



**FIDELITY  
LEASING**

# **FIRST FIDELITY LEASING MODARABA**

Managed by:  
Fidelity Capital Management (Private) Limited

**ANNUAL  
REPORT 2019**



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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

Mr. Noor-ud-Din Ahmed

Mr. Muhammad Farooq Abid Tung

### Company Secretary / CFO

Mr. Ijaz Fazal

hi\_ij@hotmail.com

### Auditors of Modaraba

Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

### Audit Committee

Chairman

Mr. Muhammad Farooq Abid Tung

Members

Siyyid Tahir Nawazish

Mr. Noor ud Din Ahmed

Secretary

Mr. Muhammad Ilyas Shafiq

### Credit Committee

Chairman

Siyyid Tahir Nawazish

Members

Mr. Wasim-ul-Haq Osmani

Mr. Muhammad Younas Chaudhry

### Human Resource & Remuneration Committee

Chairman

Mr. Noor ud Din Ahmed

Members

Mr. Muhammad Farooq Abid Tung

Siyyid Tahir Nawazish

Secretary

Mr. Muhammad Younas Chaudhry

### Legal Advisor

Salim & Baig (Advocates)

### Bankers

MCB Bank Limited

Meezan Bank Limited

### Registered Office

93, B-1 Canal Park, 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.fidelitymodaraba.com

### Registrars

Corptec Associates (Private) Limited

503-E, Johar Town Lahore.

Tel: 0 4 2 – 3 5 1 7 0 3 3 6 - 7

Fax: 0 4 2 – 3 5 1 7 0 3 3 8

Email: corptecassociates@gmail.com



## **Vision**

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

## **Mission**

- To achieve a unique position in the Modaraba sector by developing products, foreseeing upcoming changes, endeavoring value addition, focusing economic and industrial growth of the country and seeking expansion in business activity.

- To offer attractive returns to stakeholders as per their expectations.

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

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

**KEY OPERATING DATA FOR LAST SIX YEARS**

(Rupees in Millions)

	June 2019 Rupees	June 2018 Rupees	June 2017 Rupees	June 2016 Rupees	June 2015 Rupees	June 2014 Rupees
Operating results						
Revenues	27.29	50.53	3.57	5.35	11.57	40.72
Operating profit before taxation and management fee	1.38	33.36	(8.15)	(9.74)	(7.30)	3.78
Financial position						
Fixed assets (owned and leased out)	288.4	301.75	228.58	233.52	242.32	250.94
Total assets	382.25	399.03	349.43	357.02	367.18	375.801
Certificateholders equity	341.00	357.02	323.66	331.81	341.61	348.84
Paid up capital	264.13	264.13	264.13	264.13	264.13	264.13
Earning Profit/ (Loss) per certificate	0.04	1.26	(0.31)	(0.37)	(0.28)	(0.14)
Profit distribution (%)	0.00	6.5	0.00	0.00	0.00	0.00
Break-up value per certificate	12.91	13.52	12.25	12.56	12.93	13.21



**FIRST FIDELITY LEASING MODARABA  
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, 2019 will be held on Monday October 28, 2019 at 11:30 A.M. at 93-B-1, Canal Bank, Gulberg-II, Lahore. The Certificate transfer books of the Modaraba remain closed from October 22, 2019 to October 28, 2019 (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 21, 2019 shall be entitled to attend the meeting.

October 04, 2019  
Lahore

  
**Ijaz Fazal**  
(CFO/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 28th Annual Report of First Fidelity Leasing Modaraba along with the audited financial statements and the auditors' report thereon for the year ended June 30, 2019.

### Financial Results

The financial results of the Modaraba are summarized as follows.

	Rupees in '000'	
	2019	2018
Income	27.293	50.533
Expenses	(25.999)	(16.600)
Operating (loss)/profit before provision and taxation	1.293	33.933
Impairment allowance for non-performing assets	0.246	3.135
Modaraba Company's management fee	0.154	3.706
profit before taxation	1.386	33.361
<b>Taxation</b>	<b>(0.236)</b>	-
Profit after tax	1.150	33.361
<b>Appropriations</b>		
Appropriated as follows:		
Transferred to statutory reserves	0.230	15.013
<b>Profit distribution</b>	<b>Nil</b>	17.168
<b>Earnings per Certificate:</b>		
Profit per certificate stood at	0.04	Re.1.26

The Modaraba during the year ended June 30,2019 ended profit of Rs. 1.150 million as against profit of Rs. 33.362 million earned in the corresponding year ended June 30,2018. Earning per certificate of the Modaraba is Rs.0.04 per certificate as compared to Rs 1.26 per certificate earned in the corresponding year. The corresponding year profit largely signified gain on disposal of assets amounting to Rs. 42.89 million. The operation of Modaraba for the year in substance have resulted in sustained marginal profit, however its potential higher profitability necessarily depends on recovery of its major investment in the corporate tower.

As referred to in note 16.3.1 to the financial statements and as highlighted by auditors' report Modaraba's major portfolio at present is in the corporate tower being constructed by Enplan (Pvt) Limited. The management is anxious to get Modaraba's funds back so as to utilize those in its core business. The management therefore was stressing upon the sponsors of the tower to complete it with the help of finances from other sources, enabling Modaraba to liquidate its investment.



The cases filed against Enplan are under process in the respective courts of law and based on advised legal position we are confident of favorable decisions in favor of the Modaraba. In the meantime, whatever resources we have, the management is cautious, prudent and selective in making new investments, so as to expand and grow the business in prudent manner, more so as economy of Pakistan is currently facing tough times and hard challenges.

### 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, 2018 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 except a small transaction by one of the director information for which was reported to PSX within the stipulated time.

### Board Meetings

During the year under review four 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	4
Mr. Wasim-ul-HaqOsmani	4
Mr. Muhammad Farooq Abid Tung	4
Mr. Noor Ud Din Ahmed	1





### Audit Committee Meetings

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

Name of Director	Meetings Attended
Siyyid Tahir Nawazish	4
Mr. Muhammad Farooq Abid Tung	4

### Human Resource Committee Meetings

During the year under review one human resource and remuneration committee meeting was held, which was attended by the directors as follows:

Name of Director	Meetings Attended
Mr. Muhammad Farooq Abid Tung	1
Siyyid Tahir Nawazish	1

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

### Entity Rating

PACRA has maintained Moradaba'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, 2019 works out to Rs.456,186.

### 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 have performed audit for the last five years and in accordance with the CCG regulation 2017 are not eligible for reappointment. The Audit Committee has recommended appointment of M/s Horwath Hussain Chaudhry & Co, Chartered Accountants as new auditors of the Modaraba for the year ending June 30, 2020 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

Wasimul Haq Osmani  
Chief Executive

Lahore  
October 04, 2019



## ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز فیڈیلیٹی کیپیٹل منجمنٹ (پرائیویٹ) لمیٹڈ (FCML) تنظیم فرسٹ فیڈیلیٹی لیزنگ مضماریہ کی 28 ویں سالانہ مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ یہ مالیاتی نتائج رپورٹ فرسٹ فیڈیلیٹی لیزنگ مضماریہ کی قانونی محاسب کی رپورٹ بابت مالیاتی سال 2018-19 کے ساتھ پیش کئے گئے ہیں۔

مالی نتائج سال حذا

	2019	2018
Income	27.293	50.533
Expeses	(25.999)	(16.600)
Opetating (Loss)/profit before provision and taxation	1.293	(33.933)
Impairment alloance for non-performing assets	0.246	3.135
Modaraba company management fee	0.154	3.706
(Loss)/profit before taxation	1.386	(33.361)
Taxation	(0.236)	-
(Loss)/ Profit after Tax	1.150	(33.362)
Appropriations		
Approptiated as follows:		
Transfered to statutory reserves	0.230	15.013
Profit Distribution	-	17.168
Earning per Certificate:		
(Loss)/profit per certificate stood at	Re.0.04	Re.1.26



## مالیاتی کارکردگی کا جائزہ

زیر قیود حالیہ سال کے دوران مضاربہ کی فروخت 1.150 روپے تک رہی جبکہ اس کے مقابلے میں گزشتہ سال میں 33.362 ملین روپے تھی۔ مضاربہ نے اس سال ایک شیر کے بدلے میں 0.04 کمایا جبکہ اس کے مقابلے میں گزشتہ سال میں 1.26 کمایا۔ گزشتہ سال زیادہ منافہ آسائے کی فروخت پر 42.89 ملین کمایا۔ مضاربہ کے مالیاتی لحاظ سے سال کے دوران منافع مستقل رہا۔ تاہم مضاربہ کا ممکنہ زیادہ منافع کارپوریٹ ٹاور میں اس کی بڑی سرمایہ کاری کی بازیابی پر منحصر ہے۔

## کارکردگی کا جائزہ

جیسا کہ نوٹ نمبر 16.3.1 میں مالی بیانات میں محاسب نے اجاگر کیا ہے۔ کہ مضاربہ ہذا کی زیادہ تر سرمایہ کاری کارپوریٹ ٹاور ENPLAN تعمیر کر رہا ہے۔ یہاں پر یہ بات واضح کرنے کی ضرورت ہے کہ انتظامیہ کی یہ خواہش ہے کہ مضاربہ کی یہ سرمایہ کاری واپس آجائے۔ تاکہ اس کو بنیادی کاروبار میں استعمال کریں۔ انتظامیہ ہذا کارپوریٹ ٹاور کے مالک جس کے ساتھ مل کر یہ ٹاور بنایا جا رہا ہے، اس 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 اس مکمل شدہ حصے کو بیچ کر اس میں سے اپنا سرمایہ واپس نکال سکیں۔ تاہم مارکیٹ میں عمارت کے فلور کو فروخت کرنے کے لئے ناپسندیدگی کا اظہار کیا جاتا ہے۔ لیکن اعلیٰ شرح کا ریٹ کے معاملے میں مارکیٹ میں مشکلات درپیش ہیں۔ سپانسرز کے مکمل مسلسل ناکامی پر ENPLAN اور اس کے سپانسر کے خلاف قانونی کارروائی کی گئی ہے جو کے زیر التواء ہیں۔ جیسا کہ نوٹ میں بیان کیا گیا ہے کہ مضاربہ کے حق میں ہی فیصلہ ہوگا۔

