under current assets comprises the following		
Long term loans to employees	306,023	259,509
Securities and deposits	-	-
	<u>306,023</u>	<u>259,509</u>



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
14 LONG TERM INVESTMENT			
Islamabad Stock Exchange - <i>unquoted</i> (3,034,603 ordinary shares of Rs. 10 each)	14.1	<u>5,750,000</u>	<u>5,750,000</u>

- 14.1** Pursuant to the promulgation of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 ('the Act'), the ownership rights in a stock exchange were segregated from right to trade on the stock exchange. This arrangement resulted in allocation of 3,034,603 ordinary shares of Rs. 10 each and Trading Right Entitlement Certificate ('TREC') to the Company by the Islamabad Stock Exchange Limited ('ISE') against cancellation/surrender of membership of ISE. Out of total 3,034,603 ordinary shares allocated to the Company 1,820,762 ordinary shares are transferred to Central Depository Company Limited ('the CDC') sub-account in the Company's name under the exchange's participant IDs with the CDC which will remain blocked until these are divested/sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Company. These ordinary shares are classified 'as available for sale'. However, as the active market for such shares is not available, the investment has been recognized at the carrying value of membership cancelled/surrendered.

	Note	2015 Rupees	2014 Rupees
15 MEMBERSHIP ASSETS			
Trading right entitlement certificate	15.1 & 14.1	-	-
Membership of Pakistan Mercantile Exchange Limited		1,010,000	1,010,000
Room at Islamabad Stock Exchange		5,270,000	5,270,000
		<u>6,280,000</u>	<u>6,280,000</u>

- 15.1** The Trading Right Entitlement Certificate ('TREC') of Islamabad Stock Exchange Limited is recognized as an intangible asset at Rs. nil. Any subsequent measurement of the TREC would only be possible when their fair values can be measured reliably. This would most likely happen when the divestment of blocked shares will be made in accordance with the requirements Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 ('the Act').

The Act restricts TREC only to companies as defined in Companies Ordinance, 1984 ('the Ordinance'), therefore, trading rights of the Modaraba has been suspended on the order of Securities and Exchange Commission of Pakistan ('the SECP') dated May 07, 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 the Honourable Islamabad High Court ('the IHC') to declare the said order of the SECP/ISE illegal on the grounds that the Modaraba is a listed company and every listed company is a public limited company under the Ordinance. The case is still pending before the IHC. As the TREC is recognized at Rs. nil, no impairment is required in this regard.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

16 ASSETS LEASED OUT UNDER IJARAH CONTRACTS

	2015									
	COST					AMORTIZATION				
	As at	Additions	Disposals	As at	As at	For the year	Adjustment	As at	Carrying	
	July 01	Rupees	Rupees	June 30	July 01	Rupees	Rupees	June 30	value as at	
				Rupees	Rupees			Rupees	June 30	Rupees
Vehicles	19,212,222	1,814,000	(3,874,163)	17,152,059	12,381,766	2,673,527	(9,295,149)	5,760,144	11,391,915	
Office equipment	327,625	107,900	(232,625)	202,900	188,138	43,324	(128,080)	103,382	99,518	
Machinery	20,424,190	1,775,000	(14,568,532)	7,630,658	4,335,533	1,903,889	(3,231,928)	3,007,494	4,623,164	
	<u>39,964,037</u>	<u>3,696,900</u>	<u>(18,675,320)</u>	<u>24,985,617</u>	<u>16,905,437</u>	<u>4,620,740</u>	<u>(12,655,157)</u>	<u>8,871,020</u>	<u>16,114,597</u>	
	2014									
	COST					AMORTIZATION				
	As at	Additions	Disposals	As at	As at	For the year	Adjustment	As at	Carrying	
	July 01	Rupees	Rupees	June 30	July 01	Rupees	Rupees	June 30	value as at	
				Rupees	Rupees			Rupees	June 30	Rupees
Vehicles	17,621,585	6,970,000	(5,379,363)	19,212,222	12,987,736	2,574,734	(3,180,704)	12,381,766	6,830,456	
Office equipment	666,325	140,300	(479,000)	327,625	366,701	98,811	(277,374)	188,138	139,487	
Machinery	13,994,139	10,953,500	(4,523,449)	20,424,190	4,262,047	2,409,513	(2,336,027)	4,335,533	16,088,657	
	<u>32,282,049</u>	<u>18,063,800</u>	<u>(10,381,812)</u>	<u>39,964,037</u>	<u>17,616,484</u>	<u>5,083,058</u>	<u>(5,794,105)</u>	<u>16,905,437</u>	<u>23,058,600</u>	

16.1 Disposals represent assets disposed after expiry/termination of ijarah contracts. However, in view of large number of disposals, detail of each disposal have not been presented.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

