

**FIDELITY
LEASING**

Annual Report 2024

FIRST FIDELITY LEASING MODARABA

Managed by:
Fidelity Capital Management (Private) Limited



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CORPORATE INFORMATION

Board of Directors

Fidelity Capital Management (Private) Limited.

Chairman

Siyyid Tahir Nawazish

Chief Executive

Mr. Wasim-ul-Haq Osmani

Directors

Mr. Muhammad Farooq Abid Tung

Ms. Nasira Taskeen

Company Secretary / CFO

Mr. Ijaz Fazal

hi_ij@hotmail.com

ijazfazal@gmail.com

Auditors of Modaraba

CROWE HUSSAIN CHAUDHURY & CO.

Chartered Accountants

Audit Committee

Chairman

Mr. Muhammad Farooq Abid Tung

Members

Siyyid Tahir Nawazish

Ms. Nasira Taskeen

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

Ms. Nasira Taskeen

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 2024 Rupees	June 2023 Rupees	June 2022 Rupees	June 2021 Rupees	June 2020 Rupees	June 2019 Rupees
Operating results						
Revenues	0.81	19.73	23.71	24.025	24.40	27.29
Operating loss/profit before taxation and management fee	(22.61)	(2.19)	(5.955)	(2.91)	(4.06)	1.38
Financial position						
Fixed assets (owned and leased out)	243.29	249.01	261.74	271.07	284.4	288.4
Total assets	332.60	357.48	365.45	374.39	377.98	382.25
Certificateholders equity	302.07	324.82	327.23	333.44	336.35	341.00
Paid up capital	264.13	264.13	264.13	264.13	264.13	264.13
Earning Profit/ (Loss) per certificate	(0.86)	(0.09)	(0.24)	(0.11)	(0.18)	0.04
Profit distribution (%)	-	-	-	-	-	-
Break-up value per certificate	11.44	12.30	12.39	12.62	12.73	12.91



**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, 2024 will be held on Tuesday **November 26, 2024 at 12:30 P.M.** at Ground Floor, 93-B-1, Canal Bank, Gulberg-II, Lahore. The Certificate transfer books of the Modaraba remain closed from November 19, 2024 to November 26, 2024 (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 November 19, 2024 shall be entitled to attend the meeting.

November 05, 2024
Lahore

A handwritten signature in black ink, appearing to read 'Ijaz Fazal'.

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 33rd Annual Report of First Fidelity Leasing Modaraba along with the audited financial statements and the Auditors' Report thereon for the year ended June 30, 2024.

Financial Results

The financial results of the Modaraba are summarized as follows.

	Rupees in '000'	
	2024	2023
Total Income	809	19,729
Expenses	(16.137)	(19.615)
Operating profit/(loss)	(15.329)	(0.114)
(Provision) / Reversal	(7.280)	(2.304)
Loss before Management Fee	(22.609)	(2.190)
Modaraba Company's management fee	-	-
Loss before taxation	(22.609)	(2.190)
Taxation	(0.141)	(0.214)
Loss after tax	(22.749)	(2.405)
Appropriations		
Appropriated as follows:		
Transferred to statutory reserves	-	-
Profit distribution	Nil	Nil
Earnings per Certificate:		
Loss / Profit per certificate stood at	Rs. (0.86)	(0.09)

Review of Operations

The Modaraba during the year ended June 30, 2024 sustained a loss of Rs. 22.75 million as against loss of Rs. 2.405 million sustained in the corresponding year ended June 30, 2023. Loss per certificate of the Modaraba is Rs. 0.86 as compared to loss of Rs 0.09 per certificate in the corresponding year. The operation of the Modaraba for the year were in loss due to incorporation of certain time-based provisions. As a matter of fact conversion of Modaraba operations into profitability necessarily depends on the recovery of its major investment in the corporate tower and its deployment into new revenue generating avenues.

As referred to in note 14.2.1 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 sponsors of the tower to complete it with the help of finances from other sources, enabling Modaraba to liquidate its investment. However, sponsors unwillingness to sell the building floors at market rates and to seek abnormal higher rates remained a barrier in resolving the matter. On persistent failure of sponsors' commitment, two legal cases were filed against Enplan and its Sponsors. First case was filed before the Modaraba tribunal for recovery of Murabaha finance of Rs 35.0 million and contracted profit along with cost of funds. Second case was filed before the Lahore High Court for recovery of Rs 204.0 million along with cost of funds.



In the first case the Modaraba Tribunal on February 03, 2022 decreed the case in favor of the Modaraba for an amount of Rs 43.772 million as principal and markup, further cost of funds has also been awarded to the Modaraba from June 1, 2014 till the date of realization. The amounts are to be recovered from the auction of the mortgaged land and building. As more fully explained in note 9.3 to the financial statements' M/s Enplan preferred an appeal before the Honorable Lahore High Court The above said appeal was fixed time & again for arguments but on each hearing date the case was not called up due to paucity of court time, the next date of hearing has been fixed as November 6, 2024.

In the second case the Honorable Lahore High Court had closed the right of Enplan to argue the case on October 5, 2021, and the right of sponsors/guarantors to argue the case was also closed on April 27, 2022. However, on September 5, 2022 and thereafter, Enplan and its sponsors/guarantors submitted miscellaneous applications in the Lahore High Court for restoration of their right to defend. All the miscellaneous applications prima-facie are time barred. The Modaraba has filed its written objection to the court. This case is fixed for argument on miscellaneous applications etc for November 11, 2024. If Enplan miscellaneous applications are rejected the decision favoring Modaraba is likely to be announced sooner.

The Modaraba is likely to recover the decretal amounts from the auction of the mortgaged land and building. The valuation of mortgaged property is good enough to suffice our estimated decretal amounts. The recovery of decretal amount mean we would be receiving not only our principal amount of Rs 239.0 million but additional substantial amounts coming in the form of profit and cost of funds.

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, 2024, 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.



Gender, Race & Diversity

The Modaraba is committed to fostering a culture of inclusivity and diversity, where everyone is empowered to thrive. Over the past year, we have made significant strides toward gender diversity, by including a female director on our Board. We recognize that diversity is a key driver of innovation and competitiveness within our organization. Our commitment remains strong as we continue to build a workplace that reflects a wide range of perspectives, gender and race."

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-Haq Osmani	4
Mr. Muhammad Farooq Abid Tung	4
Mr. Noor Ud Din Ahmed	2

Election of Directors

During the year the term of office of the Board of Directors expired. The following new directors were elected and appointed for the next period of next three years.

Name of Director
Siyyid Tahir Nawazish
Mr. Wasim-ul-Haq Osmani
Mr. Muhammad Farooq Abid Tung
Ms. Nasira Taskeen

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.



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, 2024 works out to Rs. 380,426.

Pattern of Certificate holdings

The pattern of certificate holdings is annexed to this report.

Auditors

The current auditors have completed their five-year term, and the Modaraba's Audit Committee has appointed M/s Russell Bedford - Rahman Sarfraz Rahim Iqbal, Rafiq, Chartered Accountants, as the new auditors for the fiscal year ending June 30, 2025. This appointment is, however, subject to approval by 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.

Lahore
November 05, 2024

**For and on behalf of the
Board of Directors**

A handwritten signature in black ink, appearing to read 'W. H. Osmani'.