این پلان کے خلاف درج مقدمات قانون کی متعلقہ عدالتوں میں زیر وساعت ہیں۔ اور قانونی پوزیشن کی بنیاد پر ہمیں مضاربہ کے حق میں سازگار فیصلوں پر اعتماد ہے۔ اس دوران ہمارے پاس جو بھی وسائل موجود ہیں انتظامیہ نئی سرمایہ کاری کرنے میں محتاط اور تدبیر ہے۔ تاکہ کاروبار کو وسعت اور تدبیر سے آگے بھڑایا جاسکے۔ کیونکہ اس وقت پاکستان کی معیشت کو مشکل چیلنجوں کا سامنا ہے۔

## کوڈ آف کارپوریٹ گورننس کی تعمیل۔

(ا) مضاربہ کی انتظامیہ کی جانب سے تیار کردہ مالی گوشوارے اس کے معاملات کو، عوامل کے نتائج کو پیش فلور اور ایکویٹی میں تبدیلیوں کو مکمل 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 محتاط فیصلوں پر مبنی ہیں۔



(ت) مالی اسٹیٹمنٹس کی تیاری میں پاکستان میں مضاربہ پر لاگو بین الاقوامی مالی رپورٹنگ اور اسلامی اکاؤنٹنگ کے معیار کی پیروی 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 لیٹنڈ کے لسٹنگ قوانین میں بیان کردہ کاروبار کی دیکھ بھال کے بہترین عمل میں کوئی قابل ذکر تبدیلی نہ ہوئی ہے۔

(ح) وہ بیانات جو کہ دیکھ بھال کے اعلیٰ اور اچھے نظام کے تحت ہیں وہ اس کتاب میں درج ہیں۔

(خ) ٹاکسز، ڈیوٹیز، لیویز اور چارج کی مد میں 30 جون 2019 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 حد میں مضاربہ کے حصص میں کسی ڈائریکٹر، چیف ایگزیکٹو، کسی انفر، آڈیٹرز آف وی مضاربہ یا ان کے عزیز واقارب نے تجارت

نہ کی۔ سوائے ایک چھوٹا لین دین ایک ڈائریکٹر نے کی اور اس کا رپورٹ کر دیا گیا تھا مقرر وقت پر۔

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

### بورڈ مینٹلز

30 جون 2019 کو اختتام پزیر ہونے والے سال میں ہونے والی مینٹلز کی تفصیلات درج ذیل ہیں۔

نام	تعداد حاضری	
	بورڈ	آڈٹ کمیٹی
جناب سید طاہر نواش	4	4
جناب وسیم الحق عثمانی	4	-
جناب محمد فاروق عابدنگ	4	4
جناب نور الدین احمد	1	-

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

### انٹی رینٹنگ

جون 2019 جاری کردہ اپنی رپورٹ میں PACRA گریڈ رینٹنگ کمپنی نے طویل دورانیے کی رینٹنگ BBB+ اور مختصر دورانیے کی

گریڈ رینٹنگ A2 منقش کی ہے۔





## پراویڈنٹ فنڈ

مضاربہ کا اپنے مستقل ملازمین کے لیے ایک منظور شدہ پراویڈنٹ فنڈ ہے۔ اس فنڈ کی مالیت 30-06-2019 کو 456,186 روپے ہے۔

## پیٹرن آف سرٹیفکیٹ ہولڈنگ

سرٹیفکیٹ ہولڈرز 30.06.2019 کی ترتیب لف ہذا ہے۔

## آڈیٹرز

مضاربہ کے آڈیٹرز میسرز رحمان سرفراز رحیم اقبال رفیق چارٹرڈ اکاؤنٹنٹس جو کہ پانچ سال سے کوڈ آگورننس قانون 2017 کے مطابق آڈٹ کیا۔ آڈٹ کمیٹی نے اب حسین چوہدری اینڈ کمپنی کی 2019-20 کے لئے منظوری دی ہے جو کہ رجسٹرار آف مضاربہ کمپنیز کی منظوری سے مشروط ہے۔

## مستقبل کا جائزہ

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

## اعتراف

بورڈ آف مضاربہ اس موقع پر رجسٹرار 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 لئے شکریہ ادا کرنا ہے۔

بورڈ اس موقع پر سرٹیفکیٹ 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 ب اورڈ

بسم اللہ الرحمن الرحیم  
وسیم الحق عثمانی

چیف ایگزیکٹو آفیسر

لاہور

اکتوبر 2019,04



## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATION, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.23 of Listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

Name of Modaraba: First Fidelity Leasing Modaraba

Year ending: June 30, 2019

Fidelity Capital Management (Private) Limited (The Management Company) has complied with the requirements of the regulations in the following manner:

1. The total number of Directors are as per the following:
  - a. Male: 04
  - b. Female: Nil
2. The composition of board is as follow:
  - a. Independent Directors 02
  - b. Other Non-Executive Director 01
  - c. Executive Director 01
3. The directors have confirmed that none of them is serving as director on more than five listed companies, including this Modaraba Management Company (excluding the listed subsidiaries of listed holding companies where applicable)
4. 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.
5. 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.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. During the year under review no training program was arranged by the Modaraba. All Directors meets the criteria of exemption under the clause (xi) of the Code and are accordingly exempted from the Directors' Training Program.
10. No appointment of CFO, Company Secretary and Head of Internal Audit has been made during the year.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:



a) Audit Committee comprising of three members:

Mr. Farooq Abid Tung  
 Siyyid Tahir Nawazish  
 Mr. Noor ud Din Ahmad

b) HR and Remuneration Committee (Name of members and Chairman)

Mr. Noor ud Din Ahmad  
 Siyyid Tahir Nawazish  
 Mr. Farooq Abid Tung

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee	Quarterly
b) HR and Remuneration Committee	Yearly

15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. 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).

19. Material/price sensitive information has been disseminated among all market participants at once

20. We confirm that all other requirements of the Regulations have been complied with, except that:

- (i) The Board has not yet put in place a mechanism for annual evaluation of its performance.
- (ii) There is no female director on the Board.

For and on behalf of the Board of Directors

**Wasim ul Haq Osmani**  
 Chief Executive

Lahore  
 October 04, 2019





## INDEPENDENT AUDITOR'S REVIEW REPORT

### To the certificate holders of FIRST FIDELITY LEASING MODARABA Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 [the Regulations] 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, 2019** in accordance with the requirements of regulation 40 of the Regulation.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Management Company for the year ended **June 30, 2019**.

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 the Statement of Compliance:

Reference	Description
Paragraph 9	The Board has not arranged any training program for its directors during the year.
Paragraph 18 (i)	The Board has not yet put in place a mechanism for annual evaluation of its performance.
Paragraph 20 (ii)	There is no female director on the Board

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
*Chartered Accountants*  
Lahore: **October 04, 2019**



## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **FIRST FIDELITY LEASING MODARABA** ("the Modaraba") as at June 30, 2019 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 16.3.1 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. Further the Modaraba has also filed various recovery suits against Enplan (Private) Limited. Pending the outcome of the aforesaid, 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 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, 2019 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 04, 2019**



## **Shari'ah Review Report of First Fidelity Leasing Modaraba For The Year Ended June 30, 2019**

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 period ended June 30, 2019 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's financing portfolio mainly consist on Ijara and Morabaha financing, all the 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. The management of Modaraba is pursuing legal proceedings against Enplan (Pvt.) Limited, one of its major stuck-up investment in infrastructure project, and is hopeful for positive outcome of the same.

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.

### **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 accelerate its efforts for early liquidation of its investment with Enplan and should focus on new innovations and explore possibility of entering into more specialized Shari'ah compliant business modes in addition to its core business activities. .

### **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.

**Mufti Altaf Ahmed**

Shari'ah Advisor

Dated: October 04, 2019



## BALANCE SHEET AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances	7	3,416,953	10,040,527
Short term finances under murabahah arrangements	8	69,100,000	67,883,348
Ijarah rentals receivable	9	2,697,017	1,225,740
Profit receivable	10	503,626	437,500
Other receivables	11	12,870,297	12,229,197
Advance income tax		901,799	1,591,335
Current maturity of non-current assets	12	214,022	106,951
		<b>89,703,714</b>	<b>93,514,598</b>
<b>NON-CURRENT ASSETS</b>			
Long term advances and deposits	13	633,864	256,016
Membership assets	14	3,510,000	3,510,000
Assets leased out under ijarah contracts	15	64,016,079	77,273,418
Property and equipment	16	224,388,119	224,480,051
		<b>292,548,062</b>	<b>305,519,485</b>
<b>TOTAL ASSETS</b>		<b>382,251,776</b>	<b>399,034,083</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	17	4,791,460	11,218,633
Unclaimed profit distribution		16,982,280	10,652,112
Current portion maturity non-current liabilities	18	990,108	1,187,208
		<b>22,763,848</b>	<b>23,057,953</b>
<b>NON-CURRENT LIABILITIES</b>			
Security deposits	19	18,232,700	18,384,950
Employees retirement benefits	20	251,967	568,852
		<b>18,484,667</b>	<b>18,953,802</b>
Contingencies and commitments	21		
<b>TOTAL LIABILITIES</b>		<b>41,248,515</b>	<b>42,011,755</b>
<b>NET ASSETS</b>		<b>341,003,261</b>	<b>357,022,328</b>
<b>REPRESENTED BY</b>			
<b>Authorized certificate capital</b>			
62,500,000 (2018: 62,500,000) modaraba certificates of Rs. 10 each		<b>625,000,000</b>	625,000,000
Issued, subscribed and paid-up capital	22	<b>264,138,040</b>	264,138,040
Reserves	23	<b>76,865,221</b>	92,884,288
<b>TOTAL EQUITY</b>		<b>341,003,261</b>	<b>357,022,328</b>