17 INVESTMENT PROPERTY

2015										
COST					DEPRECIATION/IMPAIRMENT					Net book value as at June 30 Rupees
As at July 01 Rupees	Additions Rupees	Disposals Rupees	As at June 30 Rupees	Rate %age	As at July 01 Rupees	For the year Rupees	Disposal Rupees	As at June 30 Rupees		
Land	-	-	-	-	-	-	-	-	-	-
	-	-	-			-	-	-	-	-
2014										
COST					DEPRECIATION/IMPAIRMENT					Net book value as at June 30 Rupees
As at July 01 Rupees	Additions Rupees	Disposals Rupees	As at June 30 Rupees	Rate %age	As at July 01 Rupees	For the year Rupees	Adjustment Rupees	As at June 30 Rupees		
Land	4,554,035	-	(4,554,035)	-	-	-	-	-	-	-
	4,554,035	-	(4,554,035)			-	-	-	-	-
									2015	2014
									Rupees	Rupees

18 PROPERTY AND EQUIPMENT

Operating fixed assets	2,206,814	3,469,114
Capital work in progress	224,000,000	224,000,000
	<u>226,206,814</u>	<u>227,469,114</u>

18.1 OPERATING FIXED ASSETS

2015										
	COST				Rate %age	DEPRECIATION/IMPAIRMENT				Net book value as at June 30 Rupees
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	As at June 30 Rupees		As at July 01 Rupees	For the year Rupees	Disposal Rupees	As at June 30 Rupees	
Furniture and fixtures	760,979	-	-	760,979	10	538,759	52,400	-	591,159	169,820
Computers and office equipment	5,618,086	48,000	(19,900)	5,646,186	20, 10	4,832,886	192,105	(12,781)	5,012,210	633,976
Vehicles	5,954,200	48,412	-	6,002,612	20	3,492,506	1,107,088	-	4,599,594	1,403,018
	<u>12,333,265</u>	<u>96,412</u>	<u>(19,900)</u>	<u>12,409,777</u>		<u>8,864,151</u>	<u>1,351,593</u>	<u>(12,781)</u>	<u>10,202,963</u>	<u>2,206,814</u>
2014										
	COST				Rate %age	DEPRECIATION/IMPAIRMENT				Net book value as at June 30 Rupees
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	As at June 30 Rupees		As at July 01 Rupees	For the year Rupees	Adjustment Rupees	As at June 30 Rupees	
Furniture and fixtures	713,679	47,300	-	760,979	10	482,083	56,676	-	538,759	222,220
Computers and office equipment	5,541,886	76,200	-	5,618,086	20, 10	4,611,054	221,832	-	4,832,886	785,200
Vehicles	5,229,200	725,000	-	5,954,200	20	2,451,483	1,041,023	-	3,492,506	2,461,694
	<u>11,484,765</u>	<u>848,500</u>	<u>-</u>	<u>12,333,265</u>		<u>7,544,620</u>	<u>1,319,531</u>	<u>-</u>	<u>8,864,151</u>	<u>3,469,114</u>



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

18.1.1 Disposal of operating fixed assets represents equipment lost by theft at a book value of Rs. 7,119.

18.1.2 The cost of operating fixed assets includes fully depreciated assets of Rs. 4,492,019 (2014: Rs. 3,682,929) which are still in use of the Modaraba.

	Note	2015 Rupees	2014 Rupees
18.2 CAPITAL WORK IN PROGRESS			
Corporate Tower, Lahore	18.2.1	204,000,000	204,000,000
Villas at Murree		24,500,000	24,500,000
		228,500,000	228,500,000
Impairment allowance		(4,500,000)	(4,500,000)
		<u>224,000,000</u>	<u>224,000,000</u>

18.2.1 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 share of Musharika Investment of Rs. 99 million to Enplan (Private) Limited and takeover of exposure of Trust Investment Bank Limited to Enplan (Private) Limited of Rs. 105 million through settlement agreement dated June 28, 2012. On June 29, 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 murabahah facilities to Enplan (Private) Limited as per agreed terms for completion of the tower (see note 8.2). 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 Rs. 204 million plus profit of 15% per annum 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 approximately Rs. 364.85 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 structural improvement of road network the value of the property has appreciated due to its location and accessibility. Further, 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 also 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 may be made in the ensuing year to generate funds to complete the tower.

18.2.2 This represents property under construction in with a land measuring 01 kanal and 08 marlas. Further, it includes an advance to Rahman Construction Company against purchase of additional property amounting to Rs. 4.5 million which has been fully provided by the management during the previous periods as the chances of recovery of these advance are slim. Market value of the property in the name of the Modaraba under registered sale deed and mutation is estimated at much above the carrying value as determined by an independent valuer.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
19 ACCRUED AND OTHER LIABILITIES			
Due to customers	19.1	743,472	490,784
Advance ijarah rentals and security deposits		865,533	-
Accrued liabilities		5,122,074	2,706,886
Unclaimed profit distribution		10,722,718	10,751,531
Workers' welfare fund payable		177,149	177,149
Others		12,343	-
		<u>17,643,289</u>	<u>14,126,350</u>

19.1 These represent payable to brokerage clients.

20 CURRENT PORTION OF NON-CURRENT LIABILITIES

Security deposits under ijarah contracts	22	1,936,880	3,292,065
Deferred/unearned murabahah income	24	92,042	146,848
		<u>2,028,922</u>	<u>3,438,913</u>

21 DEFERRED TAXATION

Deferred tax liability		-	2,544
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21.1 The Modaraba has carry forward losses against which a deferred tax asset may be created. However, the Modaraba has not recognized the deferred tax asset as the temporary differences are not expected to be reversed in foreseeable future due to non-availability of taxable profits against which the temporary differences may be utilized.

