



**FIDELITY
LEASING**

2016

ANNUAL REPORT

FIRST FIDELITY LEASING MODARABA

Managed by:
Fidelity Capital Management (Private) Limited



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CORPORATE INFORMATION

Board of Directors

Fidelity Capital Management (Private) Limited.

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

Company Secretary / CFO

Mr. Mohammed Waheed

Auditors of Modaraba

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: 0 4 2 – 3 5 7 1 3 4 6 1 – 6 4
Fax: 0 4 2 – 3 5 7 5 9 1 2 2
Email: info@fidelitymodaraba.com
Website: www.fidelitymodarab.com

Registrars

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



Vision

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

Mission

- To achieve a unique position in the Modaraba sector by developing products, foreseeing upcoming changes, endeavoring value addition, focusing economic and industrial growth of the country and seeking expansion in business activity.
- To offer attractive returns to stakeholders as per their expectations.

To actively participate and support transformation of our mercantile and financial sector in accordance with Sharia.

- To build our institution with attributes of flexibility, innovation and foresight keeping intact prudence level and corporate discipline supported by dedicated management mindful of corporate and social obligation, maintaining high professional and ethical standards with eyes on the future.

**KEY OPERATING DATA FOR LAST SIX YEARS****(Rupees in Millions)**

	June 2016 Rupees	June 2015 Rupees	June 2014 Rupees	June 2013 Rupees	June 2012 Rupees	June 2011 Rupees
Operating results						
Revenues	5.35	11.57	40.72	21.89	45.36	71.46
Operating profit before taxation and management fee	(9.74)	(7.30)	3.78	7.18	16.96	8.68
Financial position						
Fixed assets (owned and leased out)	233.52	242.32	250.94	242.60	249.34	52.55
Total assets	357.02	367.18	375.801	374.280	420.93	375.23
Certificateholders equity	331.81	341.61	348.84	344.99	352.80	335.18
Paid up capital	264.13	264.13	264.13	264.13	264.13	264.13
Earning (Loss) per certificate	(0.37)	(0.28)	(0.14)	0.27	0.64	0.33
Profit distribution (%)	0.00	0.00	0.00	0.00	5.00	0.00
Break-up value per certificate	12.56	12.93	13.21	13.06	13.36	12.69



NOTICE TO CERTIFICATEHOLDERS 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, 2016 will be held on Monday October 31, 2016 at 12:30 P.M. at Ground Floor, 90-A-1, Canal Bank, Gulberg-II, Lahore. The Certificate transfer books of the Modaraba remain closed from October 25, 2016 to October 31, 2016 (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 24, 2016 shall be entitled to attend the meeting.

**October 07, 2016
Lahore**

**Mohammed Waheed
(Company Secretary)**



DIRECTOR'S REPORT

The Board of Directors of Fidelity Capital Management (Private) Limited, the Management company of First Fidelity Leasing Modaraba, are pleased to present the 25th Annual Report of First Fidelity Leasing Modaraba along with the audited financial statements and the auditors' report thereon for the year ended June 30, 2016.

Financial Results

The financial results of the Modaraba are summarized as follows.

	Rupees in '000'	
	2016	2015
Income	5,352	11,571
Expenses	(17,425)	(21,460)
Operating (loss)/profit before provision and taxation	(12,072)	(9,425)
Impairment allowance for non-performing assets	2,329	2,585
Modaraba Company's management fee	-	-
(Loss)/profit before taxation	(9,743)	(7,303)
Taxation	-	2
(Loss)/Profit after tax	(9,743)	(7,301)

Appropriations

Appropriated as follows:

Transferred to statutory reserves	-	-
Profit distribution	Nil	Nil

Earnings per Certificate:

(Loss)/profit per certificate stood at	Re. (0.37)	Re. (0.28)
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Review of Operations

As referred to in note 17.3.1 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 2017 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:

- (a) The financial statements prepared by the management of the Modaraba present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- (b) Proper books of account of the Modaraba have been maintained.



- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- (d) International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- (e) The system of internal control is sound and has been effectively implemented and monitored.
- (f) There are no significant doubts upon the Moradabad's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- (h) A statement setting out status of the compliance with the best practices of corporate governance is attached.
- (i) There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as on June 30, 2016 except those disclosed in the financial statements, (if any).

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 during the year under report.

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

Leave of absence was granted to directors who could not manage to attend some Board meetings.



Entity Rating

PACRA has 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

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 the fund as at June 30, 2016 works out to Rs.1,113,802.

Pattern of Certificate holdings

The pattern of certificate holdings is annexed to this report.

Auditors

M/s Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants, auditors of the Modaraba retire and being eligible have offered themselves for reappointment for the year ending June 30, 2017. The Audit Committee has recommended their appointment subject to the approval of the Registrar Modaraba.

Future Outlook and Strategy

The Management visualizes 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.

For and on behalf of the
Board of Directors

Wasim ul Haq Osmani
Chief Executive

Lahore
October 07, 2016



ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز فیڈلٹی کیپیٹل مینجمنٹ (پرائیویٹ) لمیٹڈ (FCML)، منتظم فرسٹ فیڈلٹی لیزنگ مضاربہ کی 25 ویں سالانہ مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ یہ مالیاتی نتائج رپورٹ فرسٹ فیڈلٹی لیزنگ مضاربہ کے قانونی محاسب کی رپورٹ کے ساتھ پیش کئے گئے ہیں۔

مالی نتائج سال ہذا

	Rupees in '000'	
	2016	2015
Income	5,352	11,571
Expenses	(17,425)	(21,460)
Operating (loss)/profit before provision and taxation	(12,072)	(9,425)
Impairment allowance for non-performing assets	2,329	2,585
Modaraba Company's management fee	-	-
(Loss)/profit before taxation	(9,743)	(7,303)
Taxation	-	2
(Loss)/Profit after tax	(9,743)	(7,301)

Appropriations

Appropriated as follows:

Transferred to statutory reserves

- -

Profit distribution

Nil Nil

Earnings per Certificate:

(Loss)/profit per certificate stood at

Re. (0.37) Re. (0.28)

کارکردگی کا جائزہ

جیسا کہ مالیاتی اسٹیٹمنٹ کے نوٹ نمبر 17.3.1 میں محاسب نے اُجاگر کیا ہے کہ مضاربہ ہذا کی زیادہ تر سرمایہ کاری کارپوریٹ ٹاور اور کچھ حد تک مری و لا زم میں ہے۔ یہاں پر یہ بات واضح کرنے کی ضرورت ہے کہ انتظامیہ کی یہ خواہش ہے کہ مضاربہ کی یہ سرمایہ کاری واپس آجائے کہ مضاربہ اپنے اصل کام پر دوبارہ واپس آسکے۔ سال ہذا میں مذکورہ بالا سرمایہ کاری کچھ مشکلات کی وجہ سے پیچھے نہیں جاسکی۔ اس لیے نئی سرمایہ کاری نہ ہو سکی اور نہ آمدنی کا کوئی مستقل ذریعہ پیدا ہو سکا۔ سال ہذا کی آمدنی مضاربہ کے اصل کام جو کہ اجارہ اور مورابا ہوا وغیرہ پر مشتمل ہے اس سے حاصل کی گئی ہے۔ یہ سرمایہ کاری مضاربہ نے پچھلے سالوں میں کی تھی۔