*The annexed notes 1 to 43 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, 2019

	<i>Note</i>	2019 <i>Rupees</i>	2018 <i>Rupees</i>
<b>INCOME</b>			
Income from ijarah financing		22,252,259	6,289,690
Profit on murabahah financing		1,476,715	437,500
Other income	24	3,563,578	43,806,633
		<b>27,292,552</b>	<b>50,533,823</b>
<b>EXPENSES</b>			
Amortization of assets leased out under ijarah contracts	15	(12,425,837)	(3,805,707)
Administrative and general expenses	25	(13,062,501)	(12,344,427)
Stock exchange and CDC charges		(15,400)	(344,717)
Financial charges	27	(75,454)	(36,942)
Other expenses	26	(419,906)	(68,777)
		<b>(25,999,098)</b>	<b>(16,600,570)</b>
Net changes in impairment allowance for expected credit losses	28	246,422	3,135,186
<b>Operating profit</b>		<b>1,539,876</b>	<b>37,068,439</b>
Managment Company's remuneration		(153,988)	(3,706,844)
<b>Profit before taxation</b>		<b>1,385,888</b>	<b>33,361,595</b>
Taxation	29	(235,601)	-
<b>Profit after taxation</b>		<b>1,150,287</b>	<b>33,361,595</b>
<b>Earning per certificate - basic and diluted</b>	30	<b>0.04</b>	<b>1.26</b>

*The annexed notes 1 to 43 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
Other comprehensive income	-	-
Profit after taxation	1,150,287	33,361,595
<b>Total comprehensive income</b>	<b>1,150,287</b>	<b>33,361,595</b>

*The annexed notes 1 to 43 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, 2019

	Note	2019 Rupees	2018 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	32	3,531,475	36,635,746
(Payments)/receipts for:			
Employees retirement benefits		(509,400)	(741,999)
Income taxes		453,935	(199,012)
Proceeds from transfer of Ijarah assets		17,273,002	578,986
Profit distribution		(10,839,186)	(21,404)
<b>Net cash generated from operating activities</b>		<b>9,909,826</b>	<b>36,252,317</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(91,900)	(354,000)
Purchase of Ijarah assets		(16,441,500)	(77,649,000)
Proceeds from disposal of property and equipment		-	53,493
Proceeds from disposal of long term investment		-	15,931,665
Proceeds from disposal of membership assets		-	35,478,186
Dividend received		-	303,460
<b>Net cash used in investing activities</b>		<b>(16,533,400)</b>	<b>(26,236,196)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
		-	-
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(6,623,574)</b>	<b>10,016,121</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>10,040,527</b>	<b>24,406</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	33	<b>3,416,953</b>	<b>10,040,527</b>

*The annexed notes 1 to 43 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, 2019

Note	Share capital	Capital Reserves	Revenue Reserve	Total equity
	Issued subscribed and paid-up capital Rupees	Statutory reserve Rupees	Accumulated loss Rupees	
<b>Balance as at July 01, 2017</b>	264,138,040	79,377,508	(19,854,815)	323,660,733
<b>Comprehensive income</b>				
Profit after taxation	-	-	33,361,595	33,361,595
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	33,361,595	33,361,595
<b>Transaction with owners</b>	-	-	-	-
<b>Transfer to statutory reserve</b>	-	15,012,718	(15,012,718)	-
<b>Balance as at June 30, 2018</b>	264,138,040	94,390,226	(1,505,938)	357,022,328
<b>Balance as at July 01, 2018</b>	264,138,040	94,390,226	(1,505,938)	357,022,328
Profit after taxation	-	-	1,150,287	1,150,287
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	1,150,287	1,150,287
<b>Transaction with owners</b>				
Profit distribution @ 6.5% i.e. Rs. 0.65 per certificate			(17,169,354)	(17,169,354)
<b>Transfer to statutory reserve</b>	-	230,057	(230,057)	-
<b>Balance as at June 30, 2019</b>	264,138,040	94,620,283	(17,755,062)	341,003,261

*The annexed notes 1 to 43 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, 2019

### 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 repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the Modaraba is situated at Ground Floor 93, B-1 Canal Park, 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 accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards ['IFRS'] issued by the International Accounting Standards Board [IASB] as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards ['IFAS'] issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- The requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 ['the Ordinance'], the Modaraba Companies and Modaraba Rules, 1981 ['the Rules'] and Prudential Regulations for Modarabas [herein after referred to as the relevant laws]; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 and the relevant laws differ from the IFRS and IFAS, the provisions of and directives issued under the Companies Act, 2017 and the relevant laws have been followed.

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 employees retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for

#### 2.3 Critical accounting judgements and key sources of estimation uncertainty

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.

##### 2.3.1 Critical accounting judgements

Judgments made by management in the application of accounting and reporting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

###### (a) Business model assessment (see note 6.3.2)

The Modaraba classifies its financial assets on the basis of the Modaraba's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Modaraba determines the business model at a level that reflects how financial assets are managed to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are

###### (b) Recoverable amount and impairment (see note 6.15)

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.

###### (c) Depreciation method, rates and useful lives of operating fixed assets (see note 6.7)

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.



**(d) Expected credit losses and impairment of financial assets (see note 6.15.1)**

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset. Estimating expected credit losses and changes there in requires taking into account qualitative and quantitative forward looking information.

**(e) Obligation under defined benefit plan (see note 6.9)**

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.

**(f) Provisions (see note 6.1)**

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.

**2.3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next

**(a) Calculation of impairment allowance for expected credit losses on financial assets (see note 6.13.2)**

When measuring expected credit losses on financial assets the Modaraba uses reasonable and supportable forward looking information as well as historical data to calculate the difference between the contractual cash flows due and those that the Modaraba would expect to receive, taking into account cash flows from collateral and integral credit enhancements, if any. Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. If the expected credit loss rates on trade debts past due had been 10% higher/lower as at the reporting date, the loss allowance on financial assets would have been higher/lower

**2.4 Functional currency**

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

**2.5 Date of authorization for issue**

These financial statements were authorized for issue on October 04, 2019 by the Board of Directors of the Company.

**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, except as stated otherwise.

**3.1 IFRS 9 - Financial Instruments**

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and general hedge accounting. The Modaraba has applied IFRS 9 in accordance transitions provision set out in the standard.

The date of initial application of IFRS 9 (the date on which the Modaraba has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is June 30, 2019. Accordingly, the Modaraba has applied the requirements IFRS 9 to instruments that continue to be recognized as at June 30, 2019. Comparative amounts in relation to instruments that continue to be recognized as at June 30, 2019 have not been restated as allowed by IFRS 9.

**Classification and measurement**

The classification and measurement requirements for financial liabilities have been substantially carried forward from IAS 39. All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the Modaraba's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortized cost and accordingly classified as 'financial assets at amortized cost'
- Financial assets that are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding subsequently measured at fair value through other comprehensive income and accordingly classified as 'financial assets at fair value through other comprehensive income [FVTOCI]'



- All other financial instruments are subsequently measured at fair value through profit or loss and accordingly classified as 'financial assets at fair value through profit or loss [FVTPL]'

Despite the foregoing, the Modaraba may make an irrevocable election/designation at initial recognition of financial asset:

- To present subsequent changes in fair value of an equity instrument that is not held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income and classify it as
- To designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

When a financial asset measured at FVTOCI is derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment except for equity instruments measured at FVTOCI, where the cumulative gain or loss previously recognized in other comprehensive income is subsequently transferred to accumulated profits.

The Modaraba has reviewed and assessed the existing financial assets as at June 30, 2019 based on facts and circumstances that existed at that date and concluded that initial application of IFRS9 has had the following impact on the Modaraba's financial assets as regards their classification and measurement.

	IAS 39	IFRS 9
Due to customers	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Accrued and other payables	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Management Company's remuneration payable	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Unclaimed profit distribution	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Cash at bank	Loans and receivables	Financial assets at amortized cost
Short term finances under murabahah arrangements	Loans and receivables	Financial assets at amortized cost
Ijarah rentals receivable	Loans and receivables	Financial assets at amortized cost
Profit receivable	Loans and receivables	Financial assets at amortized cost
Security deposits	Loans and receivables	Financial assets at amortized cost
Receivable from clients	Loans and receivables	Financial assets at amortized cost
Other receivables	Loans and receivables	Financial assets at amortized cost

**Impairment of financial assets**

In relation to the impairment of financial assets, IFRS9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Modaraba to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Therefore, it is no longer necessary for a credit loss to have occurred before the same is recognized.

IFRS9 requires the Modaraba to measure the loss allowance for financial instrument at an amount equal to lifetime expected credit losses if the credit risk has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, except for a purchased or originated credit-impaired financial asset, the Modaraba is required to measure the loss allowance for that financial asset at an amount equal to 12-months expected credit loss. IFRS also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

**3.2 IFRS 15 - Revenue from Contracts with Customers**

IFRS 15 - Revenue from Contracts with Customers' supersedes IAS 11 - Construction Contracts, IAS 18 - Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Modaraba has reviewed its existing accounting policy for revenue recognition in light of the requirements of IFRS 15 and has concluded that it is already in line with the requirements of the new standard and thus no change in accounting policy or to the amounts reported in these financial statements is required.