	Note	2015 Rupees	2014 Rupees
22 SECURITY DEPOSITS			
Security deposits under ijarah contracts		6,018,239	9,634,872
Current maturity presented under current liabilities	20	(1,936,880)	(3,292,065)
		<u>4,081,359</u>	<u>6,342,807</u>
23 EMPLOYEES RETIREMENT BENEFITS			
Defined benefit obligation	23.1	264,233	-
Compensated absences	23.2	1,111,345	1,190,359
		<u>1,375,578</u>	<u>1,190,359</u>



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
23.1	The amounts recognized on balance sheet are as follows:		
Present value of defined benefit obligation/(asset)	23.1.2	5,018,461	4,700,401
Fair value of plan assets	23.1.3	(4,754,228)	(4,707,690)
		<u>264,233</u>	<u>(7,289)</u>
23.1.1 Movement in net recognized defined benefit obligation/(asset)			
As at beginning of the year		(7,289)	160,045
Charged to profit or loss for the year	23.1.1.1	368,876	363,779
Remeasurements recognized in other comprehensive income	23.1.1.2	(90,065)	(70,790)
Contribution made during the year		(7,289)	(460,323)
As at end of the year		<u>264,233</u>	<u>(7,289)</u>
23.1.1.1 Charged to profit or loss for the year			
Current service cost		390,805	371,141
Interest cost on defined benefit obligation		609,044	448,418
Interest income on plan assets		(630,973)	(455,780)
		<u>368,876</u>	<u>363,779</u>
23.1.1.2 Remeasurements recognized in other comprehensive income			
Remeasurements recognized in defined benefit obligation		(606,871)	(389,808)
Return on plan assets excluding interest income		516,806	319,018
		<u>(90,065)</u>	<u>(70,790)</u>
23.1.2 Movement in present value of defined benefit obligation			
As at beginning of the year		4,700,401	4,270,650
Current service cost		390,805	371,141
Interest cost on defined benefit obligation		609,044	448,418
Benefits paid during the year		(74,918)	-
Remeasurements recognized in other comprehensive income		(606,871)	(389,808)
As at end of the year		<u>5,018,461</u>	<u>4,700,401</u>
23.1.3 Movement in fair value of plan assets			
As at beginning of the year		4,707,690	4,110,605
Interest income on plan assets		630,973	455,780
Contributions during the year		7,289	460,323
Benefits paid during the year		(74,918)	-
Return on plan assets excluding interest income		(516,806)	(319,018)
As at end of the year		<u>4,754,228</u>	<u>4,707,690</u>



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

23.1.3.1 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the plan assets at the beginning of the period.

	2015	2014
	Rupees	Rupees
23.1.4 Plan assets comprise the following:		
Investments in mutual fund units	4,753,296	4,677,789
Cash at bank	932	29,901
	<u>4,754,228</u>	<u>4,707,690</u>

23.1.5 The objective of the Modaraba's in managing the funds cashflows is to match plan assets by investing in securities that mature closely to the period when payments of defined benefit obligation fall due. The Modaraba actively monitors the relationship between duration and expected yield of the investments. The Modaraba does not use derivatives to manage its risk. A large portion of plan assets comprise of investment in units of mutual funds. The Modaraba believes that mutual funds offer the best returns over the term with an acceptable level of risk under Islamic mode of investment.

23.1.6 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	2015	2014
Discount rate	9.75%	13.50%
Expected rates of increase in salary	8.75%	12.50%
Expected average remaining working lives	10 years	10 years

23.1.7 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	2015		2014	
	Change in actuarial assumption	Defined benefit obligation	Change in actuarial assumption	Defined benefit obligation
		Rupees		Rupees
Discount rate	+ 1%	(4,291,444)	+ 1%	(4,260,108)
	- 1%	5,195,393	- 1%	5,201,980
Expected rates of increase in salary	+ 1%	5,200,020	+ 1%	5,207,017
	- 1%	(4,279,904)	- 1%	(4,248,217)



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

23.1.8 Risk factors

The defined benefit plan exposes the Modaraba to the following actuarial risks:

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined benefit liability.