انتظامیہ ہذا کارپوریٹ ٹاور کے مالک جس کے ساتھ مل کر یہ ٹاور بنایا جا رہا ہے، اُس کو زور دے کر اس بات پر قائل کر رہی ہے کہ اس ٹاور کو کسی اور ذرائع سے مالیات حاصل کر کے کم از کم اتنا حصہ ضرور مکمل کرے کہ ہم اُس مکمل شدہ حصے کو بیچ کر اس میں سے اپنا سرمایہ واپس نکال سکیں۔ جہاں تک مری و لا زم کا تعلق ہے اُس میں انتظامیہ نے اپنی کوششیں تیز کر دیں ہیں کہ یا تو اس کو اسی حالت میں فروخت کر دیا جائے یا اس کو کسی کسٹمر کے ذریعے بنا کر فروخت کیا جائے۔ اُمید ہے کہ یہ کام سال 2017 میں ضرور برضو مکمل ہو جائے گا اور ہماری سرمایہ کاری واپس آجائے گی۔ جب یہ ساری مذکورہ بالا سرمایہ کاری بک کر مضاربہ میں واپس آجائے گی تو یہ اُس کی آمدنی پر بہت بڑا مثبت اثر مرتب کرے گی۔

کارپوریٹ گورننس اور کمپلائنس

کوڈ آف کارپوریٹ گورننس کے تحت ڈائریکٹرز رپورٹ پیش کرتے ہیں کہ:

(ا) مضاربہ کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے اس کے معاملات کو، عوامل کے نتائج کو، کیش فلو اور ایکویٹی میں تبدیلیوں کو جائز طور پر پیش کرتے ہیں۔

(ب) مضاربہ کے باقاعدہ کھاتے برقرار رکھے گئے ہیں۔



- (پ) مالی اسٹیٹمنٹس کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیاں مسلسل لاگو کی گئی ہیں اور اکاؤنٹنگ کے تخمینہ جات معقول اور متناظر فیصلوں پر مبنی ہیں۔
- (ت) مالی اسٹیٹمنٹس کی تیاری میں پاکستان میں مضاربہ پر لاگو بین الاقوامی مالی رپورٹنگ اور اسلامی اکاؤنٹنگ کے معیاری بیرونی کی گئی ہے۔
- (ث) مضاربہ کا اندرونی کنٹرول اپنے ڈھانچے میں درست ہے اور اس کا اطلاق اور نگرانی موثر طریقے سے کی گئی ہے۔
- (ج) مضاربہ کی مسلسل کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہ نہ ہے۔
- (چ) پاکستان اسٹاک ایکسچینج لمیٹڈ کے لسٹنگ قوانین میں بیان کردہ کاروباری دیکھ بھال کے بہترین عمل میں کوئی قابل ذکر تبدیلی نہ ہوئی ہے۔
- (ح) وہ بیانات جو کردیکھ بھال کے اعلیٰ اور اچھے نظام کے تحت ہیں وہ اس کتاب میں درج ہیں۔
- (خ) ٹیکسز، ڈیوٹیز، لیویز اور چارج کی مد میں 30 جون 2016 تک کی آئینی ادائیگیوں میں کوئی واجب الادا مطالبات نہ ہیں ماسوائے ان کے جو مالی گوشوارے میں بیان کیے گئے ہیں، (اگر ہیں تو)۔

مضاربہ کے حصص میں ڈائریکٹران کا کاروبار

سال خدا میں مضاربہ کے حصص میں کسی ڈائریکٹر، چیف ایگزیکٹو، کسی افسر، آڈیٹرز آف دی مضاربہ یا ان کے عزیز واقارب نے تجارت نہ کی۔

پچھلے چھ سالوں کا مالی موازنہ اس کتاب میں درج ہے۔

بورڈ مینٹلز

30 جون 2016 کو اختتام پزیر ہونے والے سال میں ہونے والی ڈائریکٹرز مینٹلز کی تفصیلات درج ذیل ہیں۔

تعداد حاضری			نام
بورڈ	آؤٹ کمیٹی	ایچ آر کمیٹی	
۵	۵	۲	جناب سید طاہر نواز ش
۵	۵	-	جناب وسیم الحق عثمانی
۵	۵	۲	جناب ایس۔ ایم نسیم
۵	۵	۲	جناب عبدالحمید کیانی

وہ ڈائریکٹرز جو کچھ مینٹلز میں نہ آسکے انہیں غیر حاضری کی چھٹی دی گئی۔

انٹی ریٹنگ

جون 2016 میں جاری کردہ اپنی رپورٹ میں PACRA کریڈٹ ریٹنگ کمپنی نے طویل دورانیے کی ریٹنگ BBB+ اور مختصر دورانیے کی کریڈٹ ریٹنگ A2 مختص کی ہے۔

پراویڈنٹ فنڈ

مضاربہ کا اپنے مستقل ملازمین کے لیے ایک منظور شدہ پراویڈنٹ فنڈ ہے۔ اس فنڈ کی مالیت 30-06-2016 کو 1,113,802 روپے ہے۔

پیٹرن آف سرٹیفکیٹ ہولڈنگ

سرٹیفکیٹ ہولڈرز 30.06.2016 کی ترتیب لف ہڈا ہے۔

آڈیٹرز

آؤٹ کمیٹی نے دوبارہ اپنی خدمات سال 30.06.2017 پیش کرنے پر مضاربہ کے آڈیٹرز میسرز رحمان سرفراز رحیم اقبال رفیق چارٹرڈ اکاؤنٹنٹس جو کہ اس کے اہل ہیں، منظوری دی ہے جو کہ رجسٹر آف مضاربہ کمپنیز کی منظوری سے مشروط ہے۔



مستقبل کا جائزہ

مضاربہ طحاکی انتظامیہ کو اس بات کا ادراک ہے کہ مضاربہ کا مستقبل بہت تابناک ہے۔ ریکل اسٹیٹ میں کی جانے والی سرمایہ کاری جب واپس آجائے گی تو مضاربہ کے لیے یہ بہت آسان ہوگا کہ وہ اس سرمایہ کو اجارہ، مورابا یا غیرہ اور دوسرے منافع بخش کاموں میں لگا کر مستقل بنیادوں پر بہت اچھا منافع کما سکے اور اپنے سرٹیفیکیٹ ہولڈرز کو مستقل بنیادوں پر فائدہ باہم پہنچائے۔

اعتراف

بورڈ آف مضاربہ اس موقع پر جسٹرار مضاربہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان اسٹاک ایکسچینج لمیٹڈ، مضاربہ ایسوسی ایشن آف پاکستان کا ان کی مسلسل حمایت، رہنمائی اور سرپرستی کے لیے شکریہ ادا کرتا ہے۔

بورڈ اس موقع پر سرٹیفیکیٹ ہولڈرز کا ان کے اعتماد اور بھروسے کے لیے شکر گزار ہے اور خراج تحسین پیش کرتا ہے۔ اور اس کے ساتھ ساتھ انتظامیہ اور تمام عملے کا ان کی پر عزم اور دل سے کی جانے والی خدمات کا خصوصی شکریہ ادا کرتا ہے۔

برائے و بجا نب بورڈ

وسیم الحق عثمانی

چیف ایگزیکٹو آفیسر

لاہور

اکتوبر 07، 2016



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of company: **First Fidelity Leasing Modaraba**

Year ending: **June 30, 2016**

This statement is being presented to comply with the Code of Corporate Governance (the Code) as contained in the listing regulation No. 5.19.23 of listing Regulations of Pakistan Stock Exchange for the purpose of establishing a frame work 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 and directors representing minority interests on its board of directors. At present the board includes:

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

The independent director meets the criteria of independence as required under clause 5.19.1(b) of the Code.