**3.3 Clarifications to IFRS 15 - Revenue from Contracts with Customers**

IFRS 15 - Revenue from Contracts with Customers have been amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

**3.4 IFRIC 22 - Foreign Currency Transactions and Advances Consideration**

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances



**3.5 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based)**  
IFRS 2 - Share-based Payment have been amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to

**3.6 Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance)**

IFRS4 Insurance Contracts have been amended to provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

**3.7 Transfers of Investment Property (Amendments to IAS 40 - Investment Property)**

IAS 40 - Investment Property have following amendments:

- Paragraph 57 have been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

**3.8 Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures)**

Annual improvements makes amendments to the following standards:

- IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

**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.

	<b>Effective date (annual periods beginning on or after)</b>
IFRS 16 - Leases (2016)	January 01, 2019
IFRS 17 - Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 01, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020

Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP']:

IFRS 1 - First Time Adoption of International Financial Reporting Standards  
IFRS 14 - Regulatory Deferral Accounts  
IFRS 17 – Insurance contracts (2017)

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 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Modaraba's financial statements other

**5 CHANGES IN ACCOUNTING POLICIES**

The adoption of new and revised standards, interpretations and amendments effective during the year has resulted in changes to accounting policies as follows:



Previous accounting policy	New accounting policy
<p><b>Impairment of financial assets</b></p> <p>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.</p> <p>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.</p>	<p><b>(a) Murabahah and Ijarah receivables.</b> Impairment loss on Murabahah and Ijarah receivables is recognised and reversed on the basis of provisioning criteria prescribed by Prudential Regulations for Modarabas.</p> <p><b>(b) Other financial assets.</b> Other financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.</p> <p>The Modaraba recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.</p> <p>Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade debts, for which the Modaraba recognises lifetime expected credit losses estimated using internal credit risk grading based on the Modaraba's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.</p> <p>All impairment losses are recognized in profit or loss. 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</p>
<b>6 SIGNIFICANT ACCOUNTING POLICIES</b>	
<p>The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes referred to in note 5.</p>	
<b>6.1 Cash and cash equivalents</b>	
<p>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</p>	
<b>6.2 Foreign currency transactions and balances</b>	
<p>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.</p>	
<b>6.3 Financial instruments</b>	
<b>6.3.1 Recognition</b>	
<p>A financial instrument is recognized when the Modaraba becomes a party to the contractual provisions of the instrument.</p>	
<b>6.3.2 Classification</b>	
<p>The Modaraba classifies its financial assets on the basis of the Modaraba's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial liabilities are classified in accordance with the substance of contractual provisions. The Modaraba determines the classification of its financial instruments at initial</p>	
<b>(a) Financial assets at amortized cost</b>	
<p>These are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.</p>	



**(b) Financial liabilities at amortized cost**

These are financial liabilities which are not derivatives, financial guarantee contracts, commitments to provide loans at below-market interest rate, contingent consideration payable to an acquirer in a business combination or financial liabilities that arise when transfer of a financial asset does not qualify for derecognition.

**6.3.3 Measurement**

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

**6.3.4 Derecognition**

A financial asset is derecognized when the Modaraba's contractual rights to the cash flows from the financial assets expire or when the Modaraba transfers the financial asset to another party without retaining control of substantially all risks and rewards of the financial asset. A financial liability is derecognized when the Modaraba's obligations specified in the contract expire or a discharged or cancelled.

**6.3.5 Off-setting**

A financial asset and financial liability is offset and the net amount reported in the statement of financial position 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.

**6.3.6 Regular way purchases or sales of financial assets**

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

**6.4 Membership assets**

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

**6.5 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).

**6.6 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.

**6.7 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

Major renewals and improvements to operating fixed assets are recognized in the carrying amount 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 operating fixed assets are recognized in profit or loss as incurred.

The Modaraba recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 16.1 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.

**6.8 Accrued and other liabilities**

**6.8.1 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.

**6.8.2 Non-financial liabilities**

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

**6.9 Employees retirement benefits**

**6.9.1 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 as permitted or required by the accounting and reporting standards as applicable in Pakistan. 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.





## 6.9.2 Post employment benefits

### (a) Defined benefit plan

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 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.

## 6.10 Provisions and contingencies

Provisions are recognized when the Company 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, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is

## 6.11 Certificate capital

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

## 6.12 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

Revenue from different sources is recognized as follows:

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

**6.12.2** Profit on murabahah and musharaka finances is recognized on time proportion basis as and when accrued.

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

## 6.13 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.

### 6.13.1 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

### 6.13.2 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.

## 6.14 Earnings per certificate ['EPC']

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary



## 6.15 Impairment

### 6.15.1 Financial assets

#### (a) Murabahah and Ijarah receivables

Impairment loss on Murabahah and Ijarah receivables is recognised and reversed on the basis of provisioning criteria prescribed by Prudential Regulations for Modarabas.

#### (b) Other financial assets

Other financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.

The Modaraba recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.

Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade debts, for which the Modaraba recognizes lifetime expected credit losses estimated using internal credit risk grading based on the Modaraba's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date.

All impairment losses are recognized in profit or loss. 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.

The Modaraba writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery. Any recoveries made post write-off are recognized in

### 6.15.2 Non-financial assets

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

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining 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

## 6.16 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.

	<i>Note</i>	<b>2019</b>	<b>2018</b>
		<i>Rupees</i>	<i>Rupees</i>
<b>7 CASH AND BANK BALANCES</b>			
Cash in hand		1,491,580	311,134
Cash at bank			
current accounts in local currency		10,909	10,196
deposit/saving accounts in local currency	7.1	1,914,464	9,719,197
		<b>1,925,373</b>	9,729,393
		<b>3,416,953</b>	10,040,527

7.1 These carry return at rates ranging from 6% to 11.25% (2018: 6% to 7%) per annum.





	<i>Note</i>	<b>2019</b>	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>8</b>	<b>SHORT TERM FINANCES UNDER MURABAHAH ARRANGEMENTS</b>		
Performing	8.1	<b>10,100,000</b>	10,100,000
Non-performing	8.2	<b>250,354,232</b>	251,754,232
		<b>260,454,232</b>	261,854,232
Impairment allowance for expected credit losses	8.3 & 8.4	<b>(191,354,232)</b>	(193,970,884)
		<b>69,100,000</b>	67,883,348
<b>8.1</b>	These represent receivables against murabahah finances 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 finances ranges from 12.98% to 19% (2018: 12.98% to 19%) per annum.		
<b>8.2</b>	These include an amount of Rs. 35 million(2018: Rs. 35 million)advanced to Enplan (Private) Limited against Murabahah facility under the terms of settlement agreement dated April 01, 2011. It is secured against equitable as well as registered mortgage over land and buildingthereon measuring 4 kanals and 1 marla. It carries profit at 12.98% per annum.Principal as well as profit is receivable in bullet payment on expiry of the facility (see note 16.3.1).		
<b>8.3</b>	This includes provision of Rs. 192 million(2017: 192 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.		
	<i>Note</i>	<b>2019</b>	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>8.4</b>	Movement in impairment allowance for expected credit losses		
As at beginning of the year		<b>193,970,884</b>	200,244,393
Recognized during the year		-	1,216,652
Reversed during the year		<b>(2,616,652)</b>	(7,490,161)
As at end of the year		<b>191,354,232</b>	193,970,884
<b>9</b>	<b>IJARAH RENTALS RECEIVABLE</b>		
Performing		<b>2,697,017</b>	1,225,740
Non-performing		<b>36,920,823</b>	36,125,495
		<b>39,617,840</b>	37,351,235
Impairment allowance for expected credit losses	9.2	<b>(36,920,823)</b>	(36,125,495)
		<b>2,697,017</b>	1,225,740
	<i>Note</i>	<b>2019</b>	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>9.1</b>	These are secured against assets leased out under ijarah contracts.		
<b>9.2</b>	Movement in impairment allowance for expected credit losses		
As at the beginning of the year		<b>36,125,495</b>	36,168,780
Recognized during the year		<b>1,764,197</b>	162,459
Reversed during the year		<b>(968,869)</b>	(205,744)
As at the end of the year		<b>36,920,823</b>	36,125,495
<b>10</b>	<b>PROFIT RECEIVABLE</b>		
Performing		<b>503,626</b>	437,500
Non-performing		<b>21,217,816</b>	19,808,177
		<b>21,721,442</b>	20,245,677
Impairment allowance for expected credit losses	10.1	<b>(21,217,816)</b>	(19,808,177)
		<b>503,626</b>	437,500

**10.1** Movement in impairment allowance for expected credit losses

As at the beginning of the year		<b>19,808,177</b>	19,945,295
Recognized during the year		<b>1,409,639</b>	-
Reversed during the year		-	(137,118)
As at the end of the year		<b>21,217,816</b>	19,808,177

		<b>2019</b>	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>11</b>	<b>OTHER RECEIVABLES</b>		
	Receivable from clients	<b>7,244,723</b>	7,244,723
	Receivable from Hajveri Modaraba Management Company (Private) Limited	<b>2,485,576</b>	3,206,064
	Other receivables	<b>3,139,998</b>	1,778,410
		<b>12,870,297</b>	12,229,197

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

**11.1.1** Receivable from clients

Gross amount receivable		<b>16,869,630</b>	16,869,630
Impairment allowance for expected credit losses	11.1.1.1	<b>(9,624,907)</b>	(9,624,907)
		<b>7,244,723</b>	7,244,723

**11.1.1.1** Movement in impairment allowance for expected credit losses

As at the beginning of the year		<b>9,624,907</b>	7,126,181
Recognized during the year		-	2,498,726
As at the end of the year		<b>9,624,907</b>	9,624,907