Longevity risk: The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculated by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

	Note	2015 Rupees	2014 Rupees
23.2 The amounts recognized on balance sheet are as follows:			
As at beginning of the year		1,190,359	1,334,922
Charged to profit or loss for the year	23.2.2	22,029	(7,763)
Paid during the year		(101,043)	(136,800)
As at end of the year		<u>1,111,345</u>	<u>1,190,359</u>

23.2.1 Movement in recognized employee compensated absences liability

As at beginning of the year	1,190,359	1,334,922
Current service cost	158,803	276,715
Interest cost	153,878	132,985
Remeasurements recognized in profit or loss	(290,652)	(417,463)
Paid during the year	(101,043)	(136,800)
As at end of the year	<u>1,111,345</u>	<u>1,190,359</u>



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
23.2.2 Charged to profit or loss for the year			
Current service cost		158,803	276,715
Interest cost		153,878	132,985
Remeasurements recognized in profit or loss		(290,652)	(417,463)
		22,029	(7,763)

23.2.3 Principal actuarial assumptions

Present value of compensated absences liability has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of compensated absences liability are:

	2015	2014
Discount rate	10.50%	13.50%
Expected rates of increase in salary	9.50%	12.50%
Average number of leaves un-utilized per annum	10 days	10 days
Expected average remaining working lives	10 years	11 years

23.2.4 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of compensated absences liability as at the reporting date showing how the compensated absences liability would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	2015		2014	
	Change in actuarial assumption	Defined benefit obligation	Change in actuarial assumption	Defined benefit obligation
		Rupees		Rupees
Discount rate	+ 1%	(1,005,498)	+ 1%	(1,070,793)
	- 1%	1,233,147	- 1%	1,328,703
Expected rates of increase in salary	+ 1%	1,234,425	+ 1%	1,328,703
	- 1%	(1,002,544)	- 1%	(1,068,800)

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of compensated absences liability. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the compensated absences liability as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of compensated absences liability as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the compensated absences liability to be recognized in these financial statements.





NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

27.1 This represents special reserve created in compliance with the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan.

27.2 This represents unrealized gain on re-measurement of available for sale financial assets.

	Note	2015 Rupees	2014 Rupees
28 OTHER INCOME			
Gain on financial instruments			
Return on bank deposits		6,700	39,987
Profit on loans to employees		28,114	35,534
Gain on sale of investments		26,063	240,000
		60,877	315,521
Other income			
Fees, commission and other incomes		7,508	46,073
Loss on sale of property and equipment		(7,119)	-
Gain on sale of investment property		-	13,995,965
		389	14,042,038
		61,266	14,357,559

29 ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and benefits	29.1	10,356,310	9,722,083
Rent, rates and taxes		211,625	251,400
Utilities		532,975	280,075
Repair and maintenance		50,330	185,851
Printing and stationery		337,291	366,794
Communication		112,954	537,881
Travelling and conveyance		439,452	2,205,235
Insurance		408,693	283,412
Advertisement		56,500	71,750
Fee and subscription		279,362	620,045
Entertainment		222,908	348,348
Auditors' remuneration	29.2	566,000	541,000
Legal and professional charges		832,937	594,260
Depreciation		1,351,593	1,319,531
Others		744,863	764,752
		16,503,793	18,092,417

29.1 These include charges in respect of defined benefit obligation amounting to Rs. 368,876 (Rs. 2014: 363,779) and contribution to provident fund amounting to Rs. 367,313 (2014: Rs. 473,436).



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
29.2 Auditors' remuneration			
Annual statutory Audit		300,000	275,000
Half yearly review		126,000	126,000
Review report under Code of Corporate Governance		100,000	100,000
Out of pocket expenses		40,000	40,000
		<u>566,000</u>	<u>541,000</u>
30 FINANCIAL CHARGES			
Bank charges		19,173	24,154
Profit on payable to provident fund trust		-	3,551
		<u>19,173</u>	<u>27,705</u>
31 CHANGES IN IMPAIRMENT ALLOWANCE FOR NON-PERFORMING ASSETS			
Accumulated impairment as at the beginning of the year		268,580,699	255,120,458
Accumulated impairment as at the end of the year		(265,995,490)	(268,580,699)
Net reversal of provision during the year		<u>2,585,209</u>	<u>(13,460,241)</u>
31.1 Break-up of impairment allowance			
Provision for:			
short term morabaha investments	8.4	208,284,231	208,284,231
ijarah rentals receivable	9.2	36,910,678	39,495,887
receivables from clients - secured	10.1.1	7,126,181	7,126,181
profit receivable on morabaha investment		13,674,400	13,674,400
		<u>265,995,490</u>	<u>268,580,699</u>

32 MANAGEMENT FEE

In accordance with the Modaraba Companies and Modaraba Rules, 1981, management fee for the management of affairs of the Modaraba is payable at ten percent of the operating profit for the year. However, no provision (2014: Rs. nil) has been made in these financial statements as the Modaraba has not distributed 90 percent of its profits to its certificate holders.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
33 TAXATION			
Current taxation			
for current year	33.1	-	24,000
for prior years		-	-
		-	24,000
Deferred taxation			
attributable to change in tax rates		-	-
attributable to origination and reversal of temporary differences		(2,544)	-
		(2,544)	-
		(2,544)	24,000

33.1 No provision for current taxation has been recognized as the provisions of minimum tax under section 113 and 113C are not applicable to the Modaraba as per sub clause (xiii) of clause 11A of part IV of the second schedule to the Income Tax Ordinance, 2001.