**Wasim ul Haq Osmani
Chief Executive**



ڈائریکٹرز رپورٹ

فیدلٹی کیپیٹل مینجمنٹ (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز، فرسٹ فیدلٹی لیزنگ مضاربہ کی مینجمنٹ کمپنی، فرسٹ فیدلٹی لیزنگ مضاربہ کی 33 ویں سالانہ رپورٹ کے ساتھ آڈٹ شدہ مالیاتی گوشواروں اور اس پر سال (30 جون 2024 کو ختم ہوا) کے آڈیٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

مالیاتی نتائج

	Rupees in '000'	
	2024	2023
Total Income	809	19,729
Expenses	(16.137)	(19.615)
Operating profit/(loss)	(15.329)	(0.114)
(Provision) / Reversal	(7.280)	(2.304)
Loss before Management Fee	(22.609)	(2.190)
Modaraba Company's management fee	-	-
Loss before taxation	(22.609)	(2.190)
Taxation	(0.141)	(0.214)
Loss after tax	(22.749)	(2.405)
Appropriations		
Appropriated as follows:		
Transferred to statutory reserves	-	-
Profit distribution	Nil	Nil
Earnings per Certificate:		
Loss / Profit per certificate stood at	Rs. (0.86)	(0.09)

آپریٹنگ کا جائزہ

مضاربہ کو 30 جون 2024 کو ختم ہونے والے سال کے دوران 22.75 ملین روپے کے نقصان کے مقابلے میں 30 جون 2023 کو ختم ہونے والے سال میں 2.405 ملین روپے تھی۔ مضاربہ کا پچھلے سال فی سٹیٹیکٹ نقصان 0.86 روپے اور اس سال فی سٹیٹیکٹ کے نقصان 0.09 روپے رہا۔ سال بھر کے لیے مضاربہ کا آپریشن کچھ مخصوص وقت پر مبنی دفعات کے شامل ہونے کی وجہ سے نقصان میں رہا۔ درحقیقت مضاربہ آپریٹنگ کو منافع میں تبدیل کرنا لازمی طور پر کارپوریٹ ٹاور میں اس کی بڑی سرمایہ کاری کی وصولی اور آمدنی پیدا کرنے کے نئے راستوں میں اس کی تعیناتی پر منحصر ہے۔

جیسا کہ نوٹ 1.2.14 میں مالیاتی بیانات کا حوالہ دیا گیا ہے اور جیسا کہ آڈیٹرز کی رپورٹ میں روشنی ڈالی گئی ہے، اس وقت مضاربہ کا بڑا پورٹ فولیو کارپوریٹ ٹاور میں ہے جسے Enplan (Pvt) Limited کے ذریعے تعمیر کیا جا رہا ہے۔ انتظامیہ مضاربہ کے فنڈز واپس حاصل کرنے کے لیے بے چین ہے تاکہ ان کو اس کے بنیادی کاروبار میں استعمال کیا جا سکے۔ اس لیے انتظامیہ ٹاور کے سپانسرز پر زور دے رہی تھی کہ وہ اسے دوسرے ذرائع سے حاصل ہونے والی مالی مدد سے مکمل کریں، جس سے مضاربہ اپنی سرمایہ کاری کو ختم کر سکے۔ تاہم، سپانسرز کی جانب سے عمارت کے فرش کو مارکیٹ ریٹ پر فروخت کرنے اور غیر معمولی زیادہ ترخوں کی تلاش میں عدم دلچسپی معاملے کو حل کرنے میں رکاوٹ بنی ہوئی تھی۔ اسپانسرز کے عزم کی مسلسل ناکامی پر، Enplan اور اس کے اسپانسرز کے خلاف دو قانونی مقدمات درج کیے گئے۔ مضاربہ ٹریبونل میں 35.0 ملین روپے کے مراعات فنانس کی ریکوری اور فنڈز کی لاگت کے ساتھ منافع کا معاہدہ کرنے کے لیے پہلا مقدمہ دائر کیا گیا۔ دوسرا کیس لاہور ہائی کورٹ میں 204.0 ملین روپے کے فنڈز کی لاگت سمیت ریکوری کے لیے دائر کیا گیا۔

پہلے کیس میں مضاربہ ٹریبونل نے 03 فروری 2022 کو مضاربہ کے حق میں 43.772 ملین روپے بطور پرنسپل اور مارک اپ کیس کا فیصلہ سنایا، مضاربہ کو 1 جون 2014 سے 2014 تک کے فنڈز کی مزید لاگت بھی دی گئی۔ وصولی کی تاریخ یہ رقم رہن رکھی گئی زمین اور عمارت کی بنیاد سے وصول کی جانی ہے۔ جیسا کہ نوٹ 8.1 میں مالیاتی گوشواروں کی مزید وضاحت کی گئی ہے، M/s Enplan نے معزز لاہور ہائی کورٹ کے سامنے ایک اپیل کو ترجیح دی، مذکورہ بالا اپیل میں دلائل کے لیے وقت اور بار مقرر کیا گیا تھا لیکن ہر سماعت کی تاریخ پر کیس کی قلت کی وجہ سے طلب نہیں کیا گیا۔ عدالتی وقت کے مطابق، سماعت کی اگلی تاریخ 6 نومبر 2024 مقرر کی گئی ہے۔

دوسرے کیس میں معزز لاہور ہائی کورٹ نے 5 اکتوبر 2021 کو اپیلان کے کیس پر بحث کرنے کا حق بند کر دیا تھا اور اسپانسرز / ضمانت کنندگان کا کیس پر دلائل دینے کا حق بھی 27 اپریل 2022 کو بند کر دیا گیا تھا۔ تاہم 5 ستمبر 2022 اور اس کے بعد Enplan اور اس کے سپانسرز / ضمانت کاروں نے اپنے حق کی بحالی کے لیے لاہور ہائی کورٹ میں متفرق درخواستیں جمع کرائیں تھیں Enplan کی تمام متفرق اپیلی کیشنز بنیادی طور پر وقت گزر چکا ہے۔ مضاربہ نے اپنا تحریری اعتراض عدالت میں داخل کر دیا ہے۔ یہ کیس متفرق درخواستوں وغیرہ پر 11 نومبر 2024 کو بحث کے لیے مقرر کیا گیا ہے۔ اگر Enplan متفرق درخواستوں کو مسترد کر دیا جاتا ہے تو مضاربہ کے حق میں فیصلہ جلد سنائے جانے کا امکان ہے۔



مضاربہ ممکنہ طور پر رہن رکھی گئی زمین اور عمارت کی بنیادی سے کم رقم وصول کرے گا۔ رہن رکھی ہوئی جائیداد کی قیمت اتنی اچھی ہے کہ ہماری تخمینہ شدہ کمی کی رقم کافی ہے۔ ڈیکریٹل رقم کی وصولی کا مطلب ہے کہ ہم نہ صرف اپنی 239.0 ملین روپے کی اصل رقم وصول کر رہے ہوں گے بلکہ منافع اور فنڈز کی لاگت کی صورت میں اضافی کافی رقم بھی حاصل کر رہے ہوں گے۔

کارپوریٹ گورننس کی تعمیل

جیسا کہ کوڈ آف کارپوریٹ گورننس کی ضرورت ہے، ڈائریکٹرز یہ بتاتے ہوئے خوش ہیں کہ:

- (a) مضاربہ کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشواروں میں اس کی حقیقی حالت، اس کے آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں ہونے والی تبدیلیوں کو پیش کیا گیا ہے۔
- (b) مضاربہ کے حساب کتاب کی مناسب دیکھ بھال کی گئی ہے۔
- (c) مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں۔
- (d) مالیاتی گوشواروں کی تیاری میں پاکستان میں مضاربہ پہلا گوبین الاقوامی مالی رپورٹنگ اور اسلامی اکاؤنٹنگ کے معیار کی پیروی کی گئی ہے۔
- (e) اندرونی کنٹرول کا نظام درست ہے اور اسے موثر طریقے سے نافذ کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔
- (f) مضاربہ کی مسلسل کاروبار جاری رکھنے کی صلاحیت پر کوئی شک و شبہ نہیں ہے۔
- (g) پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین میں بیان کردہ کاروبار کی دیکھ بھال کے بہترین عمل میں کوئی قابل ذکر تبدیلی نہ ہوئی ہے۔
- (h) وہ بیانات جو کہ دیکھ بھال کے اعلیٰ اور اچھے نظام کے تحت ہیں وہ اس کتاب میں درج ہیں۔
- (i) سیکورس، ڈیوٹی، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں، جو کہ 30 جون 2024 تک بتایا ہیں، سوائے ان کے جو مالیاتی گوشواروں میں ظاہر کیے گئے ہیں، (اگر کوئی ہیں)

کلیدی آپریٹنگ اور مالیاتی ڈیٹا

پچھلے چھ سالوں کے اہم آپریٹنگ اور مالیاتی ڈیٹا کا خلاصہ کرنے والا بیان منسلک ہے۔

ڈائریکٹرز وغیرہ کے ذریعہ مضاربہ سرٹیفیکیشن میں تجارت

مضاربہ کے کسی بھی ڈائریکٹر، چیف ایگزیکٹو، ایگزیکٹوز، آڈیٹرز یا ان کی شریک حیات اور نابالغ بچوں نے زیر رپورٹ سال کے دوران مضاربہ کے سرٹیفیکیشن میں کوئی تجارت نہیں کی۔

صنف، نسل اور تنوع

مضاربہ شمولیت اور تنوع کی ثقافت کو فروغ دینے کے لیے پرعزم ہے، جہاں ہر ایک کو ترقی کی منازل طے کرنے کا اختیار حاصل ہے۔ پچھلے ایک سال کے دوران، ہم نے اپنے بورڈ میں ایک خاتون ڈائریکٹر کو شامل کر کے صنفی تنوع کی طرف اہم پیش رفت کی ہے۔ ہم تسلیم کرتے ہیں کہ تنوع ہماری تنظیم میں جدت اور مسابقت کا ایک اہم محرک ہے۔ ہماری وابستگی مضبوط ہے کیونکہ ہم کام کی جگہ بنانا جاری رکھتے ہیں جو وسیع تناظر، جنس اور نسل کی عکاسی کرتا ہے۔"

بورڈ مینٹلز

زیر جائزہ سال کے دوران بورڈ آف فیڈیلیٹی کیپٹل مینجمنٹ (پرائیویٹ) لمیٹڈ کے چار اجلاس منعقد ہوئے، جن میں ڈائریکٹرز نے شرکت کی:

ڈائریکٹر مینٹلز میں شرکت کرنے والوں کا نام	
سید طاہر نواز	4
جناب وسیم الحق عثمانی	4
جناب محمد فاروق عابدنگ	4
جناب نور الدین احمد	2

ڈائریکٹرز کا انتخاب

سال کے دوران بورڈ آف ڈائریکٹرز کے عہدے کی مبعوث ہو گئی۔ مندرجہ ذیل نئے ڈائریکٹرز کا انتخاب کیا گیا اور اگلے تین سال کی اگلی مدت کے لیے مقرر کیا گیا۔

ڈائریکٹر کا نام

سید طاہر نواز
جناب وسیم الحق عثمانی صاحب
جناب محمد فاروق عابدنگ
محترمہ ناصرہ تسکین

**آڈٹ کمیٹی کے اجلاس**

زیر جائزہ سال کے دوران آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے، جن میں ڈائریکٹرز نے شرکت کی:

ڈائریکٹر مینجنگ میں شرکت کرنے والوں کا نام

4 سید طاہر نواز ش

4 جناب محمد فاروق عابد تنگ

ہیومن ریسورس کمیٹی کے اجلاس

زیر نظر سال کے دوران ایک ہیومن ریسورس اینڈ ریمینیئریشن کمیٹی کا اجلاس ہوا جس میں ڈائریکٹرز نے شرکت کی:

ڈائریکٹر مینجنگ میں شرکت کرنے والوں کا نام

1 جناب محمد فاروق عابد تنگ

1 سید طاہر نواز ش

غیر حاضری کی چھٹی ان ڈائریکٹرز کو دی گئی جو بورڈ کے کچھ اجلاسوں میں شرکت کا انتظام نہیں کر سکے۔

پراویڈنٹ فنڈ کی قیمت

مضاربہ اپنے تمام مستقل ملازمین کے لیے ایک معاون تسلیم شدہ پراویڈنٹ فنڈ چلاتا ہے۔ مضاربہ اور ملازم دونوں کی طرف سے بنیادی تنخواہ کے 10% کے حساب سے یکساں ماہانہ تعاون کیا جاتا ہے۔ 30 جون 2024 تک فنڈ کی مالیت 380,426 روپے بنتی ہے۔

سرٹیفکیٹ ہولڈنگز کا پیٹرن

سرٹیفکیٹ ہولڈنگز کی ترتیب اس رپورٹ کے ساتھ منسلک ہے۔

آڈیٹرز

موجودہ آڈیٹرز نے اپنی پانچ سالہ مدت پوری کر لی ہے، اور مضاربہ کی آڈٹ کمیٹی نے میسرز رسل بیڈ فورڈ - رحمان سرفراز رحیم اقبال، رفیق، چارٹرڈ اکاؤنٹنٹس کو 30 جون 2025 کو ختم ہونے والے مالی سال کے لیے نئے آڈیٹرز کے طور پر مقرر کیا ہے۔ یہ تقرری تاہم، رجسٹرار مضاربہ کی منظوری سے مشروط ہے۔"

مستقبل کا آڈٹ لک اور حکمت عملی

انتظامیہ موجودہ ریٹیل اسٹیٹ پروپرجیٹس میں سرمایہ کاری سے فنڈز کی وصولی پر مضاربہ کے مستقبل کے امکانات کو روشن تصور کرتی ہے تاکہ سرٹیفکیٹ ہولڈرز کے فائدے کے لیے باقاعدہ آمدنی پیدا کرنے کے لیے کاروباری طریقوں میں سرمایہ کاری کی جاسکے۔

اعتراف

بورڈ آف مضاربہ اس موقع پر رجسٹرار مضاربہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان اسٹاک ایکسچینج لمیٹڈ، مضاربہ ایسوسی ایشن آف پاکستان اور دیگر ریگولیٹرز کی جانب سے مسلسل تعاون، رہنمائی اور سرپرستی کے لئے شکر یہ ادا کرتا ہے۔ اس کے ساتھ ساتھ بورڈ مضاربہ کی انتظامیہ اور عملے کے ارکان کی جانب سے لگن، لگن اور محنت کو سراہتا ہے اور آنے والے سالوں میں ان کے مسلسل عزم کا منتظر ہے۔ آخر میں، بورڈ ان سرٹیفکیٹ ہولڈرز کا شکر یہ ادا کرتا ہے جو مضاربہ کے لیے پر عزم رہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

وسیم الحق عثمانی

چیف ایگزیکٹو آفیسر

لاہور

05 نومبر 2024



**STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019
OF FIRST FIDELITY LEASING MODARABA
FOR THE YEAR ENDED JUNE 30, 2024**

The Company has complied with the requirements of the Regulations in the following manner: -

1. The total number of Directors are 00 as per the following, -

- a) *Male: 3
b) Female: 1

*The requirement of minimum 7 directors does not apply to Modaraba as the Modaraba is being managed by a Management Company which is a Private Limited Company.