**11.2** Receivable from Hajveri Modaraba Management Company (Private) Limited

Gross amount due		<b>2,905,482</b>	3,206,064
Impairment allowance on doubtful receivable		<b>(419,906)</b>	-
		<b>2,485,576</b>	3,206,064

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



	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>11.3 Other receivables</b>			
Gross amount due		3,305,261	1,778,410
Impairment allowance on doubtful receivables		(165,263)	-
		<b>3,139,998</b>	<b>1,778,410</b>
<b>12 CURRENT PORTION OF NON-CURRENT ASSETS</b>			
Advances to employees	13	214,022	106,951
		<b>214,022</b>	<b>106,951</b>
<b>13 LONG TERM ADVANCES AND DEPOSITS</b>			
Advances to employees	13.1	810,386	325,467
Security deposits	13.2	37,500	37,500
		<b>847,886</b>	<b>362,967</b>
Current maturity presented under current assets	12	(214,022)	(106,951)
		<b>633,864</b>	<b>256,016</b>
<b>13.1</b>	These represent loans to employees for personal purposes as per the Modaraba's policy. These carry profit at 5% (2018: 5% per annum). These loans are repayable in 36 equal monthly installments.		
		2019	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>13.2 Security deposits</b>			
Performing		37,500	37,500
Non-performing		820,000	820,000
		<b>857,500</b>	<b>857,500</b>
Impairment allowance for expected credit losses		(820,000)	(820,000)
		<b>37,500</b>	<b>37,500</b>
<b>14 MEMBERSHIP ASSETS</b>			
Membership of Pakistan Mercantile Exchange Limited		1,010,000	1,010,000
Room at Pakistan Mercantile Exchange Limited		2,500,000	2,500,000
		<b>3,510,000</b>	<b>3,510,000</b>



## 15 ASSETS LEASED OUT UNDER IJARAH CONTRACTS

	2019										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	77,859,160	11,427,500	(17,521,425)	71,765,235	6,285,273	10,607,565	(3,326,856)	13,565,982	58,199,253		
Office equipment	64,000	80,000	(80,000)	64,000	57,142	18,000	(18,000)	57,142	6,858		
Machinery	9,188,022	4,934,000	(6,155,948)	7,966,074	3,495,349	1,800,272	(3,139,515)	2,156,106	5,809,968		
	<b>87,111,182</b>	<b>16,441,500</b>	<b>(23,757,373)</b>	<b>79,795,309</b>	<b>9,837,764</b>	<b>12,425,837</b>	<b>(6,484,371)</b>	<b>15,779,230</b>	<b>64,016,079</b>		
	2018										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	6,005,612	72,529,000	(675,452)	77,859,160	3,246,691	3,171,606	(133,024)	6,285,273	71,573,887		
Office equipment	64,000	-	-	64,000	57,142	-	-	57,142	6,858		
Machinery	4,268,022	5,120,000	(200,000)	9,188,022	3,024,690	634,101	(163,442)	3,495,349	5,692,673		
	<b>10,337,634</b>	<b>77,649,000</b>	<b>(875,452)</b>	<b>87,111,182</b>	<b>6,328,523</b>	<b>3,805,707</b>	<b>(296,466)</b>	<b>9,837,764</b>	<b>77,273,418</b>		

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



	Note	2019 Rupees	2018 Rupees
<b>16 PROPERTY AND EQUIPMENT</b>			
Operating fixed assets	16.1	388,119	480,051
Capital work in progress	16.3	224,000,000	224,000,000
		<b>224,388,119</b>	<b>224,480,051</b>

	2019						2018						
	COST			DEPRECIATION			COST			DEPRECIATION			
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	As at June 30 Rupees	Rate %age	For the year Rupees	Adjustment Rupees	As at June 30 Rupees	As at July 01 Rupees	For the year Rupees	Adjustment Rupees	As at June 30 Rupees	Net book value as at June 30 Rupees
<b>16.1 Operating fixed assets</b>													
Furniture and fixtures	279,698	21,400	-	301,098	10	29,438	-	283,583	254,145	29,438	-	283,583	17,515
Computers and office equipment	489,949	58,000	-	547,949	10-20	83,030	-	192,607	109,577	83,030	-	192,607	355,342
Vehicles	773,412	12,500	(725,000)	60,912	20	71,364	(725,000)	45,650	699,286	71,364	(725,000)	45,650	15,262
	<b>1,543,059</b>	<b>91,900</b>	<b>(725,000)</b>	<b>909,959</b>		<b>183,832</b>	<b>(725,000)</b>	<b>521,840</b>	<b>1,063,008</b>	<b>183,832</b>	<b>(725,000)</b>	<b>521,840</b>	<b>388,119</b>
Furniture and fixtures	760,979	-	(481,281)	279,698	10	40,352	(481,281)	254,145	695,074	40,352	(481,281)	254,145	25,553
Computers and office equipment	5,674,186	354,000	(5,538,237)	489,949	10-20	128,238	(5,415,967)	109,577	5,397,306	128,238	(5,415,967)	109,577	380,372
Vehicles	2,676,412	-	(1,903,000)	773,412	20	154,682	(1,903,000)	699,286	2,447,604	154,682	(1,903,000)	699,286	74,126
	<b>9,111,577</b>	<b>354,000</b>	<b>(7,922,518)</b>	<b>1,543,059</b>		<b>323,272</b>	<b>(7,800,248)</b>	<b>1,063,008</b>	<b>8,539,984</b>	<b>323,272</b>	<b>(7,800,248)</b>	<b>1,063,008</b>	<b>480,051</b>

16.1.1 Particulars of disposals have not been presented as the aggregate book value of assets disposed does not exceed Rs. 5,000,000.



	<i>Note</i>	<b>2019</b>	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>16.3 Capital work in progress</b>			
Corporate Tower, Lahore	16.3.1	<b>204,000,000</b>	204,000,000
Villas at Murree	16.3.2	<b>20,000,000</b>	20,000,000
Advance against purchase of property	16.3.3	<b>4,500,000</b>	4,500,000
		<b>228,500,000</b>	228,500,000
Impairment allowance		<b>(4,500,000)</b>	(4,500,000)
		<b>224,000,000</b>	224,000,000

**16.3.1** 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 Musharaka Investment of Rs. 99 million to Enplan (Private) Limited and takeover of exposure of Trust Investment Bank Limited to Enplan (Private) Limited of Rs. 105 million through settlement agreement dated June 28, 2012. On June 29, 2012, the Modaraba entered into an agreement to sell and buy back the ground floor of the tower with Enplan (Private) Limited. According to the terms of agreement, Enplan (Private) Limited shall complete the tower within 18 months of the date of agreement. The Modaraba is also entitled to have the sale deed of the floor executed in its name and it has constructive possession of the property.

The Modaraba has also extended murabahah facilities to Enplan (Private) Limited as per agreed terms for completion of the tower (see note 8.2). If the floor is not purchased by Enplan (Private) Limited within required time, the Modaraba has a right to sell the floor to any third party. Enplan (Private) Limited also has an option to repurchase the floor after the said period of 18 months at an agreed price of Rs. 204 million plus profit of 15% per annum for the period from the date of the agreement till the actual settlement. The Modaraba has registered 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.

The Modaraba has filed recovery suits for amounts aggregating to Rs. 417 million before Banking Court/Modaraba Tribunal/Lahore High Court against Enplan (Private) Limited.

A criminal complaint has also been filed against the directors of Enplan (Private) Limited for prosecution against criminal misrepresentation and breach of trust.

The above suits/complaints are pending for hearing.

Enplan (Private) Limited has also filed a counter suit against the Modaraba for recovery of alleged losses and damages to the tune of Rs. 2.86 billion.

**16.3.2** This represents property under construction comprising land measuring 1 kanal and 8 marlas. Most recent valuation of this property was carried out in October 2016 by Maricon Consultants (Private) Limited at Rs. 35.2 million.

**16.3.3** 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 advances are slim.

	<i>Note</i>	<b>2019</b>	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>17 ACCRUED AND OTHER LIABILITIES</b>			
Due to customers	17.1	<b>27,628</b>	30,178
Advance ijarah rentals and security deposits		<b>1,295,150</b>	1,056,025
Advance against sale of Villas at Murree	17.2	-	2,500,000
Management Company's remuneration payable		<b>153,988</b>	3,706,844
Accrued liabilities	17.3	<b>2,578,712</b>	3,415,786
Payable to Provident Fund Trust		<b>287,470</b>	163,284
Workers' welfare fund		<b>177,149</b>	177,149
Others		<b>271,363</b>	169,367
		<b>4,791,460</b>	11,218,633

**17.1** These represent payable to brokerage clients.

**17.2** During the year, management has written back advance against sale of Villas at Murree, due to breach of agreements by the buyer.

**17.3** During the year, management has written back excess accrued liabilities amounting to Rs. 954,819.

	<i>Note</i>	<b>2019</b>	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>18 CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>			
Security deposits under ijarah contracts	19	<b>990,108</b>	1,187,208
		<b>990,108</b>	1,187,208



	<i>Note</i>	<b>2019</b>	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>19 SECURITY DEPOSITS</b>			
Security deposits under ijarah contracts		<b>19,222,808</b>	19,572,158
Current maturity presented under current liabilities	18	<b>(990,108)</b>	(1,187,208)
		<b>18,232,700</b>	18,384,950

**20 EMPLOYEES RETIREMENT BENEFITS**

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 in balance sheet represents present value of defined benefit obligation.