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 Management 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 broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board 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 have been 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. However, no training program for the non-exempted director was held during the year.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. However, there were no new appointments during the year.
11. The report of the directors of the Management Company on the financial statements of the Modaraba has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.



13. The directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificates holding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter for the review of interim and final results of the Modaraba and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration (HR&R) Committee. It comprises of three members, of whom all are non-executive directors including the chairman of the Committee.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba or shares of the Management Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the Code have been complied with except that the Board is in the process of developing a mechanism for annual evaluation of its performance.

Lahore
October 07, 2016

For and behalf of the

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, 2016** to comply with the requirements of Regulation No 5.19 of the Rule Book of Pakistan 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.

There were no related party transactions falling within the ambit of Regulation No. 5.19.6 of the Rule Book of Pakistan Stock Exchange Limited.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the 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, 2016**.

Further, we highlight below instances 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 9	No training program for the non-exempted director was held during the year
Paragraph 23	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, 2016
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, 2016 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.

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 17.3.1 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 agreement with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
 - 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, 2016 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
Lahore: October 07, 2016



Shari'ah Review Report of First Fidelity Leasing Modaraba For The Year Ended June 30, 2016

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, 2016 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that in my opinion;

1. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
2. 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;
3. During the period the Modaraba has not extended any Ijara / Morabaha facility as major amounts are invested in infrastructure project, mainly Enplan and Murree Villas. Furthermore the management continued its efforts to recover the classified portfolio.
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.

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, management promised to donate the remaining amount to approved institutions shortly.

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.

Signatures

Mufti Muhammad Umar Ashraf
Shari'ah Advisor
Dated: October 7, 2016



BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances	6	127,069	399,712
Short term finances under murabahah arrangements - Secured	7	95,219,919	87,738,880
Ijarah rentals receivable - Secured	8	106,801	380,154
Profit receivable	9	133,867	6,485,698
Prepayments and other receivables	10	13,240,872	13,984,903
Advance income tax		1,267,311	1,221,058
Current portion of non-current assets	11	361,101	763,190
		110,456,940	110,973,595
NON-CURRENT ASSETS			
Long term finances under murabahah arrangements - Secured	12	-	385,890
Long term advances and deposits	13	1,010,903	1,472,545
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	8,586,719	16,114,597
Property and equipment	17	224,938,783	226,206,814
		246,566,405	256,209,846
TOTAL ASSETS		357,023,345	367,183,441
LIABILITIES			
CURRENT LIABILITIES			
Deferred murabahah income	7	-	368,880
Accrued and other liabilities	18	20,188,768	17,643,289
Current portion of non-current liabilities	19	2,432,408	2,028,922
		22,621,176	20,041,091
NON-CURRENT LIABILITIES			
Security deposits	20	1,390,169	4,081,359
Employees retirement benefits	21	1,204,199	1,375,578
Deferred murabahah income	22	-	74,906
		2,594,368	5,531,843
Contingencies and commitments	23		
TOTAL LIABILITIES		25,215,544	25,572,934
NET ASSETS		331,807,801	341,610,507
REPRESENTED BY			
Authorized certificate capital			
62,500,000 (2015: 62,500,000) modaraba certificates of Rs. 10 each		625,000,000	625,000,000
Issued, subscribed and paid-up capital	24	264,138,040	264,138,040
Reserves	25	67,669,761	77,472,467
TOTAL EQUITY		331,807,801	341,610,507

The annexed notes 1 to 46 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, 2016**

	Note	2016 Rupees	2015 Rupees
INCOME			
Income from ijarah financing		4,493,948	6,532,879
Profit on murabahah financing		443,235	4,977,253
Net other income	26	415,718	61,266
		5,352,901	11,571,398
EXPENSES			
Amortization of assets leased out under ijarah contracts	16	(2,846,303)	(4,620,740)
Administrative and general expenses	27	(14,370,794)	(16,503,793)
Stock exchange and CDC charges		(199,545)	(316,526)
Financial charges	28	(8,481)	(19,173)
		(17,425,123)	(21,460,232)
Changes in impairment allowance for non-performing assets	29	2,329,052	2,585,209
Loss before taxation		(9,743,170)	(7,303,625)
Taxation	30	-	2,544
Loss after taxation		(9,743,170)	(7,301,081)
Loss per certificate - basic and diluted	31	(0.37)	(0.28)

The annexed notes 1 to 46 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/STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016**

	<i>Note</i>	2016 <i>Rupees</i>	2015 <i>Rupees</i>
Items that may be reclassified subsequently to profit or loss			
Available for sale investments			
Transferred to profit or loss account on disposal		-	(22,898)
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit obligation	21.1.2	<u>(59,536)</u>	90,065
Other comprehensive income		<u>(59,536)</u>	67,167
Loss after taxation		<u>(9,743,170)</u>	(7,301,081)
Total comprehensive loss		<u><u>(9,802,706)</u></u>	<u><u>(7,233,914)</u></u>

The annexed notes 1 to 46 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



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	<i>Note</i>	2016 <i>Rupees</i>	2015 <i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash used in operations	33	(4,843,090)	(11,888,377)
(Payments)/receipts for:			
Employees retirement benefits		(967,911)	(108,332)
Income taxes		(46,253)	-
Proceeds from transfer of Ijarah assets		4,681,575	6,020,163
Purchase of Ijarah assets		-	(3,696,900)
Profit distribution		(39,808)	(28,813)
Net cash used in operating activities		(1,215,487)	(9,702,259)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		-	(96,412)
Proceeds from disposal of property and equipment		609,997	-
Proceeds from sale of short term investments		332,847	28,607
Net cash generated from/(used in) investing activities		942,844	(67,805)
CASH FLOW FROM FINANCING ACTIVITIES			
		-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(272,643)	(9,770,064)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		399,712	10,169,776
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34	127,069	399,712

The annexed notes 1 to 46 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, 2016