2. The composition of the Board is as follows:

CATEGORY	NAMES
Independent Directors	Mr. Muhammad Farooq Abid Tung Ms. Nasira Taskeen
Executive Director	Mr. Wasim-ul-Haq Osmani
Non-Executive Director	Mr. Siyyid Tahir Nawazish
Female Director	Ms. Nasira Taskeen

*The Independent Directors are not registered in the databank of Independent Directors maintained by the Pakistan Institute of Corporate Governance (PICG) at the time of issuance of this compliance statement.

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company;
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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 the Board.
- * Board has met for the first quarter of the year on November 06, 2023. Overall, four meetings were held during the year.**
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;
9. Two of the Directors on the Board have acquired certification under Directors' Training Program as prescribed while two are exempted from certification under Directors' Training Program;
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;



11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:
- a) **Audit Committee:**
- | | |
|-------------------------------|----------|
| Mr. Muhammad Farooq Abid Tung | Chairman |
| Mr. Siyyid Tahir Nawazish | Member |
| Ms. Nasira Taskeen | Member |
- b) **HR & Remuneration Committee:**
- | | |
|-------------------------------|----------|
| Ms. Nasira Taskeen | Chairman |
| Mr. Muhammad Farooq Abid Tung | Member |
| Mr. Siyyid Tahir Nawazish | Member |
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: 4
- b) HR and Remuneration Committee: 1
- * Audit Committee has met for the first quarter of the year on November 06, 2023. Overall, four meetings were held during the year.*
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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, Company secretary or Director of the Company;
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. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except for the non-compliance noted in SOC 2 above and regulation 27 (2).
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Sr. No.	Reg. Ref.	Requirement
1	Section 176 of the Companies Act, 2017.	The Board did not have a meeting in respect of first quarter until as later as November 06, 2023.
2	Regulation 24 of Listed Companies (Code of Corporate Governance) Regulations, 2019	The Chief Financial Officer and Company Secretary is the same person.

Siyyid Tahir Nawazish
Chairman



INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of FIRST FIDELITY LEASING MODARABA Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Fidelity Capital Management (Private) Limited ("the Modaraba Management Company") for and on behalf of First Fidelity Leasing Modaraba ("the Modaraba") for the year ended June 30, 2024 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba'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 Modaraba's personnel and review of various documents prepared by the Modaraba 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 Modaraba's corporate governance procedures and risks.

The Regulations require the Modaraba 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. 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.

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 Modaraba Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2024.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

Sr. No.	Paragraph Reference	Description
1	2 & 18	The Independent Directors are not registered in the databank of Independent Directors maintained by the Pakistan Institute of Corporate Governance (PICG) at the time of issuance of this Compliance Statement.
2	18	Audit Committee has not met within first quarter for the financial year as required required under clause 27 of the regulations.
3	19	The Board did not have a meeting in respect of first quarter for the financial year as required under section 176 of the Companies Act, 2017.
4	19	The Position of Chief Financial Officer and Company Secretary is currently held by the same person as required under clause 24 of the regulations.

Lahore

Dated: November 05, 2024

UDIN: CR202410051g0dbJfuv8

CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants



INDEPENDENT AUDITOR'S REPORT
TO THE CERTIFICATE HOLDERS OF FIRST FIDELITY LEASING MODARABA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **FIRST FIDELITY LEASING MODARABA** (the Modaraba), which comprise the statement of financial position as at June 30, 2024, and the statement of profit and loss and other comprehensive income, the statement of changes in equity, the cashflow statement for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the statement of financial position, statement of profit and loss and other comprehensive income, the statement of changes in equity, the cashflow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) in the manner so required and respectively give a true and fair view of the Modaraba's affairs as at June 30, 2024 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

- a) The capital work in progress as on June 30, 2024 includes an advance of Rs. 224 million (June 30, 2023: Rs. 224 million), as detailed in note 14.2.1 and 14.2.3, of the annexed financial statements. The advance amounting to Rs. 204 million as detailed in note 14.2.1 was created vide settlement agreement dated June 28, 2012 through conversion of amounts availed by M/s Enplan (Private) Limited under Musharakah arrangements. In another sell and buyback agreement dated June 29, 2012, executed with this client, M/s Enplan (Private) Limited had agreed to complete the construction of ground floor of Corporate Tower, Garden Town, Lahore against the said advance within 18 months of the agreement. However, the construction work has stalled at the plinth level and the Modaraba has filed various recovery suits against M/s Enplan (Private) Limited. Pending the outcome of the aforesaid matters, the management has not measured the recoverable amount of the said advance. Accordingly, the impairment loss, if any, has not been recognized in these financial statements, which is a departure from IFRS Standards.

The advance amounting to Rs. 20 million, as detailed in note 14.2.3, represents property under construction comprising land measuring 1 Kanal and 8 marlas, situated in Murree which includes advance given during the year 2005. The management is unable to complete the construction of the villas and therefore is unable to measure the recoverable amount of the said advance. Accordingly, the impairment loss, if any, has not been recognized in these financial statements, which is a departure from IFRS Standards.

- b) The management has recognized membership assets of Rs 3.510 million as disclosed in note 12 to the annexed financial statements. The management has not assessed the estimated fair value of these membership assets and accordingly, the impairment loss, if any, has not been recognized in these financial statements, which is a departure from IFRS Standards.
- c) The Institute of Chartered Accountants of Pakistan has issued Islamic Financial Accounting Standard-1 Murabaha (IFAS) that describes the accounting and presentation of murabaha arrangements. In accordance with the requirements of IFAS-1, the sale under murabaha arrangement is regarded to be complied with Shariah Principles only if the subject matter is in existence at the time of sale; the seller owns the asset and has title of the subject matter in its name; and the seller has physical or constructive possession of the subject matter at the time of sales. As disclosed in note 9 to the annexed financial statements, the Modaraba has provided Murabaha facilities to its customers; however, it was observed that the pre-requisite of IFAS-1 were not present while the Modaraba extended the murabaha facilities to its clients. Accordingly, the transaction of extending murabaha facilities to its clients, amounting to Rs. 32.5 million, were not consistent with the requirements of IFAS-1.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Modaraba and Modaraba Company (Fidelity Capital Management (Private) Limited) in accordance with the International Ethics Standard Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter is addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Following is the Key audit matter:

Key audit matter	How the matter was addressed in our audit
1. Existence and valuation of Ijarah rental receivables and short term Murabaha Investments	
<p>Refer to note 8 and 9 of the financial statements.</p> <p>As at June 30, 2024, the Modaraba's gross Ijarah rentals receivables and short term investments under Murabaha arrangements were Rs. 10.32 million and Rs. 72.34 million respectively which constitute significant portion of its assets.</p> <p>We identified valuation and recoverability of Ijarah rental receivables and short term murabaha investments as key audit matter as these involve significant management judgement in determining the recoverable amount.</p>	<p>Our key audit procedures for valuation and recoverability of Ijarah rental receivables and short term Murabaha investments included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Modaraba's processes and design and implementation of internal controls relating to credit control processes (credit limits), receivables collection process and making expected credit loss for non-performing receivables. • Tested controls over issuance and valuation of Ijarah receivables and Murabaha investments. • Performed substantive audit procedures on year end balances of portfolio including inspection of legal documents of facilities arrangements and testing the accuracy of loan portfolio report and its aging analysis, on sample basis, by comparing individual balances in the report with underlying documentation. • Evaluated the appropriateness of the valuations of such facilities in accordance with the accounting policy of the Modaraba specified in accounting policies and with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981. • Assessed the appropriateness of assumptions and estimates made by management for the expected credit loss by comparing on sample basis, historic cash collection, actual write offs and cash receipts from customers subsequent to reporting date. • Assessed the adequacy of the related disclosures in accordance with the applicable financial reporting standards and the Companies Act, 2017 (XIX of 2017), the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981.



Information Other than the Financial Statements and Auditor's Report Thereon

Management of the Modaraba Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management of the Modaraba Company is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and for such internal control as management of the Modaraba Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management of the Modaraba Company is responsible for assessing the Modaraba's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management of the Modaraba Company either intends to liquidate the Modaraba or to cease operations, or has no realistic alternative but to do so.

Board of directors of the Modaraba Company are responsible for overseeing the Modaraba's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Modaraba's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Modaraba Company;



- Conclude on the appropriateness of management of the Modaraba Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Modaraba's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Modaraba to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors of the Modaraba Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors of the Modaraba Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors of the Modaraba Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion, except for the possible effects of the matter described in basis for qualified opinion paragraph,

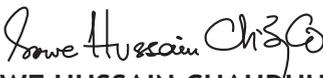
- proper books of account have been kept by the Modaraba Company as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;
- the statement of financial position, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the cash flow statement 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 are in agreement with the books of account and returns;
- business conducted, investments made, expenditure incurred and guarantees extended during the year by the Modaraba were in accordance with the objects, terms and conditions of the Modaraba; and
- no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Amin Ali.

LAHORE

Dated: November 05, 2024

UDIN: AR202410051EGTbt9qOh


CROWE HUSSAIN CHAUDHURY & CO.
 Chartered Accountants



Shari'ah Review Report of First Fidelity Leasing Modaraba For The Year Ended June 30, 2024

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, 2024 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modaraba's 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 consists on Ijara and Morabaha financing, although no fresh financing facility is extended during the year 2024 except one Ijarah facility however the transactions already made were 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 the recovery suit filed before Banking Court has been decreed favoring the Modaraba appeal there-against is pending before Lahore High Court. In recovery suit pending before Lahore High Court PLA of the defendants and guarantors have been dismissed, appeal for restoration of PLA's filed by the defendants before Lahore High Court which was to be heard on 16-09-2024 however the same was adjourned for 11-11-2024, in addition, suit for damages filed by Enplan against the Modaraba has been dismissed, their application for its restoration is also pending before the Lahore High Court. The management is hopeful for positive and early outcome in these cases which would strengthen the cash flows of the Modaraba;
4. The earnings have been realized from the sources or by means prohibited by Shariah have been credited to charity account.

Recommendations

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.

It has also been recommended that the remaining amount kept under the head of charity should be disbursed AS soon as cash flows are included.

Conclusion:

In my opinion and to the best of my knowledge and information provided by FFLM management with relevant explanation, I am of the view that during the period overall business operations of the Modaraba are Shariah Compliant.

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

Mufti Altaf Ahmed
Shari'ah Advisor
Dated: October 04, 2024



STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances	6	2,066,023	177,089
Profit receivable on murabaha arrangements	7	-	6,099,562
Unearned murabaha profit receivable		-	1,328,271
Ijarah rentals receivable	8	10,321,840	10,975,744
Short term investments under murabaha arrangements	9	72,341,250	75,942,999
Other receivables	10	-	5,721,380
Advance income tax		1,059,785	1,044,005
Current portion of long term advances	11	-	235,204
		85,788,898	101,524,254
NON-CURRENT ASSETS			
Long term advances and deposits	11	12,500	934,846
Membership assets	12	3,510,000	3,510,000
Long term investments under murabaha arrangements		-	2,500,000
Fixed assets under ijarah arrangements	13	19,190,531	24,877,315
Property and equipment	14	224,095,928	224,134,473
		246,808,959	255,956,634
TOTAL ASSETS		332,597,857	357,480,888
LIABILITIES			
CURRENT LIABILITIES			
Accrued and other liabilities	15	7,217,199	5,560,114
Unclaimed profit distribution	16	16,863,739	16,863,739
Deferred murabaha income		-	1,328,271
Provision for Taxation		141,020	-
Current portion of security deposits	17	3,888,957	4,202,257
		28,110,915	27,954,381
NON-CURRENT LIABILITIES			
Security deposits	17	1,881,500	4,175,250
Post employment benefits	18	531,979	528,050
		2,413,479	4,703,300
TOTAL LIABILITIES		30,524,394	32,657,681
CONTINGENCIES AND COMMITMENTS			
	20	-	-
NET ASSETS		302,073,463	324,823,207
REPRESENTED BY:			
Certificate capital	19	264,138,040	264,138,040
Statutory reserves		94,620,283	94,620,283
Accumulated loss		(56,684,860)	(33,935,116)
TOTAL EQUITY AND RESERVES		302,073,463	324,823,207

The annexed notes from 1 to 35 form an integral part of these financial statements.

For Fidelity Capital Management (Private) Limited
(Modaraba Management Company)

Chief Executive

Fidelity Capital Management
(Private) Limited

Director

Fidelity Capital Management
(Private) Limited

Director

Fidelity Capital Management
(Private) Limited

CFO/Company Secretary

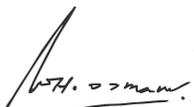


STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023
	Rupees	Rupees
INCOME FROM OPERATIONS		
Income from ijarah financing	7,517,398	11,065,632
Profit on murabaha financing	1,211,257	6,090,941
	8,728,655	17,156,573
OTHER INCOME		
Other income	55,656	1,882,114
(Provision) / Reversal against non-performing investments-net	(7,975,269)	690,328
TOTAL INCOME	809,042	19,729,015
EXPENSES		
Administrative and general expenses	(9,907,411)	(11,207,902)
Depreciation of fixed assets under ijarah arrangements	(6,230,528)	(8,407,047)
Provision against other receivables	(7,279,827)	(2,304,130)
	(23,417,766)	(21,919,079)
LOSS BEFORE MANAGEMENT COMPANY'S FEE	(22,608,724)	(2,190,064)
Modaraba Company's management fee	-	-
LOSS BEFORE LEVY AND TAXATION	(22,608,724)	(2,190,064)
Levy / final taxation	(141,020)	(214,457)
LOSS BEFORE INCOME TAX	(22,749,744)	(2,404,521)
Income tax	-	-
NET LOSS FOR THE YEAR	(22,749,744)	(2,404,521)
Other comprehensive income		
Items that will not be reclassified to profit and loss	-	-
Items that may be reclassified subsequently to profit and loss	-	-
Other comprehensive income for the year	-	-
Total Comprehensive Loss for the Year	(22,749,744)	(2,404,521)
LOSS PER CERTIFICATE - BASIC AND DILUTED	(0.86)	(0.09)

The annexed notes from 1 to 35 form an integral part of these financial statements.