	Unit	2015	2014
34 (LOSS)/EARNINGS PER CERTIFICATE - BASIC AND DILUTED			
(Loss)/profit attributable to certificate holders	Rupees	(7,301,081)	3,764,656
Weighted average number of certificates outstanding during the year	No. of shares	26,413,804	26,413,804
(Loss)/earnings per certificate - basic	Rupees	(0.28)	0.14

There is no diluting effect on the basic (loss)/earnings per certificate as the Modaraba has not issued any instrument which would have an impact on its earnings per certificate.

35 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Modaraba's perspective comprise of Modaraba's Associated Companies, the Management Company, Directors, Key Management Personnel and Provident Fund Trust. Transactions and balances with related parties other than remuneration and benefits to key management personnel under the term of employment and employee retirement benefits as disclosed in 41 and 23 respectively are as follows:

	Note	2015 Rupees	2014 Rupees
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Details of transactions and balances with related parties is as follows:

35.1 Transactions with related parties

Nature of relationship	Nature of balances		
Provident Fund Trust	Contribution for the year	367,313	473,436
Associated undertaking	Purchase of assets	-	18,000
Officers and employees	Ijarah rentals received	864,164	296,406



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
35.2 Balances with related parties			
Officers and employees	Finances under murabahah arrangements	1,170,000	1,170,000
	Ijarah rentals receivables	279,570	277,266
	Ijarah rentals suspended	194,246	186,314
Provident Fund Trust	Contribution payable	-	31,414
36 CASH GENERATED FROM OPERATIONS			
(Loss)/profit before taxation		(7,303,625)	3,788,656
Adjustments for non-cash and other items			
Depreciation		1,351,593	5,083,058
Amortization of assets leased out under ijarah contracts		4,620,740	1,319,531
Loss on disposal of property and equipment		7,119	-
Gain on sale of short term investments		(26,063)	(240,000)
Gain on sale of investment property		-	(13,995,965)
Changes in fair value of non-performing receivables		(2,585,209)	13,460,241
Gain on transfer of assets leased out		-	(130,527)
Provision for employees retirement benefits		390,905	356,016
		3,759,085	5,852,354
Operating (loss)/profit before changes in working capital		(3,544,540)	9,641,010
Changes in working capital			
Finances under murabahah arrangements		(7,176,109)	(13,250,000)
Ijarah rentals receivable		2,825,497	(3,696,978)
Profit receivable on murabahah finances		(4,744,111)	(12,035,983)
Advances, deposits, prepayments and other receivables		929,656	(422,180)
Long term advances and deposits		(173,688)	(56,846)
Accrued and other liabilities		3,611,551	(29,504)
Security deposits		(3,616,633)	1,552,200
		(8,343,837)	(27,939,291)
Cash used in from operations		(11,888,377)	(18,298,281)
37 CASH AND CASH EQUIVALENTS			
Cash and bank balances	6	399,712	10,169,776
		<u>399,712</u>	<u>10,169,776</u>



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

38 FINANCIAL INSTRUMENTS

38.1 Financial instruments by class and category

	Note	2015 Rupees	2014 Rupees
38.1.1 Financial assets			
<i>Cash in hand</i>	6	47,035	18,133
<i>Loans and receivables</i>			
Balances with banks	6	352,677	10,151,643
Finances under murabahah arrangements	8 & 12	88,046,109	80,870,000
Ijarah rentals receivable	9	380,154	620,442
Profit receivable on murabahah finances		6,485,698	1,741,587
Advances to employees	13	918,068	744,380
Security deposits	13	860,500	860,500
Receivable from clients	10	10,004,499	10,353,218
Receivable from Hajveri Modaraba Management Company (Private) Limited	10	3,206,064	3,206,064
Other receivables	10	576,348	1,030,269
<i>Available for sale financial assets</i>			
Investments in mutual funds	8	-	25,442
Investments in unquoted securities	14	5,750,000	5,750,000
		<u>116,627,152</u>	<u>115,371,678</u>
38.1.1 Financial liabilities			
<i>Financial liabilities at amortized cost</i>			
Due to customers	19	743,472	490,784
Accrued and other payables	19	5,122,074	2,706,886
Unclaimed profit distribution	19	10,722,718	10,751,531
		<u>16,588,264</u>	<u>13,949,201</u>

38.2 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts.