Note	Issued subscribed and paid-up capital <i>Rupees</i>	Capital Reserves			Revenue Reserve		Total equity <i>Rupees</i>
		Statutory reserve <i>Rupees</i>	Available for sale financial assets <i>Rupees</i>	Total <i>Rupees</i>	Accumulated profit/(loss) <i>Rupees</i>		
Balance as at July 01, 2014	264,138,040	79,377,508	22,898	79,400,406	5,305,975	348,844,421	
Comprehensive income							
Profit after taxation	-	-	-	-	(7,301,081)	(7,301,081)	
Other comprehensive income	-	-	(22,898)	(22,898)	90,065	67,167	
Total comprehensive income	-	-	(22,898)	(22,898)	(7,211,016)	(7,233,914)	
Transaction with owners	-	-	-	-	-	-	
Balance as at June 30, 2015	264,138,040	79,377,508	-	79,377,508	(1,905,041)	341,610,507	
Balance as at July 01, 2015	264,138,040	79,377,508	-	79,377,508	(1,905,041)	341,610,507	
Loss after taxation	-	-	-	-	(9,743,170)	(9,743,170)	
Other comprehensive income	-	-	-	-	(59,536)	(59,536)	
Total comprehensive loss	-	-	-	-	(9,802,706)	(9,802,706)	
Transaction with owners	-	-	-	-	-	-	
Balance as at June 30, 2016	264,138,040	79,377,508	-	79,377,508	(11,707,747)	331,807,801	

The annexed notes 1 to 46 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, 2016

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 Pakistan Stock Exchange Limited. The Modaraba is primarily engaged in the business of ijarah, musharakah and murabahah financing, equity investment, brokerage and other related business.

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 judgments, 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 judgments 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 judgments 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. There are no estimation uncertainties as at the reporting date. 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:

2.3.1 Recoverable amount and impairment (see note 5.24)

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 operating fixed assets (see note 5.7)

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

2.3.3 Obligation under defined benefit plan (see note 5.9)

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 (see note 6)

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.

The following new and 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 other than presentation and disclosures.

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 Statements)

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.

	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments (2014)	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts (2014)	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
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).	Deferred Indefinitely
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
Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)	January 01, 2016
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)	January 01, 2016
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
Classification and Measurement of Share-based Payment Transactions	January 01, 2018
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts)	January 01, 2018
Annual Improvements 2012-2014 cycle	January 01, 2016

The Modaraba intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 234 of the Companies Ordinance, 1984 regarding their adoption. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Modaraba's financial statements other than in presentation/disclosures.

IFRS 9 – Financial Instruments: Classification and Measurement (2014)

IFRS 9 replaces IAS 39 - Financial Instruments: *Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit risk.
- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.



- **Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.**

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

IFRS 16 – Leases (2016)

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the leases term is twelve months or less or the underlying asset has low value.

Adoption of this IFRS 16 will result in recognition of assets and liabilities for all operating leases for which the lease terms is more than twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)

The amendments clarify the following:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary differences regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax laws restrict utilization of tax losses, an entity would assess a deferred tax asset in combination with deferred tax assets of the same type.

Adoption of this amendment may result in material adjustment to deferred tax assets. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

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.

5.3 Financial instruments

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.

(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.

(b) 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.

(c) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

5.3.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

5.3.4 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.

5.3.5 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.

5.3.6 'Regular way' purchases and sales of financial assets

'Regular way' purchases and sales of financial assets are those contracts which require delivery of assets within the time frame generally established by the regulation or convention in the market. 'Regular way' purchases and sales of financial assets are recognized and derecognized on trade dates.



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 depreciation. Depreciation 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 Ijarah rentals and murabahah finance receivables

Ijarah rentals and murabahah finance receivables are classified as 'loans and receivables' and are stated net off provision and suspense income. Provision is recognised in accordance with the Prudential Regulations for Modarbas.

5.7 Property and equipment

These comprise operating fixed assets of the Modaraba.

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 17.1 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.

5.8 Accrued and other liabilities

5.8.1 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.

5.8.2 Non-financial liabilities

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

5.9 Employees retirement benefits

5.9.1 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.

5.9.2 Post employment benefits

(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 21.1 to the financial statements.

The Modaraba operates a leave encashment facility, a defined benefit plan, for all of its employees. Under the scheme, the Modaraba pays a lump-sum benefit as leave encashment for unutilized privilege leaves accrued upto the end of service, subject to the maximum permissible accumulation of 90 days. The scheme is administered by the management of the Modaraba under the supervision and directions of the Board of Directors of the Management Company. The amount recognized on balance sheet represents present value of defined benefit obligation. The details of the scheme are referred to in note 21.2 to the financial statements.

(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.

5.10 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.



5.11 Certificate capital

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

5.12 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:

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

5.12.2 Profit on murabahah finances is recognized on time proportion basis as and when accrued.

5.12.3 Income from Murabaha is accounted for consumption of Murabaha transaction. However, profit on that portion of revenue not due for payment (deferred Murabaha income) is deferred and recognised on a time proportionate basis.

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

5.12.5 Brokerage commission is recognized when such services are provided.

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

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.

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 to 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	2016 Rupees	2015 Rupees
6 CASH AND BANK BALANCES			
Cash in hand		3,074	47,035
Cash at bank			
current accounts in local currency	6.1	7,445	10,792
deposit/saving accounts in local currency	6.2	116,550	341,885
		123,995	352,677
		127,069	399,712
6.1	This represents deposit maintained with State Bank of Pakistan.		
6.2	Effective markup rate in respect of deposit/saving accounts, for the year is 6% to 7% (2015: 6% to 7%) per annum.		
7 SHORT TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED			
Considered good		-	64,000,000
Considered doubtful	7.2	294,484,231	231,654,231
		294,484,231	295,654,231
Deferred/unearned morabaha income		-	368,880
		294,484,231	296,023,111
Accumulated impairment	7.3 & 7.4	(199,264,312)	(208,284,231)
		95,219,919	87,738,880
7.1	These represent receivables 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% (2015: 12.98% to 19%) per annum.		
7.2	These include an amount of Rs. 35 million (2015: 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 thereon measuring 4 kanals and 1 marla. It carries mark up 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 17.3.1).		
7.3	This includes provision of Rs. 192 million (2015: 202 million) in respect of classified facilities of First Hajveri 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.		
7.4	Movement in accumulated impairment is as follows:		
As at beginning of the year		208,284,231	208,284,231
Recognized during the year		980,081	-
Reversed during the year		(10,000,000)	-
As at end of the year		199,264,312	208,284,231
8 IJARAH RENTALS RECEIVABLE - SECURED			
Considered good		106,801	380,154
Considered doubtful		37,065,650	36,910,678
		37,172,451	37,290,832
Accumulated impairment	8.2	(37,065,650)	(36,910,678)
		106,801	380,154
8.1	These are secured against assets leased out under ijarah contracts.		
8.2	Movement in accumulated impairment is as follows:		
As at the beginning of the year		36,910,678	39,495,887
Recognized during the year		524,185	1,053,917
Reversed during the year		(369,213)	(3,639,126)
As at the end of the year		37,065,650	36,910,678
9 PROFIT RECEIVABLE			
Considered good		133,867	6,485,698
Considered doubtful		20,210,295	13,674,400
		20,344,162	20,160,098
Accumulated impairment	9.1	(20,210,295)	(13,674,400)
		133,867	6,485,698
9.1	Movement in accumulated impairment is as follows:		
As at the beginning of the year		13,674,400	13,674,400
Recognized during the year		6,734,795	-
Reversed during the year		(198,900)	-
As at the end of the year		20,210,295	13,674,400