For Fidelity Capital Management (Private) Limited
(Modaraba Management Company)



Chief Executive

Fidelity Capital Management
(Private) Limited



Director

Fidelity Capital Management
(Private) Limited



Director

Fidelity Capital Management
(Private) Limited



CFO/Company Secretary



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

		2024	2023
	Note	Rupees	Rupees
Loss before levy and taxation		(22,608,724)	(2,190,064)
Adjustment for:			
Depreciation of fixed assets under own use	22	38,545	86,191
Depreciation of fixed assets under ijarah arrangements	13	6,230,528	8,407,047
Provision for doubtful receivables	8 & 9	7,975,269	1,007,772
Provision against other receivables	10	7,279,827	-
Employees retirement benefits	18.1	3,929	100,884
Loss on disposal of fixed assets		-	6,461
Dividend written back	16	-	434,750
Gain on disposal of ijarah assets	13	-	(1,056,464)
		21,528,098	8,986,641
Operating profit before working capital changes		(1,080,626)	6,796,577
Decrease / (Increase) in			
ijarah rentals receivable		(1,219,616)	(3,570,907)
Profit receivable on murabaha investments		6,099,562	(5,863,826)
Other receivables		(663,923)	1,073,937
Long term advances and deposits		263,026	227,418
Accrued and other liabilities		1,619,617	493,728
Cash Generated from / (Used in) Operations		5,018,040	(843,073)
<i>(Decrease) / Increase in non-current liabilities:</i>			
Security deposits		-	50,000
Purchase of ijarah assets		(3,200,000)	(600,000)
Proceeds from transfer of ijarah assets		49,206	2,241,901
Employees retirement benefits		-	(36,400)
Income taxes		21,688	(652,866)
Net Cash Generated from / (Used in) Operating Activities		1,888,934	159,562
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		-	259
Net Cash Generated from Investing Activities		-	259
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit distribution	16	-	(31,830)
Net Cash Used in Financing Activities		-	(31,830)
Net Increase in Cash and Cash Equivalents		1,888,934	127,991
Cash and cash equivalents at the beginning of the year	6	177,089	49,098
Cash and Cash Equivalents at the End of the Year		2,066,023	177,089

The annexed notes from 1 to 35 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

CFO/Company Secretary



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2024

Particulars	Certificate Capital	Statutory Reserves	Accumulated Loss	Total Equity and Reserves
	-----Rupees-----			
Balance as at June 30, 2022	264,138,040	94,620,283	(31,530,595)	327,227,728
Comprehensive income for the year				
Net loss for the year	-	-	(2,404,521)	(2,404,521)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(2,404,521)	(2,404,521)
Balance as at June 30, 2023	264,138,040	94,620,283	(33,935,116)	324,823,207
Comprehensive income for the year				
Net loss for the year	-	-	(22,749,744)	(22,749,744)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(22,749,744)	(22,749,744)
Balance as at June 30, 2024	<u>264,138,040</u>	<u>94,620,283</u>	<u>(56,684,860)</u>	<u>302,073,463</u>

The annexed notes from 1 to 35 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



CFO/Company Secretary



NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Note 1

Legal Status and Nature of Business

First Fidelity Leasing Modaraba (the Modaraba) was formed in Pakistan under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and the rules made thereunder. The Modaraba is being managed by Fidelity Capital Management (Private) Limited (FCML). The Modaraba was floated on December 05, 1991 and is listed on Pakistan Stock Exchange Limited.

The Modaraba is a perpetual, multi-purpose and multi-dimensional Modaraba, engaged in the business of Murabahas, Musharakahs, Ijarah, equity investments, brokerage and other related businesses. The principal place of business and registered office is located at Ground Floor 93, B-1 Canal Park, Gulberg-II, Lahore.

Note 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), International Accounting Standards (IAS) and Islamic Financial Accounting Standards (IFAS) as are notified under the provisions of the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulations, 2021 for Modaraba (hereinafter referred to as the relevant laws) and directives issued by the Securities and Exchange Commission of Pakistan.

Wherever, the requirements of the approved accounting standards differ from the relevant laws, the relevant laws have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for post employment benefit obligations that are measured at present value.

2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees which is the Modaraba's functional and presentation currency. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

2.4 Changes in accounting standards, interpretations and pronouncements

2.4.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

The following standards, amendments and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain additional disclosures.

Standard or Interpretation	Effective Date (Period beginning on or after)
IAS 1 Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting Policies	January 01, 2023
IAS 8 Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
IAS 12 Amendments to IAS 12 'Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
IAS 12 Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023



Note 2, Basis of Preparation - Continued...

Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting and reporting standards as applicable in Pakistan and relevant to the Modaraba, would be effective from the dates mentioned below against the respective standard or interpretation:

IAS 1	Presentation of Financial Statements (Amendments)	January 01, 2024
IAS 7	Amendments to IAS 7 "Statement of Cash Flows"	January 01, 2024
IFRS 7	Amendments to IFRS 7 "Financial Instruments Disclosures"- Supplier Finance Arrangements	January 01, 2024
IAS 21	The Effects of Changes in Foreign Exchange Rates (Amendments)	January 01, 2025
IFRS 7 & 9	Amendments to Classification and Measurement of Financial Instruments - Amendments to IFRS 7 and IFRS 9	January 01, 2026

Other than the aforementioned standards, interpretations, and amendments, IASB has also issued the following standards, which have not been notified locally, in relation to the Modaraba, by Securities and Exchange Commission of Pakistan (SECP) as at June 30, 2024:

IFRS 1	First Time Adoption of IFRS
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	Climate-Related Disclosures

The Modaraba is currently evaluating the potential impact on its financial statements.

Note 3

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are evaluated on an ongoing basis and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

In the process of applying the Modaraba's accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:

3.1 Useful lives, pattern of flow of economic benefits and impairment

Estimates with respect to residual values, depreciable lives and pattern of flow of economic benefits of assets as disclosed in note 4.4, 13 & 14 are based on the analysis by the management of the Modaraba. Further, the Modaraba reviews the value of assets for possible impairment on annual basis and any change in the estimates in the future that might affect the carrying amount of respective item of assets, properties and equipment, with a corresponding effect on the depreciation charge and impairment is established. Assets are derecognized when disposed or when no future economic benefits are expected from their use or disposal.