**20.1 Movement in present value of defined benefit obligation**

As at beginning of the year		<b>568,852</b>	1,010,925
Charged to profit or loss for the year	20.2	<b>192,515</b>	299,926
Paid during the year		<b>(509,400)</b>	(741,999)
As at end of the year		<b>251,967</b>	568,852

**20.2 Charged to profit or loss for the year**

Current service cost		<b>135,506</b>	65,518
Interest cost		<b>28,274</b>	49,594
Actuarial gain		<b>28,735</b>	184,814
		<b>192,515</b>	299,926

**20.3 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:

	<b>2019</b>	2018
	<i>Rupees</i>	<i>Rupees</i>
Discount rate	<b>14.50%</b>	9.00%
Expected rates of increase in salary	<b>13.50%</b>	8.00%
Average number of leaves (in days) un-utilized per annum	<b>10 days</b>	10 days
Expected average remaining working lives	<b>9 years</b>	9 years

**20.4 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:

	<b>2019</b>		2018	
	<b>Change in actuarial assumption</b>	<b>Defined benefit obligation</b>	Change in actuarial assumption	Defined benefit obligation
		<i>Rupees</i>		<i>Rupees</i>
Discount rate	+ 1%	<b>222,508</b>	+ 1%	522,047
	- 1%	<b>286,966</b>	- 1%	621,862
Expected rates of increase in salary	+ 1%	<b>286,501</b>	+ 1%	621,317
	- 1%	<b>222,441</b>	- 1%	521,720

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.



## 21 CONTINGENCIES AND COMMITMENTS

### 21.1 Contingencies

There are no significant contingencies as at the reporting date except those as disclosed in note 16.3 to these financial statements.

### 21.2 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:

	Note	2019 Rupees	2018 Rupees
<b>Future Ijarah rentals receivable</b>			
Not later than one year		20,712,742	546,623
Later than one year but not later than five years		59,811,789	74,716,051
Later than five years		37,320,973	22,336,307
		<b>117,845,504</b>	<b>97,598,981</b>

## 22 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Modaraba certificates of Rs. 10 each			
16,656,491 (2018: 16,656,491) certificates issued for cash		166,564,910	166,564,910
3,976,908 (2018: 3,976,908) certificates issued as full paid bonus certificates		39,769,080	39,769,080
5,780,405 (2018: 5,780,405) certificates issued on amalgamation of First Hajveri Modaraba		57,804,050	57,804,050
		<b>264,138,040</b>	<b>264,138,040</b>

## 23 RESERVES

### Capital reserves

Statutory reserve	23.1	94,620,283	94,390,226
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### Revenue reserve

Accumulated loss		(17,755,062)	(1,505,938)
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<b>76,865,221</b>	<b>92,884,288</b>
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23.1 This represents special reserve created in compliance with the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan.

## 24 OTHER INCOME

### Gain on financial instruments

Return on bank deposits		18,567	413,751
Markup on loans to employees		13,797	1,221
		<b>32,364</b>	<b>414,972</b>

### Other income

Fees, commission and other incomes		76,395	198,350
Gain on sale of long term investment		-	10,181,665
Gain on sale of membership assets	14	-	32,708,186
Dividend income		-	303,460
Advance against sale of Villas at Murree written back	17.2	2,500,000	-
Excess accrued liabilities written back	17.3	954,819	-

<b>3,531,214</b>	<b>43,391,661</b>
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<b>3,563,578</b>	<b>43,806,633</b>
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## 25 ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and benefits	25.1	9,059,713	6,578,679
Rent, rates and taxes		218,495	204,246
Utilities		485,990	374,454
Repair and maintenance		386,692	404,852
Printing and stationery		387,645	343,845
Communication		84,048	124,158
Travelling and conveyance		177,305	314,062
Advertisement		31,314	132,410
Fee and subscription		166,250	280,106
Entertainment		229,999	158,427
Auditors' remuneration	25.2	592,300	592,300
Legal and professional charges		524,500	1,872,790
Depreciation		183,832	323,272
Leave encashment		192,515	-
Others		341,903	640,826

<b>13,062,501</b>	<b>12,344,427</b>
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25.1 These include charges in respect of contribution to provident fund amounting to Rs. 912,392 (2018: Rs. 588,320).

	<i>Note</i>	<b>2019</b>	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>25.2 Auditors' remuneration</b>			
Annual statutory Audit		<b>315,000</b>	315,000
Limited scope review		<b>132,300</b>	132,300
Review report under corporate governance		<b>105,000</b>	105,000
Out of pocket expenses		<b>40,000</b>	40,000
		<b>592,300</b>	592,300
<b>26 OTHER EXPENSES</b>			
Loss on disposal of property and equipment	16.2	-	68,777
Impairment allowance for non-financial assets		<b>419,906</b>	-
		<b>419,906</b>	68,777
<b>27 FINANCIAL CHARGES</b>			
Bank charges		<b>75,454</b>	36,942
		<b>75,454</b>	36,942
<b>28 MOVEMENT IN IMPAIRMENT ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>			
As at the beginning of the year		<b>260,349,463</b>	263,484,649
Impairment recognised during the year		<b>3,339,099</b>	4,697,837
Impairment reversed during the year		<b>(3,585,521)</b>	(7,833,023)
		<b>(246,422)</b>	(3,135,186)
As at the end of the year		<b>260,103,041</b>	260,349,463
<b>28.1 Break-up of impairment allowance as at end of the year</b>			
Short term finances under murabahah arrangements	8.4	<b>191,354,232</b>	193,970,884
Ijarah rentals receivable	9.2	<b>36,920,823</b>	36,125,495
Receivables from clients	11.1.1	<b>9,624,907</b>	9,624,907
Advances and deposits		<b>820,000</b>	820,000
Profit receivable		<b>21,217,816</b>	19,808,177
Other receivables		<b>165,263</b>	-
		<b>260,103,041</b>	260,349,463
<b>28.2 Break-up of impairment recognised during the year</b>			
Short term finances under murabahah arrangements	8.4	-	1,216,652
Ijarah rentals receivable	9.2	<b>1,764,197</b>	162,459
Receivables from clients		-	2,498,726
Advances and deposits		-	820,000
Profit receivable	10.1	<b>1,409,639</b>	-
Other receivables	11	<b>165,263</b>	-
		<b>3,339,099</b>	4,697,837
<b>28.3 Break-up of impairment reversed during the year</b>			
Short term finances under murabahah arrangements	8.4	<b>2,616,652</b>	7,490,161
Ijarah rentals receivable	9.2	<b>968,869</b>	205,744
Profit receivable	10.1	-	137,118
		<b>3,585,521</b>	7,833,023
<b>29 TAXATION</b>			
Current taxation	29.1	<b>235,601</b>	-
Deferred taxation	29.2	-	-
		<b>235,601</b>	-

29.1 Provision for current tax for the year has been made under section 113C of the Income Tax Ordinance, 2001. No provision was made for the previous year due to exemption available under clause 100 of Part I of Second Schedule to the Income

29.2 The Modaraba has carry forward losses against which a deferred tax asset amounting to Rs. 104.260 million (2018: Rs. 104.588 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>	<b>2019</b>	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>30 EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>			
Earnings attributable to certificate holders	<i>Rupees</i>	<b>1,150,287</b>	33,361,595
Weighted average number of certificates outstanding during the year	<i>No. of shares</i>	<b>26,413,804</b>	26,413,804
Earnings per certificate - <i>basic</i>	<i>Rupees</i>	<b>0.04</b>	1.26

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



### 31 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Modaraba's perspective comprise the Management Company, Key Management Personnel 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 and respectively. The details of Modaraba's related parties, with whom the Modaraba had transactions during the year or has balances outstanding as at the reporting date are as follows:

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of certificates held in the Modaraba
Fidelity Capital Management (Private) Limited			
Employers Provident Fund Trust	Provident Fund Trust	Contribution to provident fund	N/A
Fidelity Capital Management (Private) Limited	Management Company	Certificate holding	22.22%
Younas Choudhary	Key management personnel	Employee	N/A
Ijaz Fazal	Key management personnel	Employee	N/A
Ilyas Shafique	Key management personnel	Employee	N/A

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

	Note	2019 Rupees	2018 Rupees
<b>31.1 Transactions with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of balances</b>		
Provident Fund Trust	Contribution for the year	456,196	477,036
Officers and employees	Ijarah rentals received	1,113,376	728,830
Management Company	Management Company's remuneration	153,988	3,706,844
<b>31.2 Balances with related parties</b>			
Officers and employees	Ijarah rentals receivables	154,306	97,402
	Ijarah rentals suspended	125,854	97,402
Provident Fund Trust	Contribution payable	287,470	163,284
Management Company	Management Company's remuneration payable	153,988	3,706,844
<b>32 CASH GENERATED FROM OPERATIONS</b>			
<b>Profit before taxation</b>		1,385,888	33,361,595
<b>Adjustments for non-cash and other items</b>			
Depreciation		183,832	323,272
Amortization of assets leased out under ijarah contracts		12,425,837	3,805,707
Loss on disposal of property and equipment		-	68,777
Gain on disposal of long term investment		-	(10,181,665)
Gain on disposal of membership assets		-	(32,708,186)
Advance against sale of Villas at Murree written back		(2,500,000)	-
Excess accrued liabilities written back		(954,819)	-
Impairment allowance for non-financial assets		419,906	-
Changes in fair value of non-performing receivables		(246,422)	(3,135,186)
Provision for employees retirement benefits		192,515	299,926
Dividend income		-	(303,460)
		9,520,849	(41,830,815)
<b>Operating profit/(loss) before changes in working capital</b>		10,906,737	(8,469,220)
<b>Changes in working capital</b>			
Finances under murabahah arrangements		1,400,000	31,629,999
Ijarah rentals receivable		(2,266,605)	(1,080,759)
Profit receivable on murabahah finances		(1,475,765)	(256,562)
Advances, deposits, prepayments and other receivables		(1,226,269)	(1,752,939)
Long term advances and deposits		(484,919)	(145,339)
Accrued and other liabilities		(2,972,354)	(1,269,964)
Security deposits		(349,350)	17,980,530
		(7,375,262)	45,104,966
<b>Cash generated from operations</b>		3,531,475	36,635,746
<b>33 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	7	3,416,953	10,040,527
		3,416,953	10,040,527