		2016	2015
		<i>Rupees</i>	<i>Rupees</i>
10 PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		139,200	197,992
Receivable from clients - <i>secured</i>	10.1	9,372,842	10,004,499
Receivable from Hajveri Modaraba Management Company (Private) Limited - <i>secured</i>	10.2	3,206,064	3,206,064
Other receivables		522,766	576,348
		<u>13,240,872</u>	<u>13,984,903</u>
10.1	These represent receivables from brokerage clients. These are secured against respective listed shares of the clients.		
10.1.1 Receivable from clients - secured			
Considered good		9,372,842	10,004,499
Considered doubtful		7,126,181	7,126,181
		16,499,023	17,130,680
Accumulated impairment		(7,126,181)	(7,126,181)
		<u>9,372,842</u>	<u>10,004,499</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 Erstwhile 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.		
11 CURRENT PORTION OF NON-CURRENT ASSETS			
Long term finances under morabaha arrangements	12	235,535	457,167
Long term receivables	13	125,566	306,023
		<u>361,101</u>	<u>763,190</u>
12 LONG TERM FINANCES UNDER MURABAHAH ARRANGEMENTS - SECURED			
Murabahah investment	12.1	218,847	676,109
Deferred/unearned murabahah income		16,688	166,948
		235,535	843,057
Current portion presented under current assets	12.2 & 11	(235,535)	(457,167)
		<u>-</u>	<u>385,890</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% (2015: 17% to 18%) per annum.		
12.2 Current portion presented under current assets			
Murabahah investment		-	365,125
Deferred/unearned murabahah income		16,688	92,042
		<u>16,688</u>	<u>457,167</u>
13 LONG TERM ADVANCES AND DEPOSITS			
Long term loans to employees - <i>secured</i>	13.1	275,969	918,068
Security deposits		860,500	860,500
		1,136,469	1,778,568
Current portion presented under current assets	13.2 & 11	(125,566)	(306,023)
		<u>1,010,903</u>	<u>1,472,545</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.

	<i>Note</i>	2016	2015
		<i>Rupees</i>	<i>Rupees</i>
13.2 Current portion presented under current assets comprises the following:			
Long term loans to employees		125,566	306,023
Securities deposits		-	-
		125,566	306,023
	<i>Note</i>	2016	2015
		<i>Rupees</i>	<i>Rupees</i>

14 LONG TERM INVESTMENT

Islamabad Stock Exchange - *unquoted*
(3,034,603 ordinary shares of Rs. 10 each)

14.1 **5,750,000** 5,750,000

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 cancelation/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.

	<i>Note</i>	2016	2015
		<i>Rupees</i>	<i>Rupees</i>
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
		6,280,000	6,280,000

15.1 The Trading Right Entitlement Certificate ('TREC') of Islamabad Stock Exchange Limited (now Pakistan 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 the stock exchange. 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 Islamabad High Court ('IHC') to declare the said order of the SECP 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.



16 ASSETS LEASED OUT UNDER IJARAH CONTRACTS

	2016										Carrying value as at June 30 Rupees
	COST					AMORTIZATION					
	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			
Vehicles	17,152,059	-	(5,428,261)	11,723,798	5,760,144	1,716,463	(2,013,257)	5,463,350	6,260,448		
Office equipment	202,900	-	(15,000)	187,900	103,382	47,047	-	150,429	37,471		
Machinery	7,630,658	-	(2,567,887)	5,062,771	3,007,494	1,082,793	(1,316,316)	2,773,971	2,288,800		
	24,985,617	-	(8,011,148)	16,974,469	8,871,020	2,846,303	(3,329,573)	8,387,750	8,586,719		
	2015										Carrying value as at June 30 Rupees
	COST					AMORTIZATION					
	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			
Vehicles	20,424,190	1,814,000	(5,086,131)	17,152,059	4,335,533	2,673,527	(1,248,916)	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	19,212,222	1,775,000	(13,356,564)	7,630,658	12,381,766	1,903,889	(11,278,161)	3,007,494	4,623,164		
	39,964,037	3,696,900	(18,675,320)	24,985,617	16,905,437	4,620,740	(12,655,157)	8,871,020	16,114,597		

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



17.2 Disposal of operating fixed assets

Particulars	2016						2015							
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Gain disposal Rupees	Mode of disposal	Particulars of buyer	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Loss on disposal Rupees	Mode of disposal	Particulars of buyer
Vehicles														
Honda City	1,263,000	1,263,000	-	-	-	Company policy	Mr. Muhammad Waheed (Employee)							
Toyota Corolla	1,624,500	1,083,000	541,500	589,297	47,797	Company policy	Mr. Younas Choudhry (Employee)							
Motorcycle	46,700	46,700	-	12,700	12,700	Negotiation	Adil Motors							
Motorcycle	42,000	42,000	-	8,000	8,000	Negotiation	Mr. Farooq Macleod							
	<u>2,976,200</u>	<u>2,434,700</u>	<u>541,500</u>	<u>609,997</u>	<u>68,497</u>									
Office Equipments														
Cell Phone	19,900	12,781	7,119	-	(7,119)	Lost by theft	N/A							
	<u>19,900</u>	<u>12,781</u>	<u>7,119</u>	<u>-</u>	<u>(7,119)</u>									



	Note	2016	2015
		Rupees	Rupees
17.3 Capital work in progress			
Corporate Tower, Lahore	17.3.1	204,000,000	204,000,000
Villas at Murree	17.3.2	20,000,000	20,000,000
Advance against purchase of property	17.3.3	4,500,000	4,500,000
		228,500,000	228,500,000
Impairment allowance		(4,500,000)	(4,500,000)
		224,000,000	224,000,000

17.3.1 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 7.2). 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 an equitable mortgage over the property of the tower.

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 ensuring year to generate funds to complete the tower.

17.3.2 This represents property under construction comprising land measuring 1 kanal and 8 marlas acquired for Rs. 20 million. Independent valuation of the property was carried out at Rs. 48 million as on June 30, 2014. However, no valuation has been carried out as at the reporting date as the modaraba has a policy of carrying out the revaluation exercise after every three years. The management expects the recoverable amount of this property to be above its carrying amount as at the reporting date. Therefore no allowance for impairment has been recognised.

17.3.3 This represents an advance to Rahman Construction company against purchase and construction of 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.