38.2.1 Methods of determining fair values

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

38.2.2 Discount/interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

38.2.3 Fair value hierarchy

The Modaraba classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of financial assets measured at fair value is as follows:

	2015			
	Total	Level 1	Level 2	Level 3
	Rupees	Rupees	Rupees	Rupees
Financial assets at fair value through profit or loss				
Investments in mutual funds	-	-	-	-
Available for sale financial assets				
Investments in unquoted securities	5,750,000	-	-	5,750,000
	<u>5,750,000</u>	<u>-</u>	<u>-</u>	<u>5,750,000</u>
	2014			
	Total	Level 1	Level 2	Level 3
	Rupees	Rupees	Rupees	Rupees
Financial assets at fair value through profit or loss				
Investments in mutual funds	25,442	25,442	-	-
Available for sale financial assets				
Investments in unquoted securities	5,750,000	-	-	5,750,000
	<u>5,775,442</u>	<u>25,442</u>	<u>-</u>	<u>5,750,000</u>



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

39 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Modaraba's objective in managing risks is creation and protection of certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. The process of risk management is critical to Modaraba's continuing profitability. The Modaraba is exposed to credit risk, liquidity risk and market risk arising from the financial instruments it holds.

The Modaraba primarily invests in ijarah assets, murabahah and money market securities. These are subject to varying degrees of risks. The way these risks affect revenues, expenses, assets, liabilities and forecast transactions of the Modaraba and the manner in which these risks are managed is as follows:

39.1 Credit risk

Credit risk is the risk of financial loss to the Modaraba, if the counterparty to a financial instrument fails to meet its obligations.

	2015	2014
	Rupees	Rupees
39.1.1 Maximum exposure to credit risk		
The maximum exposure to credit risk as at the reporting date is as follows:		
Loans and receivables		
Balances with banks	352,677	10,151,643
Finances under murabahah arrangements	88,046,109	80,870,000
Ijarah rentals receivable	380,154	620,442
Profit receivable on murabahah finances	6,485,698	1,741,587
Receivable from clients	10,004,499	10,353,218
Other receivables	3,782,412	4,236,333
	<u>109,051,549</u>	<u>107,973,223</u>

39.1.2 Concentration of credit risk

The Modaraba identifies concentrations of credit risk by reference to type of counter party and balances with customers are further analyzed by reference to industry distribution. Maximum exposure to credit risk by type of counterparty is as follows:

	2015	2014
	Rupees	Rupees
Customers	108,698,872	97,821,580
Banking companies and financial institutions	352,677	10,151,643
	<u>109,051,549</u>	<u>107,973,223</u>

Concentration of credit risk in respect of balances with customers by industrial distribution is as follows:



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2015				
	Ijarah rentals receivable Rupees	Finances under Murabahah arrangements Rupees	Profit receivable Rupees	Others receivables Rupees	Total Rupees
Transport and communication	-	5,000,000	-	-	5,000,000
Services	27,694	35,000,000	-	32,150	35,059,844
Power	-	-	-	3,206,060	3,206,060
Textile	-	-	-	-	-
Construction	-	-	-	190,334	190,334
Individuals	332,130	48,046,109	6,485,698	10,378,697	65,242,634
	<u>359,824</u>	<u>88,046,109</u>	<u>6,485,698</u>	<u>13,807,241</u>	<u>108,698,872</u>
	2014				
	Ijarah rentals receivable Rupees	Finances under Murabahah arrangements Rupees	Profit receivable Rupees	Others receivables Rupees	Total Rupees
Transport and communication	114,278	5,000,000	-	-	5,114,278
Services	58,942	-	-	3,206,060	3,265,002
Power	-	-	-	-	-
Textile	-	-	-	-	-
Construction	-	35,000,000	-	-	35,000,000
Individuals	447,222	40,870,000	1,741,587	11,383,491	54,442,300
	<u>620,442</u>	<u>80,870,000</u>	<u>1,741,587</u>	<u>14,589,551</u>	<u>97,821,580</u>

39.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, except for balances with customers where credit quality is assessed by reference to historical information about counterparty default rates and present ages.

39.1.3.2 Counterparties with external credit ratings

These include banking companies, which are counterparties to cash deposits. These counterparties have reasonably high credit ratings as determined by various credit rating agencies and management does not expect non-performance by these counterparties on their obligations to the Modaraba.

39.1.3.2 Counterparties without external credit ratings

These include customers which are counter parties to finances under murabahah and ijara arrangements, profit receivable thereon and other amounts receivable in connection therewith. The Modaraba is exposed to credit risk in respect of these balances. The analysis of ages of customer balances as at the reporting date is as follows:



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2015		2014	
	Gross	Accumulated	Gross	Accumulated
	carrying amount	Impairment	carrying amount	Impairment
	Rupees	Rupees	Rupees	Rupees
Neither past due nor impaired	35,403,482	-	23,224,961	-
Past due by upto 90 days	765,926	423,339	50,137,767	12,330,699
Past due by 90 to 180 days	265,845	265,845	501,903	501,903
Past due by 180 days to 1 year	62,749	62,749	3,939,184	739,184
Past due by 1 to 2 years	41,177,874	549,352	32,662	32,662
Past due by 2 to 3 years	23,721,160	15,817,620	20,282,406	6,282,406
Past due by 3 years or more	252,363,904	241,750,404	250,578,572	245,578,572
	353,760,940	258,869,309	348,697,455	265,465,426

The Management believes that the existing impairment allowance is adequate and no further allowance is necessary.