3.2 Provision against non performing receivables

The Modaraba reviews its overdue receivables from ijarah, murabahas as disclosed in note 4.3, 7.1, & 8.1 to the financial statements and at each reporting date to assess whether additional provision as per IFRS-9 should be recorded in the profit and loss account, besides the mandatory provisions required in accordance with the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

3.3 Provision for taxation

Provision for current taxation is based on taxable income at the current rates of taxation as disclosed in note 4.8 to the financial statements after taking into account tax credits available, rebates and exemptions, if any.

3.4 Provisions and contingencies

The Modaraba reviews its provisions as disclosed and contingencies at each reporting date in accordance with the policies detailed in note 4.6 and 4.15 respectively to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.



Note 4

Material Accounting Policy Information

The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented.

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and balances with banks.

4.2 Financial instruments**Financial assets**

Financial assets are contracts where one party has right to receive cash or other financial asset from another party. All financial assets are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.

Classification

The management determines the classification of its financial assets at the time of initial recognition according to their contractual cash flows features and Modaraba's business model to collect cash flows. Based on business model financial assets can be classified into following three categories:

a) *Financial assets at amortized cost*

A financial asset is measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows 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.

b) *Financial assets at fair value through other comprehensive income*

A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows 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. The Modaraba do not hold any such financial asset currently.

c) *Financial assets at fair value through profit or loss*

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However, the Modaraba can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income unless these are held for trading in which case these have to be measured at fair value through profit or loss. The Modaraba classifies or holds all assets carried at amortized cost.

Reclassification

When the Modaraba changes its business model for managing financial assets, it reclassifies all affected financial assets accordingly. The Modaraba applies the reclassification prospectively from the reclassification date.

In case of reclassification out of the amortized cost measurement category to fair value through profit or loss measurement category, fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in statement of profit and loss.

Initial recognition and measurement

All financial assets are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument.

Except for receivables from Modaraba's main operations, financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit and loss. Receivables from Modaraba's main operations are initially measured at the transaction price if these do not contain a significant financing component in accordance with IFRS 15. Where the Modaraba uses settlement date accounting for an asset that is subsequently measured at amortized cost, the asset is recognized initially at its fair value on the trade debt.

Subsequent measurement

Financial assets carried at amortized cost are subsequently measured using the effective interest method. Gain or loss on financial assets not part of hedging relationship is recognized in profit or loss when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Modaraba recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in statement of profit and loss.



Note 4, Material Accounting Policy Information - Continued...

Derecognition

Financial assets are derecognized when:

- the contractual rights to receive cash flows from the assets have expired; or
- the Modaraba has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - a) the Modaraba has transferred substantially all the risks and rewards of the asset; or
 - b) the Modaraba has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The difference between the carrying amount and the consideration received is recognized in statement of profit and loss.

If the Modaraba transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognizes either a servicing asset or a servicing liability for that servicing contract.

When the Modaraba has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Modaraba continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Modaraba also recognizes an associated liability which cannot be offset with the related asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Modaraba has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Modaraba could be required to repay.

If the Modaraba's continuing involvement is in only a part of a financial asset, the Modaraba allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the consideration received for the part no longer recognized is recognized in statement of profit and loss.

Impairment of financial assets

The Modaraba directly reduces the gross carrying amount of a financial asset when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Modaraba recognizes the impairment at each reporting date for outstanding receivables against Ijarah, murabaha and musharaka on the basis of Prudential Regulations issued for Modarabas by the Securities and Exchange Commission of Pakistan (SECP). The management calculates loss allowance under IFRS to ascertain whether loss allowance calculated under IFRSs is not materially different from that calculated on the basis of Prudential Regulations. If the provisions calculated under prudence differ from IFRS, higher is taken for the purpose of impairment.

For other financial assets, the Modaraba recognizes a loss allowance for expected credit losses on a financial asset measured at amortized cost and through other comprehensive income.

For these financial assets, the Modaraba measures, at each reporting date, loss allowance for an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Where the credit risk on a financial instrument has not increased significantly since the initial recognition, the Modaraba measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Modaraba always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions under IFRS 15.

The Modaraba recognizes the amount of expected credit losses (or reversal), that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, in statement of profit and loss.

4.2.2 Financial liabilities

Initial recognition and measurement

All financial liabilities are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost except for financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition.

The Modaraba does not reclassify any of its financial liabilities.



Note 4, Material Accounting Policy Information - Continued...

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are credited in statement of profit and loss.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The amount of change in the fair value that is attributable to changes in the credit risk of financial liability is presented in other comprehensive income and the remaining amount of change in the fair value of the liability is presented in statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if it eliminates or significantly reduces a measurement or recognition inconsistency or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Modaraba's key management personnel. The Modaraba has not designated any financial liability as at fair value through profit or loss.

All other liabilities

All other financial liabilities are measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit and loss account when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in statement of profit and loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in statement of profit and loss.

If the Modaraba repurchases a part of a financial liability, the Modaraba allocates the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized is recognized in statement of profit and loss.

4.3 Murabaha investments

Modaraba obtains an undertaking (promise to purchase) from the client and purchases the requested assets / goods from third parties and takes possession of such goods / assets that are the subject matter of murabaha arrangements. However, the Modaraba can appoint the client as its agent to purchase the assets/goods on its behalf. Thereafter, it sells these goods / assets to the client at cost plus the profit agreed upon in the promise. Murabaha sale is recorded at the invoiced amount and profit is recognized in accordance with IFAS-1 (Murabaha) to the extent of pro-rata portion of sale price received as compared to total agreed price. Profit on the portion of sale revenue not due for payment is deferred and recognized as liability.

4.4 Tangible fixed assets

Operating fixed assets in own use and related depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to profit and loss account by applying the straight-line method at the rates given in note 14.

Depreciation on additions to operating fixed assets is charged from the date the asset is brought to use until the date the asset is in business use or disposed off.

Maintenance and normal repairs are charged to statement of profit and loss as and when incurred. Gain / loss on disposal of assets is charged to profit and loss account.



Note 4, Material Accounting Policy Information - Continued...

Assets given to customers under ijarah arrangements

Assets given to customers under ijarah arrangements are assets available / held for ijarah which are accounted for as operating lease assets in accordance with IFAS-2 and are stated at cost less accumulated depreciation and impairment loss, if any. Assets under ijarah arrangements are depreciated using the straight line basis over the period of lease term. In respect of additions and transfers during the year, depreciation is charged proportionately over the period of ijarah. Gain / loss on disposal of assets is charged to statement of profit and loss.

4.5 Impairment of assets

The Modaraba assesses, at each reporting date, whether there is any indication of impairment of its tangible fixed assets. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in the statement of profit and loss. A previously recognized impairment loss is reversed only if there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.6 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

4.7 Revenue from Contracts with Customers

Revenue from ijarah and murabaha is recognized as per the requirements of the Islamic Financial Accounting Standards (IFASs). Repayment schedule is agreed at the start. Payments are usually due over the period of contract at different dates.

Murabaha profit

Profit on transactions under murabaha arrangements is recognized on a pro-rata basis taking into account the elapsed duration for payment of murabaha amounts payable by the customer. Profit not due for payment in the current year is deferred by accounting for unearned murabaha income with corresponding credit to deferred murabaha income which is recorded as a liability. The same is then recognized as revenue on a time proportionate basis as and when the due dates approach for payment of recoverable amounts by the customers.