	Note	2016	2015
		Rupees	Rupees
18 ACCRUED AND OTHER LIABILITIES			
Due to customers	18.1	1,214,400	743,472
Advance ijarah rentals and security deposits		676,596	865,533
Advances from customers		1,100,000	-
Accrued liabilities		6,324,234	5,122,074
Unclaimed profit distribution		10,682,910	10,722,718
Workers' welfare fund payable		177,149	177,149
Others		13,479	12,343
		20,188,768	17,643,289

18.1 These represent payable to brokerage clients.



	<i>Note</i>	2016 <i>Rupees</i>	2015 <i>Rupees</i>
21.1.5 Movement in present value of defined benefit obligation			
As at beginning of the year		5,018,461	4,700,401
Current service cost		174,497	390,805
Interest cost on defined benefit obligation		111,672	609,044
Benefits paid during the year		(5,455,514)	(74,918)
Gains and losses arising on plan settlements		521,953	-
Actuarial gain	21.1.4	(371,069)	(606,871)
As at end of the year		<u>-</u>	<u>5,018,461</u>
21.1.6 Movement in fair value of plan assets			
As at beginning of the year		4,754,228	4,707,690
Interest income on plan assets		123,373	630,973
Contributions during the year		1,008,518	7,289
Benefits paid during the year		(5,455,514)	(74,918)
Return on plan assets excluding interest income	21.1.4	(430,605)	(516,806)
As at end of the year		<u>-</u>	<u>4,754,228</u>
21.1.7 Plan assets consist of:			
Investments in units of mutual fund		-	4,753,296
Cash at bank		-	932
		<u>-</u>	<u>4,754,228</u>

21.1.8 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.

21.1.9 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:

	2016 <i>Rupees</i>	2015 <i>Rupees</i>
Discount rate	N/A	9.75%
Expected rates of increase in salary	6.25%	8.75%
Expected average remaining working lives	10 years	10 years

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.

21.1.10 Sensitivity analysis and risk factors

Due to discontinuation of scheme, sensitivity analysis and disclosure of risk factors is not relevant.

21.2 The Modaraba operates a leave encashment facility, a defined benefit plan, for all of its employees. Under the scheme, the Modaraba pays a lump-sum benefit as leave encashment for unutilized privilege leaves accrued upto the end of service, subject to the maximum permissible accumulation of 90 days. The scheme is administered by the management of the Modaraba under the supervision and directions of the Board of Directors of the Management Company. The amount recognized on balance sheet represents present value of defined benefit obligation.



	<i>Note</i>	2016	2015
		<i>Rupees</i>	<i>Rupees</i>
21.2.1 Movement in present value of defined benefit obligation			
As at beginning of the year		1,111,345	1,190,359
Charged to profit or loss for the year	21.2.2	134,604	22,029
Paid during the year		(41,750)	(101,043)
As at end of the year		<u>1,204,199</u>	<u>1,111,345</u>
21.2.2 Charged to profit or loss for the year			
Current service cost		146,360	158,803
Interest cost		114,499	153,878
Actuarial gain		(126,255)	(290,652)
		<u>134,604</u>	<u>22,029</u>

21.2.4 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:

	2016	2015
	<i>Rupees</i>	<i>Rupees</i>
Discount rate	7.25%	10.50%
Expected rates of increase in salary	6.25%	9.50%
Average number of leaves (in days) un-utilized per annum	10 days	10 days
Expected average remaining working lives	10 years	10 years

21.2.5 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 obligations 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:

	2016		2015	
	Change in actuarial assumption	Defined benefit obligation	Change in actuarial assumption	Defined benefit obligation
		<i>Rupees</i>		<i>Rupees</i>
Discount rate	+ 1%	(1,095,341)	+ 1%	(1,005,498)
	- 1%	1,328,801	- 1%	1,233,147
Expected rates of increase in salary	+ 1%	1,327,566	+ 1%	1,234,425
	- 1%	(1,094,519)	- 1%	(1,002,544)

A change in expected remaining working lives of employees and average number of leaves un-utilized per annum is not expected to have a material impact on the present value of defined benefit obligations. 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 obligations 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 obligations 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 obligations to be recognized in these financial statements.

	<i>Note</i>	2016	2015
		<i>Rupees</i>	<i>Rupees</i>
22 DEFERRED/UNEARNED MORABAHA INCOME			
Deferred morabaha income	19	16,688	166,948
Current portion presented under current liabilities	19	(16,688)	(92,042)
		<u>-</u>	<u>74,906</u>



23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

There are no significant contingencies as at the reporting date except those as disclosed in note 17.3 to these financial statements.

23.2 Commitments

There are no significant commitments as at the reporting date except for those under ijarah contracts regarding use by lessees of assets leased out under ijarah contracts against future rentals, which are as follows:

	<i>Note</i>	2016	2015
		<i>Rupees</i>	<i>Rupees</i>
Future Ijarah rentals receivable			
Not later than one year		3,272,338	4,023,219
Later than one year but not later than five years		3,960,538	7,436,109
Later than five years		-	-
		7,232,876	11,459,328
24 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Modaraba certificates of Rs. 10 each			
16,656,491 (2015: 16,656,491) certificates issued for cash		166,564,910	166,564,910
3,976,908 (2015: 3,976,908) certificates issued as full paid bonus certificates		39,769,080	39,769,080
5,780,405 (2015: 5,780,405) certificates issued on amalgamation of First Hajveri Modaraba		57,804,050	57,804,050
		264,138,040	264,138,040
25 RESERVES			
Capital reserves			
Statutory reserve	25.1	79,377,508	79,377,508
Revenue reserve			
Accumulated profits		(11,707,747)	(1,905,041)
		67,669,761	77,472,467
25.1	This represents special reserve created in compliance with the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan.		
	<i>Note</i>	2016	2015
		<i>Rupees</i>	<i>Rupees</i>
26 OTHER INCOME			
Gain on financial instruments			
Return on bank deposits		331	6,700
Markup on loans to employees		11,368	28,114
Gain on sale of investments		332,847	26,063
		344,546	60,877
Other income			
Fees, commission and other incomes		2,675	7,508
Gain/(loss) on sale of property and equipment		68,497	(7,119)
		71,172	389
		415,718	61,266
27 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and benefits	27.1	9,398,602	10,356,310
Rent, rates and taxes		154,160	211,625
Utilities		441,634	532,975
Repair and maintenance		106,985	50,330
Printing and stationery		305,496	337,291
Communication		86,712	112,954
Travelling and conveyance		109,510	439,452
Insurance		147,015	408,693
Advertisement		15,875	56,500
Fee and subscription		346,853	279,362
Entertainment		170,465	222,908
Auditors' remuneration	27.2	592,300	566,000
Legal and professional charges		635,130	832,937
Depreciation		726,531	1,351,593
Others		1,133,526	744,863
		14,370,794	16,503,793



27.1 These include charges in respect of employees retirement benefits amounting to Rs. 684,749 (Rs. 2015: 368,876) and contribution to provident fund amounting to Rs. 670,114 (2015: Rs. 367,313).