39.1.4 Collateral held

The Modaraba's investments in ijarah assets are secured by registration of title to the underlying assets in the name of Modaraba. Particulars of collateral held against financing under murabahah arrangements and profit receivable thereon is referred to in relevant notes to the financial statements.

39.1.5 Credit risk management

The Modaraba's portfolio of loans and receivables is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The Modaraba does not have significant concentration of credit risk with a single counterparty. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivable balances and individually significant balances, along with collection activities are reported to the Management Company on a monthly basis. High risk customers are identified and restrictions are placed on future financing and credit period extensions.

39.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

39.2.1 Exposure to liquidity risk

The followings is the analysis of contractual maturities of financial liabilities, including estimated interest payments.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2015				
	Carrying amount Rupees	Contractual cash flows Rupees	Six months or less Rupees	Six months to one year Rupees	More than one year Rupees
Due to customers	743,472	743,472	743,472	-	-
Accrued and other payables	5,122,074	5,122,074	5,122,074	-	-
Unclaimed profit distribution	10,722,718	10,722,718	10,722,718	-	-
	<u>16,588,264</u>	<u>16,588,264</u>	<u>16,588,264</u>	<u>-</u>	<u>-</u>

	2014				
	Carrying amount Rupees	Contractual cash flows Rupees	Six months or less Rupees	Six months to one year Rupees	More than one year Rupees
Due to customers	490,784	490,784	490,784	-	-
Accrued and other payables	2,706,886	2,706,886	2,706,886	-	-
Unclaimed profit distribution	10,751,531	10,751,531	10,751,531	-	-
	<u>13,949,201</u>	<u>13,949,201</u>	<u>13,949,201</u>	<u>-</u>	<u>-</u>

39.2.2 Liquidity risk management

The Modaraba manages the liquidity risk by investing the fund to ensure, as far as possible, that it will always have sufficient resources to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Modaraba's reputation.

39.3 Market risk

39.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Modaraba is not exposed to Currency risk.

39.3.2 Profit rate risk

Profit rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in profit/interest rates. The Modaraba's exposure to profit rate risk is limited as all of its investments in ijarah assets, murabahah are fixed rate instruments.

39.3.2.1 The effective interest/profit rates for interest/profit bearing financial instruments are mentioned in relevant notes to the financial statements. The Modaraba's interest/profit bearing financial instruments as at the reporting date are as follows:



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	Rupees	Rupees
Fixed rate instruments		
Financial assets	88,046,109	80,870,000
Financial liabilities	-	-
Variable rate instruments		
Financial assets	352,677	10,151,643
Financial liabilities	-	-

39.3.2.2 Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for fixed rate financial instruments at fair value through profit or loss.

39.3.2.3 Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in profit/interest rates as at the reporting date would have increased net income for the year by Rs. 3,527 (2014: Rs. 101,516). A decrease of 100 basis points would have had an equal but opposite effect on net income for the year. The analysis assumes that all other variables remain constant and ignores the impact, if any, on provision for taxation for the year.

39.3.2.4 Interest rate risk management

The Modaraba manages profit/interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration various modes of investments. Based on these scenarios, the Modaraba calculates impact on profit after taxation and equity of defined profit/interest rate shift, mostly 100 basis points.

39.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from profit rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments.

39.3.3.1 Exposure to price risk

The Modaraba's is exposed to price risk because of investment in mutual funds held by the Modaraba. To manage the risk, the Modaraba diversifies its portfolio by analyzing the historical information of the investee.

39.3.3.2 Sensitivity to price risk

A five percent appreciation in prices of investment in mutual funds as at reporting date would have increased the net income for the year and net assets as at the reporting date by Rs. nil (2014: 1,272). A five percent diminution in unit prices of investment in mutual funds as at reporting date would have had an equal but opposite effect on net income for the year and net assets of the Modaraba as at the reporting date. The analysis assumes that all other variables remain constant and ignores the impact, if any, on provision for taxation for the year.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

40 CAPITAL MANAGEMENT

The Modaraba's policy is to maintain a strong capital base so as to maintain investor confidence and to sustain future development of the business. The Management Company monitors the return on assets of the Modaraba, including finances under ijarah, murabahah and musharakah arrangements and investments in capital and money market which are managed through appropriate risk management policies. For major aspects of capital management, the Modaraba adheres to the requirements of the Ordinance, Rules and Regulations including the requirements of statutory reserve. There were no changes in the Modaraba's approach to capital management during the year.