**34 FINANCIAL INSTRUMENTS**

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

	<i>Note</i>	<b>2019</b>	2018
		<i>Rupees</i>	<i>Rupees</i>
<b>34.1 Financial assets</b>			
<b><i>Cash in hand</i></b>	7	<b>1,491,580</b>	311,134
<b><i>Financial assets at amortized cost</i></b>			
Bank balances	7	<b>1,925,373</b>	9,729,393
Short term finances under murabahah arrangements	8	<b>69,100,000</b>	67,883,348
Ijarah rentals receivable	9	<b>2,697,017</b>	1,225,740
Profit receivable	10	<b>503,626</b>	437,500
Security deposits	13	<b>37,500</b>	37,500
Receivable from clients	11	<b>7,244,723</b>	7,244,723
Other receivables	11	<b>3,139,998</b>	1,778,410
		<b>86,139,817</b>	88,647,748
<b>34.2 Financial liabilities</b>			
<b><i>Financial liabilities at amortized cost</i></b>			
Due to customers	17	<b>27,628</b>	30,178
Accrued and other liabilities	17	<b>2,578,712</b>	3,415,786
Management Company's remuneration payable	17	<b>153,988</b>	3,706,844
Unclaimed profit distribution	17	<b>16,982,280</b>	10,652,112
		<b>19,742,608</b>	17,804,920

**35 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:

**35.1 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.

**35.1.1 Credit risk management practices****(a) Murabahah and Ijarah receivables**

The Modaraba minimises credit risk on Murabahah and Ijarah receivables by dealing with only counterparties who have a clean Credit Information Bureau ['CIB'] report. The Modaraba uses a credit risk grading system based on the credit risk grading defined by Prudential Regulations for Modarabas.

The ageing profile of Murabahah and Ijarah receivables along with collection activities are reviewed on each reporting date to ensure that adequate loss allowance is made in accordance with the criteria prescribed under the Prudential Regulations

The Modaraba considers Murabahah and Ijarah receivables to have low credit risk when these have a credit risk rating of 'performing'. Performing means that the counterparty has no past due amounts or otherwise there is no significant increase in credit risk if the amounts are past due by less than 30 days unless the management can demonstrate otherwise. Any amounts past due by 90 days or more are considered non-performing and an impairment allowance is made in accordance with Prudential Regulations.

The Modaraba writes-off Murabahah and Ijarah receivables when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery.

The Modaraba's credit risk grading framework for Murabahah and Ijarah receivables comprises the following categories:



The Modaraba's credit risk grading framework for Murabahah and Ijarah receivables comprises the following categories:

Category	Description	Basis for recognizing ECL on	
		Principal	Profit
Performing	Contractual payments not due or overdue by less than 90 days	Lifetime ECL	Lifetime ECL
OAEM	Contractual payments overdue by 90 days or more	12 months ECL	100 percent
Sub-standard	Contractual payments overdue by 180 days or more	25 Percent	100 percent
Doubtful	Contractual payments overdue by one year or more	50 Percent	100 percent
Loss	Contractual payments overdue by one and half year or more	100 Percent	100 percent
Write-off	There is no realistic prospect of recovery	Written-off	Written-off

The impairment allowance is recognized in accordance with the above risk grading framework after taking into consideration collateral available, if any.

#### (b) Other financial assets

In order to minimise credit risk on other financial assets, the Modaraba has adopted a policy of only dealing with creditworthy counterparties and limiting significant exposure to any single counterparty. The Modaraba only transacts with counterparties that have reasonably high external credit ratings. Where external credit rating is not available, the Modaraba uses an internal credit risk grading system. The ageing profile of other financial assets along with collection activities are reviewed on a regular basis.

The Modaraba reviews the recoverable amount of each other financial asset on an individual basis at each reporting date to ensure that adequate loss allowance is made in accordance with the assessment of credit risk for each other financial asset.

The Modaraba considers an other financial asset to have low credit risk when the asset has reasonably high external credit rating or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has no past due amounts or otherwise there is no significant increase in credit risk if the amounts are past due.

In assessing whether the credit risk on an other financial asset has increased significantly since initial recognition, the Modaraba compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Modaraba considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Modaraba presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Modaraba has reasonable and supportable information that demonstrates otherwise.

The Modaraba regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

The Modaraba considers 'default' to have occurred when the financial asset is credit-impaired. A financial asset is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Modaraba writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery.

The Modaraba's credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing ECL
Performing	The counterparty has low credit risk	12 month ECL
Doubtful	Credit risk has increased significantly since initial recognition	Lifetime ECL
In default	There is evidence indicating the assets is credit-impaired	Lifetime ECL
Write-off	There is no realistic prospect of recovery	Written-off



### 35.1.2 Maximum exposure to credit risk

Credit risk principally arises from debt instruments held by the Modaraba as at the reporting date. The maximum exposure to credit risk as at the reporting date is as follows:

		2019	2018
		<i>Rupees</i>	<i>Rupees</i>
Bank balances	7	1,925,373	9,729,393
Short term finances under murabahah arrangements	8	260,454,232	261,854,232
Ijarah rentals receivable	9	39,617,840	37,351,235
Profit receivable on murabahah finances	10	21,721,442	20,245,677
Security deposits	13	857,500	857,500
Receivable from clients	11	16,869,630	16,869,630
Other receivables	11	3,139,998	1,778,410
		<b>344,586,015</b>	<b>348,686,077</b>

### 35.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to internal credit risk grading. The credit quality of the Modaraba's financial assets exposed to credit risk is as follows:

	Note	External credit rating	Internal credit risk grading	Basis for impairment	Gross carrying amount	Loss allowance
Bank balances	7	A1 - A1+	N/A	12-month ECL	1,925,373	-
Short term finances under murabahah arrangements	8	N/A	Performing	Lifetime ECL	10,100,000	-
		N/A	Non-performing	100%	250,354,232	191,354,232
					260,454,232	191,354,232
Ijarah rentals receivable	9	N/A	Performing	Lifetime ECL	2,697,017	-
		N/A	Non-performing	100%	36,920,823	36,920,823
					39,617,840	36,920,823
Profit receivable on murabahah finances	10	N/A	Performing	Lifetime ECL	503,626	-
		N/A	Non-performing	100%	21,217,816	21,217,816
					21,721,442	21,217,816
Security deposits	13	N/A	Performing	12-month ECL	37,500	-
		N/A	Non-performing	Lifetime ECL	820,000	820,000
					857,500	820,000
Receivable from clients	11	N/A	Performing	12-month ECL	16,869,630	9,624,907
Other receivables	11	N/A	Performing	12-month ECL	3,305,261	165,263
					<b>35,438,407</b>	<b>9,790,170</b>

#### (a) Bank balances

The bankers of the Modaraba have reasonably high credit ratings as determined by various independent credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect any credit loss.

**(b) Murabahah and Ijarah receivables**

The Modaraba's main measure of credit delinquency is an aged portfolio-at-risk ratio. Murabahah and Ijarah receivables are separated into classes depending on the number of days they are over-due. For each such class of finance, the outstanding principal balance is divided by the outstanding principal balance of the gross portfolio. The ageing analysis of the Modaraba's credit portfolio is as follows:

	2019		2018	
	<i>Rupees</i>	<i>%age</i>	<i>Rupees</i>	<i>%age</i>
Not yet due	-	0.00%	-	0.00%
Overdue by less than 90 days	12,776,433	3.95%	10,509,828	3.29%
Overdue by 90 days or more	3,480,473	1.08%	3,534,708	1.11%
Overdue by one year or more	354,702	0.11%	354,702	0.11%
Overdue by one year and half or more	306,581,906	94.86%	305,051,906	95.49%
	<b>323,193,514</b>	<b>100.00%</b>	<b>319,451,144</b>	<b>100.00%</b>

**(e) Security deposits**

Long term deposits comprise security deposits placed with various regulatory authorities and utility companies. These deposits are placed for an indefinite period without any fixed maturity. Therefore, no credit risk has been associated with these financial assets, except for those against which impairment allowance has already been made.

**(f) Receivable from clients**

These represent receivables from brokerage clients. These are secured against respective listed shares of the clients. As at the reporting date, receivables from clients amounting to Rs. 9.625 million are considered to be credit impaired and thus 'in-default'. The ageing analysis of receivables from clients as at the reporting date is as follows:

	2019		2018	
	Gross carrying amount <i>Rupees</i>	Accumulated Impairment <i>Rupees</i>	Gross carrying amount <i>Rupees</i>	Accumulated Impairment <i>Rupees</i>
Neither past due nor impaired	-	-	-	-
Past due by upto 90 days	-	-	-	-
Past due by 90 to 180 days	-	-	-	-
Past due by 180 days to 1 year	-	-	-	-
Past due by 1 to 2 years	-	-	-	-
Past due by 2 to 3 years	-	-	-	-
Past due by 3 years or more	16,869,630	9,624,907	16,869,630	9,624,907
	<b>16,869,630</b>	<b>9,624,907</b>	<b>16,869,630</b>	<b>9,624,907</b>

**(f) Other receivables**

These represent receivables from brokerage clients. These are secured against respective listed shares of the clients. As at the reporting date, receivables from clients amounting to Rs. 9.625 million are considered to be credit impaired and thus 'in-default'.

**(g) Other receivables**

These represent receivables from customers against various expenses/charges. These amounts are usually recovered in due course and thus are considered to have low credit risk.