		2016	2015
		<i>Rupees</i>	<i>Rupees</i>
27.2 Auditors' remuneration			
Annual statutory Audit		315,000	300,000
Half yearly review		132,300	126,000
Review report under Code of Corporate Governance		105,000	100,000
Out of pocket expenses		40,000	40,000
		592,300	566,000
28 FINANCIAL CHARGES			
Bank charges		8,481	19,173
		8,481	19,173
29 CHANGES IN IMPAIRMENT ALLOWANCE FOR NON-PERFORMING ASSETS			
As at the beginning of the year		265,995,490	268,580,699
Impairment recognised during the year		8,239,061	1,053,917
Impairment reversed during the year		(10,568,113)	(3,639,126)
Net change in impairment allowance during the year		(2,329,052)	(2,585,209)
As at the end of the year		263,666,438	265,995,490
29.1 Break-up of impairment allowance as at end of the year			
Short term finances under murabahah arrangements	7.4	199,264,312	208,284,231
Ijarah rentals receivable	8.2	37,065,650	36,910,678
Receivables from clients	10.1.1	7,126,181	7,126,181
Profit receivable		20,210,295	13,674,400
		263,666,438	265,995,490
29.2 Break-up of impairment recognised during the year			
Short term finances under murabahah arrangements	7.4	980,081	-
Ijarah rentals receivable	8.2	524,185	1,053,917
Profit receivable	9.1	6,734,795	-
		8,239,061	1,053,917
29.3 Break-up of impairment reversed during the year			
Short term finances under murabahah arrangements	7.4	10,000,000	-
Ijarah rentals receivable	8.2	369,213	3,639,126
Profit receivable	9.1	198,900	-
		10,568,113	3,639,126
30 TAXATION			
Current taxation	30.1	-	-
Deferred taxation			
attributable to change in tax rates		-	-
attributable to origination and reversal of temporary differences		-	(2,544)
		-	(2,544)
		-	(2,544)

30.1 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.

30.2 The Modaraba has carry forward losses against which a deferred tax asset amounting to Rs. 29.1 million (2015: Rs. 26 million) 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.



	<i>Unit</i>	2016	2015
		<i>Rupees</i>	<i>Rupees</i>
31 LOSS PER CERTIFICATE - BASIC AND DILUTED			
Loss attributable to certificate holders	<i>Rupees</i>	(9,743,170)	(7,301,081)
Weighted average number of certificates outstanding during the year	<i>No. of shares</i>	26,413,804	26,413,804
Loss per certificate - <i>basic</i>	<i>Rupees</i>	(0.37)	(0.28)

There is no anti-dilutive effect on the basic loss per certificate as the Modaraba has not issued any instrument which would have an impact on its earnings per certificate.

32 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Modaraba's perspective comprise the Management Company, Key Management Personnel, Gratuity Scheme and Provident Fund Trust. Transactions and balances with related parties other than remuneration and benefits to key management personnel under the terms of employment and employee retirement benefits as disclosed in 39 and 21 respectively are as follows:

Details of transactions and balances with related parties is as follows:

	<i>Note</i>	2016	2015
		<i>Rupees</i>	<i>Rupees</i>
32.1 Transactions with related parties			
Nature of relationship	Nature of balances		
Provident Fund Trust	Contribution for the year	670,114	367,313
Gratuity Scheme	Contribution for the year	684,749	368,876
Officers and employees	Ijarah rentals received	1,114,852	864,164
32.2 Balances with related parties			
Officers and employees	Finances under murabahah arrangements	-	1,170,000
	Ijarah rentals receivables	116,109	279,570
	Ijarah rentals suspended	116,109	194,246
Provident Fund Trust	Contribution payable	524,868	368,780
33 CASH GENERATED FROM OPERATIONS			
Loss before taxation		(9,743,170)	(7,303,625)
Adjustments for non-cash and other items			
Depreciation		726,531	1,351,593
Amortization of assets leased out under ijarah contracts		2,846,303	4,620,740
(Gain)/Loss on disposal of property and equipment		(68,497)	7,119
Gain on sale of short term investments		(332,847)	(26,063)
Changes in fair value of non-performing receivables		(2,329,052)	(2,585,209)
Provision for employees retirement benefits		736,996	390,905
		1,579,434	3,759,085
Operating loss before changes in working capital		(8,163,736)	(3,544,540)
Changes in working capital			
Finances under murabahah arrangements		1,627,262	(7,176,109)
Ijarah rentals receivable		118,381	2,825,497
Profit receivable on murabahah finances		(184,064)	(4,744,111)
Advances, deposits, prepayments and other receivables		744,031	929,656
Long term advances and deposits		642,099	(173,688)
Accrued and other liabilities		2,585,287	3,611,551
Security deposits		(2,212,350)	(3,616,633)
		3,320,646	(8,343,837)
Cash used in operations		(4,843,090)	(11,888,377)
34 CASH AND CASH EQUIVALENTS			
Cash and bank balances	6	127,069	399,712
		127,069	399,712

**35 FINANCIAL INSTRUMENTS**

The carrying amounts of the Modaraba's financial instruments by class and category are as follows:

	<i>Note</i>	2016	2015
		<i>Rupees</i>	<i>Rupees</i>
35.1 Financial assets			
<i>Cash in hand</i>	6	3,074	47,035
<i>Loans and receivables</i>			
Cash at bank	6	123,995	352,677
Finances under murabahah arrangements	7 & 12	95,438,766	88,046,109
Ijarah rentals receivable	8	106,801	380,154
Profit receivable	9	133,867	6,485,698
Security deposits	13	860,500	860,500
Receivable from clients	10	9,372,842	10,004,499
Other receivables	10	522,766	576,348
<i>Available for sale financial assets</i>			
Investments in unquoted securities	14	5,750,000	5,750,000
		112,312,611	112,503,020
35.2 Financial liabilities			
<i>Financial liabilities at amortized cost</i>			
Due to customers	18	1,214,400	743,472
Accrued and other payables	18	6,324,234	5,122,074
Unclaimed profit distribution	18	10,682,910	10,722,718
		18,221,544	16,588,264

36 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:

36.1 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.

36.1.1 Maximum exposure to credit risk

Credit risk principally arises from the Modaraba's loans and receivables. The maximum exposure to credit risk as at the reporting date is as follows:

	2016	2015
	<i>Rupees</i>	<i>Rupees</i>
<i>Loans and receivables</i>		
Cash at bank	123,995	352,677
Finances under murabahah arrangements	95,438,766	88,046,109
Ijarah rentals receivable	106,801	380,154
Profit receivable on murabahah finances	133,867	6,485,698
Security deposits	860,500	860,500
Receivable from clients	9,372,842	10,004,499
Other receivables	522,766	576,348
	106,559,537	106,705,985

36.1.2 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:

	2016	2015
	<i>Rupees</i>	<i>Rupees</i>
Customers	105,575,042	105,492,808
Utility companies and regulatory authorities	860,500	860,500
Banking companies and financial institutions	123,995	352,677
	106,559,537	106,705,985



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

	2016				
	Ijarah 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	-	35,000,000	-	-	35,000,000
Power	-	-	-	3,206,060	3,206,060
Textile	-	10,000,000	-	-	10,000,000
Construction	-	-	-	170,000	170,000
Individuals	106,801	42,232,702	133,867	9,725,612	52,198,982
	106,801	92,232,702	133,867	13,101,672	105,575,042

	2015				
	Ijarah 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	44,840,045	6,485,698	10,378,697	62,036,570
	359,824	84,840,045	6,485,698	13,807,241	105,492,808

36.1.3 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.

(a) 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.