41 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

The aggregate amount charged to profit or loss in respect of officers and other employees on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such executives and other officers are as follows:

	2015		
	Officer	Other	Total
	Rupees	employees Rupees	Rupees
Remuneration	4,843,900	649,190	5,493,090
Allowances and perquisites	3,716,287	288,447	4,004,734
Post employment benefits	822,945	35,541	858,486
	<u>9,383,132</u>	<u>973,178</u>	<u>10,356,310</u>
Number of persons	<u>12</u>	<u>9</u>	<u>21</u>
	2014		
	Officer	Other	Total
	Rupees	employees Rupees	Rupees
Managerial remuneration	5,841,660	787,500	6,629,160
Allowances and perquisites	2,078,771	184,700	2,263,471
Post employment benefits	796,884	32,568	829,452
	<u>8,717,315</u>	<u>1,004,768</u>	<u>9,722,083</u>
Number of persons	<u>12</u>	<u>9</u>	<u>21</u>

42 SEGMENT INFORMATION

- 42.1 The Modaraba is a single reportable segment.
- 42.2 All non-current assets of the Modaraba are situated in Pakistan.
- 42.3 All incomes of the Modaraba have originated from Pakistan.

43 EMPLOYEES PROVIDENT FUND TRUST

The following information is based on the latest un-audited financial statements of the First Fidelity Leasing Modaraba Employees Provident Fund for the year ended June 30, 2015.



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

		2015	2014
Size of the fund - total assets	Rupees	747,424	970,552
Cost/fair value of investments	Rupees	746,025	807,600
Percentage of investments made	% age	99.81%	83.21%
The break-up of investments is as follows:			
		2015	2014
		Rupees % age	Rupees % age
Deposit accounts with commercial banks		1,399	0.19
Mutual funds		746,025	99.81
		<u>747,424</u>	<u>100.00</u>
		<u>162,952</u>	<u>16.79</u>
		<u>807,600</u>	<u>83.21</u>
		<u>970,552</u>	<u>100.00</u>

44 RE-CLASSIFICATIONS

During the year ended June 30, 2014 'income from ijarah financing' and 'income from murabah financing' was inadvertently presented net of impairment allowance of Rs. 3,345,428 and Rs. 10,420,628 respectively. During the year, classification error has been corrected for better presentation.

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 07, 2015 by the Board of Directors of the Management Company.

46 NUMBER OF EMPLOYEES

Total number of employees of the Modaraba as at the reporting date are 21 (2014: 21). Average number of persons employed by the Modaraba during the year are 21 (2014: 21).

47 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which may require adjustment of and/or disclosure in these financial statements.

48 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

49 GENERAL

49.1 Figures have been rounded off to the nearest rupee.

49.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year, with the exception of those referred to in note 44.

For Fidelity Capital Management (Private) Limited
[The Management Company]



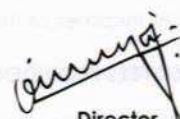
Chief Executive

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 Shares held by the Shareholders as at : **June 30, 2015**

No. of Shareholders	Shareholding		Total Shares held
	From	To	
3,528	1	100	141,388
2,348	101	500	564,396
879	501	1,000	680,073
1,004	1,001	5,000	2,033,301
138	5,001	10,000	1,025,922
51	10,001	15,000	600,093
26	15,001	20,000	457,835
27	20,001	25,000	606,514
5	25,001	30,000	144,079
11	30,001	35,000	365,903
6	35,001	40,000	223,596
5	40,001	45,000	212,940
2	45,001	50,000	93,000
5	50,001	55,000	265,097
4	55,001	60,000	233,216
1	60,001	65,000	64,000
1	65,001	70,000	69,500
2	70,001	75,000	144,200
3	75,001	80,000	235,296
1	85,001	90,000	88,100
1	90,001	95,000	93,991
4	95,001	100,000	400,000
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	135,001	140,000	135,192
1	145,001	150,000	149,500
1	170,001	175,000	175,000
2	185,001	190,000	379,500
1	200,001	205,000	200,153
1	245,001	250,000	248,230
1	255,001	260,000	260,000
1	265,001	270,000	266,792
1	280,001	285,000	281,500
1	300,001	305,000	302,562
1	305,001	310,000	305,500
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	1,170,001	1,175,000	1,175,000
1	1,890,001	1,895,000	1,894,223
1	2,640,001	2,645,000	2,641,380
1	3,225,001	3,230,000	3,228,234
8,081			26,413,804



CATEGORIES OF CERTIFICATE HOLDING

For the year ended 30 June 2015

Categories of Shareholder	Physical	CDC	Total	% age
Directors, Chief Executive Officer, Their Spouses and Minor Children				
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
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	1,322,376	1,956,867	7.41
General Public	3,292,164	14,056,379	17,348,543	65.68
	3,958,859	22,454,945	26,413,804	100.00
Shareholders More Than 5.00%				
Fidelity Capital Management (Pvt) Limited			5,869,614	22.22
Muhammad Iqbal			1,894,223	7.17