**35.1.4 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:

	2019 <i>Rupees</i>	2018 <i>Rupees</i>
Customers	341,803,142	338,099,184
Utility companies and regulatory authorities	857,500	857,500
Banking companies and financial institutions	1,925,373	9,729,393
	<b>344,586,015</b>	<b>348,686,077</b>



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

	2019				
	Ijarah receivable Rupees	Finances under Murabahah arrangements Rupees	Profit receivable Rupees	Others receivables Rupees	Total Rupees
Services		217,404,232	-	-	217,404,232
Textile	13,893,352	9,000,000	-	-	22,893,352
Construction	-	9,800,000	12,330,700	-	22,130,700
Individuals	25,724,488	25,650,000	9,390,742	20,009,628	80,774,858
	<b>39,617,840</b>	<b>261,854,232</b>	<b>21,721,442</b>	<b>20,009,628</b>	<b>343,203,142</b>
	2018				
	Ijarah receivable Rupees	Finances under Murabahah arrangements Rupees	Profit receivable Rupees	Others receivables Rupees	Total Rupees
Services	-	217,404,232	-	-	217,404,232
Textile	13,893,352	9,000,000	-	-	22,893,352
Construction	-	9,800,000	-	-	9,800,000
Individuals	23,457,883	25,650,000	20,245,677	18,648,040	88,001,600
	<b>37,351,235</b>	<b>261,854,232</b>	<b>20,245,677</b>	<b>18,648,040</b>	<b>338,099,184</b>

**35.1.5 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.

**35.2 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.

**35.2.1 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.

**35.2.2 Exposure to liquidity risk**

The following is the analysis of contractual maturities of financial liabilities, including estimated interest/markup/profit payments.

	2019				
	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	27,628	27,628	27,628	-	-
Accrued and other payables	2,578,712	2,578,712	2,578,712	-	-
Management Company's remuneration payable	153,988	153,988	153,988	-	-
Unclaimed profit distribution	16,982,280	16,982,280	16,982,280	-	-
	<b>19,742,608</b>	<b>19,742,608</b>	<b>19,742,608</b>	<b>-</b>	<b>-</b>
	2018				
	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	30,178	30,178	30,178	-	-
Accrued and other payables	3,415,786	3,415,786	3,415,786	-	-
Management Company's remuneration payable	3,706,844	3,706,844	3,706,844	-	-
Unclaimed profit distribution	10,652,112	10,652,112	10,652,112	-	-
	<b>17,804,920</b>	<b>17,804,920</b>	<b>17,804,920</b>	<b>-</b>	<b>-</b>

**35.3 Market risk**

**35.3.1 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.

**35.3.2 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 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.



**(b) 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:

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
<b>Fixed rate instruments</b>		
Financial assets	260,454,232	261,854,232
Financial liabilities	-	-
<b>Variable rate instruments</b>		
Financial assets	1,925,373	9,729,393
Financial liabilities	-	-

**(c) 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.

**(d) 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. 19,254 (2018: Rs. 97,294). 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.

**35.3.3 Other price risk**

Other 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.

**36 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.

**37 FAIR VALUE MEASUREMENTS**

**37.1 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

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:

**37.1.1 Financial instruments measured at fair value**

There are no recurring or non-recurring fair value measurements as at the reporting date. The management considers the carrying amount of all the financial instruments to approximate their fair values.

**37.2 Assets and liabilities other than financial instruments.**

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





**38 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:

	2019		
	Officers Rupees	Other employees Rupees	Total Rupees
Remuneration	5,507,964	1,576,642	7,084,606
Allowances and perquisites	1,471,228	503,897	1,975,125
Post employment benefits	-	-	-
	<b>6,979,192</b>	<b>2,080,539</b>	<b>9,059,731</b>
Number of persons	<b>6</b>	<b>7</b>	<b>13</b>
	2018		
	Officers Rupees	Other employees Rupees	Total Rupees
Managerial remuneration	3,667,800	1,168,600	4,836,400
Allowances and perquisites	1,639,307	102,972	1,742,279
Post employment benefits	-	-	-
	<b>5,307,107</b>	<b>1,271,572</b>	<b>6,578,679</b>
Number of persons	<b>6</b>	<b>7</b>	<b>13</b>

**39 SEGMENT INFORMATION**

- 39.1 The Modaraba is a single reportable segment.
- 39.2 All non-current assets of the Modaraba are situated in Pakistan.
- 39.3 All incomes of the Modaraba have originated from Pakistan.

**40 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, 2019

	2019 Rupees	2018 Rupees
Size of the fund - total assets	464,695	340,510
Cost/fair value of investments	5,000	5,000
Percentage of investments made	1.08%	1.47%

The break-up of investments is as follows:

	2019		2018	
	Rupees	% age	Rupees	% age
Deposit accounts with commercial banks	952	15.99	952	15.99
Mutual funds	5,000	84.01	5,000	84.01
	<b>5,952</b>	<b>100.00</b>	<b>5,952</b>	<b>100.00</b>

**41 NUMBER OF EMPLOYEES**

	2019	2018
Total number of employees	13	13
Average number of employees	13	12

**42 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.

**43 GENERAL**

- 43.1 Figures have been rounded off to the nearest rupee.

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 ACT, 2017**  
**The Companies (General Provisions and Forms) Regulations,**  
**2018[Section 227(2)(f)]**  
**Pattern of Shareholding**

**Form - 34**

	<b>PART -I</b>
1.1 Name of The Company	<b>First Fidelity Leasing Modaraba</b>
	<b>PART -II</b>

2.1 Pattern of Holding of the Shares held by the Shareholders as at :June 30, 2019

No. of Shareholders	Shareholding		Total Shares held
	From	To	
3,344	1	100	135,069
2,176	101	500	524,774
817	501	1,000	625,664
885	1,001	5,000	1,763,511
98	5,001	10,000	708,813
38	10,001	15,000	441,862
20	15,001	20,000	353,976
18	20,001	25,000	398,823
5	25,001	30,000	144,603
9	30,001	35,000	301,200
4	35,001	40,000	147,829
5	40,001	45,000	215,440
2	45,001	50,000	93,500
3	50,001	55,000	163,362
1	55,001	60,000	56,427
1	65,001	70,000	69,500
2	70,001	75,000	144,200
2	75,001	80,000	155,296
1	85,001	90,000	88,100
1	90,001	95,000	93,991
2	95,001	100,000	200,000
1	105,001	110,000	105,254
1	125,001	130,000	130,000
1	130,001	135,000	131,651
1	165,001	170,000	170,000
1	190,001	195,000	191,230
1	200,001	205,000	200,153
1	265,001	270,000	266,792
1	280,001	285,000	281,500
1	350,001	355,000	350,804
1	365,001	370,000	365,500
1	495,001	500,000	495,078
1	575,001	580,000	578,041
1	580,001	585,000	582,170
1	670,001	675,000	673,000
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	1,225,001	1,230,000	1,230,000
1	2,295,001	2,300,000	2,300,000
1	2,640,001	2,645,000	2,641,380
1	2,850,001	2,855,000	2,852,146
1	3,225,001	3,230,000	3,228,234
<b>7,456</b>			<b>26,413,804</b>

**CATEGORIES OF CERTIFICATE HOLDING**

As On: June 30, 2019

**First Fidelity Leasing Modaraba**

<b>2.3 Categories of Shareholder</b>	<b>Share held</b>	<b>Percentage</b>
2.3.1 - Directors, CEO, Their Spouse and Minor Childern	54,552	0.21
2.3.2 - Associated Companies, Undertakings & Related Parties	6,447,655	24.41
2.3.3 - NIT & ICP	495,078	1.87
2.3.4 - Banks, DFIs, NBFCs	33,889	0.13
2.3.5 - Insurance Companies	1,034,971	3.92
2.3.6 - Modarabas and Mutual Funds	1,117	0.00
2.3.8 - A. General Public (Local)	18,108,924	68.56
2.3.8 - B. General Public (Foreigner)	7,656	0.03
2.3.9 - A. Other Companies (Local)	229,962	0.87
	<b>26,413,804</b>	<b>100.00</b>
<b>Shareholders More Than 10.00%</b>		
Fidelity Capital Management (Private) Limited	6,447,655	24.41
MUHAMMAD IQBAL.	5,152,146	19.51





CorpTec/GOC/0001146/1  
September 22, 2018

Most Urgent

To All Shareholder(s)

*Re: Mandatory Requirement of IBAN for Credit Dividend into Bank Electronically*

This is to inform you that under second proviso to Section 242 of the Companies Act 2017, listed companies are required to pay declared cash dividends only through electronic mode directly into the bank accounts designated by the entitled shareholders. Accordingly, you being registered shareholder of the company under folio No. \_\_\_\_\_, in (Company Name) are requested to provide the following information for payment of cash dividend declared / to be declared by the company through electronic mode directly into bank account designated by you.

Yours faithfully,

For CorpTec Associates (Pvt) Limited  
Share Registrar: (Company Name)

Muhammad Imran Bhatti  
Head - Share Registrar Affairs

IBAN - [36 Digits] <i>Including Country Code and Bank Identifier</i>	
CNIC Number (For Individuals) (Please attach photocopy)	
National Tax Number (For Companies)	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Cell Number of Shareholder	
Landline Number of Shareholder	
Email of Shareholder	

It is stated that the above-mentioned information is correct and I will intimate the changes, if any in the above-mentioned information to the Share Registrar, i.e. CorpTec Associates (Pvt) Limited, 503 - E, Johar Town, Lahore. as soon as these occur.

\_\_\_\_\_  
Signature of Shareholder

Share Registrar & Corporate Consultants  
503 - E, Johar Town, Lahore.  
Ph: 042-35170335-7, Fax: 042-35170338, Email: info@corptec.com.pk