(b) Counterparties without external credit ratings

These include customers which are counter parties to finances under murabahah and ijara arrangements, profit receivable and other amounts receivable in connection therewith, and utility companies and regulatory authorities which are counter parties to security deposits. Credit risk in respect of security deposits is considered to be insignificant as non-performance by these parties is not expected. The Modaraba is exposed to credit risk in respect of balances with customers. The analysis of ages of customer balances as at the reporting date is as follows:

	2016		2015	
	Gross carrying amount Rupees	Accumulated Impairment Rupees	Gross carrying amount Rupees	Accumulated Impairment Rupees
Neither past due nor impaired	218,847	-	35,403,482	-
Past due by upto 90 days	106,801	-	765,926	423,339
Past due by 90 to 180 days	772,557	772,557	265,845	265,845
Past due by 180 days to 1 year	35,773,845	7,753,926	62,749	62,749
Past due by 1 to 2 years	707,572	573,705	41,177,874	549,352
Past due by 2 to 3 years	50,667,818	12,467,818	23,721,160	15,817,620
Past due by 3 years or more	263,972,251	234,972,251	252,363,904	241,750,404
	352,219,691	256,540,257	353,760,940	258,869,309



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

36.1.4 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.

36.1.5 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.

36.2 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.

36.2.1 Exposure to liquidity risk

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

	2016				
	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	1,214,400	1,214,400	1,214,400	-	-
Accrued and other payables	6,324,234	6,324,234	6,324,234	-	-
Unclaimed profit distribution	10,682,910	10,682,910	10,682,910	-	-
	18,221,544	18,221,544	18,221,544	-	-
	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	-	-
	16,588,264	16,588,264	16,588,264	-	-

36.2.2 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.

36.3 Market risk

36.3.1 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.

36.3.2 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.



(a) Interest/profit bearing financial instruments

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:

	2016	2015
	<i>Rupees</i>	<i>Rupees</i>
<i>Fixed rate instruments</i>		
Financial assets	95,438,766	88,046,109
Financial liabilities	-	-
<i>Variable rate instruments</i>		
Financial assets	123,995	352,677
Financial liabilities	-	-

(b) Fair value sensitivity analysis for fixed rate instruments

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

(c) 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. 1,223 (2015: Rs. 3,527). 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.

(d) 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.

36.3.3 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. The Modaraba is not exposed to price risk.

37 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.

38 FAIR VALUE MEASUREMENTS

38.1 Financial Instruments

The Modaraba measures some of its assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and 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 assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

38.1.1 Financial instruments measured at fair value

a) Recurring fair value measurements

There are no recurring fair value measurements as at the reporting date.

b) Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

38.1.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying values.

38.2 Assets and liabilities other than financial instruments.

None of the assets and liabilities other than financial instruments are measured at fair value.

39 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:

	2016		
	Officers Rupees	Other employees Rupees	Total Rupees
Remuneration	3,717,120	1,819,760	5,536,880
Allowances and perquisites	1,851,418	520,837	2,372,255
Post employment benefits	1,056,881	432,586	1,489,467
	6,625,419	2,773,183	9,398,602
Number of persons	8	10	18
	2015		
	Officers Rupees	Other employees Rupees	Total Rupees
Managerial remuneration	4,843,900	649,190	5,493,090
Allowances and perquisites	3,816,555	288,447	4,105,002
Post employment benefits	722,677	35,541	758,218
	9,383,132	973,178	10,356,310
Number of persons	12	9	21

40 SEGMENT INFORMATION

40.1 The Modaraba is a single reportable segment.

40.2 All non-current assets of the Modaraba are situated in Pakistan.

40.3 All incomes of the Modaraba have originated from Pakistan.

41 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, 2016.



		2016	2015
		Rupees	Rupees
Size of the fund - <i>total assets</i>	Rupees	1,113,802	747,424
Cost/fair value of investments	Rupees	1,091,526	746,025
Percentage of investments made	% age	98.00%	99.81%

The break-up of investments is as follows:

	2015		2014	
	Rupees	% age	Rupees	% age
Deposit accounts with commercial banks	22,276	2.00	1,399	0.19
Mutual funds	1,091,526	98.00	746,025	99.81
	1,113,802	100.00	747,424	100.00

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 07, 2016 by the Board of Directors of the Management Company.

43 NUMBER OF EMPLOYEES

Total number of employees of the Modaraba as at the reporting date are 18 (2015: 21). Average number of persons employed by the Modaraba during the year are 20 (2015: 21).

44 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

45 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.

46 GENERAL

46.1 Figures have been rounded off to the nearest rupee.

46.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.

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 Shareholding**

Form - 34

1. Incorporation Number
2. Name of The Company First Fidelity Leasing Modaraba
3. Pattern of Holding of the Shares held by the Shareholders as at :June 30, 2016
- 4.

No. of Shareholders	Shareholding		Total Shares held
	From	To	
3,516	1	100	140,799
2,325	101	500	560,729
868	501	1,000	669,418
961	1,001	5,000	1,928,691
127	5,001	10,000	943,045
53	10,001	15,000	628,851
27	15,001	20,000	472,455
24	20,001	25,000	530,014
6	25,001	30,000	172,579
11	30,001	35,000	363,903
5	35,001	40,000	184,829
5	40,001	45,000	210,940
3	45,001	50,000	143,000
3	50,001	55,000	162,862
5	55,001	60,000	291,983
2	60,001	65,000	128,000
1	65,001	70,000	69,500
3	70,001	75,000	217,200
2	75,001	80,000	155,296
1	80,001	85,000	83,500
2	85,001	90,000	174,100
1	90,001	95,000	93,991
3	95,001	100,000	300,000
1	100,001	105,000	101,205
2	105,001	110,000	214,754
2	125,001	130,000	254,000
1	135,001	140,000	135,159
1	145,001	150,000	149,500
1	155,001	160,000	160,000
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	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	2,555,001	2,560,000	2,556,126
1	2,640,001	2,645,000	2,641,380
1	3,225,001	3,230,000	3,228,234
7,982			26,413,804



CATEGORIES OF CERTIFICATE HOLDING

As On: June 30, 2016

Categories of Shareholder	Physical	CDC	Total	% age
Directors, Chief Executive Officer, Their Spouses and Minor Childern				
Directors				
Siyid Tahir Nawazish	-	54,552	54,552	0.21
	-	54,552	54,552	0.21
Associated Companies, Undertakings & Related Parties				
Fidelity Capital Management (Pvt) Ltd.	-	5,869,614	5,869,614	22.22
	-	5,869,614	5,869,614	22.22
NIT & ICP (Name Wise Detail)				
Investment Corporation Of Pakistan	2,145	-	2,145	0.01
	2,145	-	2,145	0.01
Banks, NBFCs, DFIs, Takaful, Pension Funds	29,582	96,463	126,045	0.48
Modarabas	437	20,630	21,067	0.08
Insurance Companies	40	1,034,931	1,034,971	3.92
Other Companies, Corporate Bodies, Trust etc.	634,491	1,102,543	1,737,034	6.58
General Public	3,267,354	14,301,022	17,568,376	66.51
	3,934,049	22,479,755	26,413,804	100.00
Shareholders More Than 5.00%				
Fidelity Capital Management (Pvt) Ltd.			5,869,614	22.22
Muhammad Iqbal			2,556,126	9.68



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