Ijarah rentals

Ijarah income is recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished. Unrealized ijarah income pertaining to non-performing ijarah is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations.

Return on deposit accounts

Return on deposit accounts is recognized on accrual basis.

Others

Gain on sale of fixed assets is recognized in the period in which it arises.

4.8 Taxation

Current

Provision for current tax is based on taxable income at current rates of taxation after taking into account applicable tax credit, rebates and exemption available, if any.

When minimum tax is payable by the Company, the amount is recognized as levy under IFRIC 21.

Deferred

Deferred taxation is accounted for using the balance sheet liability method providing in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary timing differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated based on the rates that have been enacted or notified for subsequent enactment up to the reporting date and are expected to apply to the period when the difference arises.



Note 4, Material Accounting Policy Information - Continued...

4.9 Earnings per certificate

The Modaraba presents basic and diluted earnings per certificate (EPC). Basic EPC is calculated by dividing the profit or loss attributable to ordinary certificate holders of the Modaraba by the weighted average number of ordinary certificates outstanding during the year. Diluted EPC is determined by adjusting the profit or loss attributable to ordinary certificate holders and the weighted average number of ordinary certificates outstanding for the effects of all dilutive potential ordinary certificates, if any.

4.10 Segment Information

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Modaraba has been identified as Chief Operating Decision Maker.

The Modaraba is divided into two operating segments:

- Ijarah finances; and
- Murabaha finances

All these operating segments are located in Pakistan.

4.10.1 Segment assets and liabilities

The assets of a segment include all operating assets used by a segment and consist principally of receivables and fixed assets, net of allowances and provisions. Segment liabilities are primarily unallocable.

4.10.2 Allocation of segment expenses

All identifiable expenses are directly attributed to the respective segments.

4.11 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise loans, deposits and other receivables in the balance sheet.

4.12 Creditors and other liabilities

Creditors and other liabilities are measured at cost which is the fair value of the consideration to be paid in future for goods and services received whether billed to the Modaraba or not.

4.13 Related party transactions

Related parties comprise the parent company, associated companies / undertakings, directors of the Modaraba and their close relatives and key management personnel of the Modaraba. The Modaraba in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under respective notes to these financial statements. Following are the key related parties of the Modaraba:

Name of Related party	Basis of Relationship	% of Holding in the Modaraba
Fidelity Capital Management (Private) Limited	Management company	24.00%

4.14 Impairment of non- financial assets

At each reporting date, the Modaraba reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and impairment loss is recognized in the statement of profit and loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the initial cost of the asset. A reversal of the impairment loss is recognized as loss in the statement of profit and loss.



4.15 Contingencies

A contingency is disclosed when the Modaraba has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Modaraba; or the Modaraba has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Note 5

Summary of Other Accounting Policy

Other accounting policies which do not have significant impact on financial statements are set out below for ease of user's understanding of these financial statements. These policies have been applied consistently for all periods presented, unless otherwise stated.

5.1 Offsetting of financial assets and liabilities

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

5.2 Dividend - Profit distribution and other appropriations of profit

Dividend distribution to the Modaraba's certificate holders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Modaraba Management Company. The Transfer to the statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which these relate.

Appropriations to statutory reserves declared / approved subsequent to balance sheet date are considered as non-adjusting event and are not recorded in financial statements of the current year. These are recognized in the year in which these are declared / approved.

5.3 Fair value measurement

The Modaraba measures certain financial instruments, and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Modaraba has access at that date. The fair value of a liability reflects the effect of non-performance risk. When applicable, the Modaraba measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When measuring fair value, the Modaraba takes into account the characteristics of asset or liability which include the condition and location of the asset and restrictions, if any, on the sale or use of the asset.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Modaraba uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Valuation techniques used to measure fair value are applied consistently unless a change in a valuation technique or its application results in a measurement that is equally or more representative of fair value in the circumstances. Revisions resulting from a change in the valuation technique or its application are accounted for as a change in accounting estimate.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within different levels of the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

Fair value hierarchy categorizes into following three levels the inputs to valuation techniques used to measure fair value:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Modaraba can access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Unobservable inputs for the asset or liability.

For the purpose of fair value disclosures, the Modaraba has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

5.4 Post employment benefits

The Modaraba operates a defined contribution plan and maintains an approved provident fund for all its employees. The Modaraba and the employees both make equal monthly contributions to the fund at the rate of 10% of the basic salary of employees.



Note 6

Cash and Bank Balances

	Note	2024 Rupees	2023 Rupees
Cash in hand		-	59
Balances with banks in:			
- Current accounts	6.1	47,462	82,621
- Savings accounts	6.2	2,018,561	94,409
		2,066,023	177,030
		<u>2,066,023</u>	<u>177,089</u>

6.1 This includes Rs. 8,863 (2023: Rs. 8,863) held in dividend account. Movement in dividend account is as follows:

Opening balance		8,863	17,769
Amount transferred during the year		-	19,933
Dividend claim received and settled		-	(28,839)
Closing balance		<u>8,863</u>	<u>8,863</u>

6.2 These balances yield return at rates ranging from 10% to 17% (2023: 10% to 18%) per annum.

6.3 The above figures of cash and bank balances reconcile to the amount of cash and cash equivalents shown in the statement of cash flows at the end of the financial year.

Note 7

Profit Receivable on Murabaha Arrangements

	Note	2024 Rupees	2023 Rupees
Considered good - secured		-	6,099,562
Considered doubtful		21,486,354	19,808,177
		<u>21,486,354</u>	<u>25,907,739</u>
Suspended income	7.1 & 7.2	(21,486,354)	(19,808,177)
		<u>-</u>	<u>6,099,562</u>
7.1 Suspended income			
Opening balance		19,808,177	19,889,191
Suspension during the year		1,678,177	-
Reversal of suspension during the year		-	(81,014)
Closing balance		<u>21,486,354</u>	<u>19,808,177</u>

7.2 Suspended income represents profit receivable from doubtful parties against which provision has been recognised.

Note 8

Ijarah Rentals Receivable - Secured

	Note	2024 Rupees	2023 Rupees
Considered good - secured		10,321,840	10,975,744
Considered doubtful		44,130,236	40,561,895
		54,452,076	51,537,639
Less: Provision against doubtful ijarah receivables	8.1	(44,130,236)	(40,561,895)
		<u>10,321,840</u>	<u>10,975,744</u>
8.1 Provision for doubtful ijarah rentals receivable			
Opening balance		40,561,895	39,554,123
Provision for the year		4,644,530	1,991,195
Provision reversed during the year		(1,076,189)	(983,423)
Net charged during the year		<u>3,568,341</u>	<u>1,007,772</u>
Closing balance		<u>44,130,236</u>	<u>40,561,895</u>

8.2 Ijarah rentals receivables are secured against ijarah assets, promisory notes and personal guarantees. In some ijarahs, additional collateral is also obtained in the form of mortgaged property. The Modaraba is entitled to repossess and sell the ijarah assets in case of default by the customers.

8.3 Ijarah rental receivables include balance receivable of Rs. 80,638 (2023: Rs. 282,587) against ijarah facilities of Rs. 2,625,000 (2023: Rs. 2,625,000) extended to employees. Maximum aggregate amount outstanding at any month during the year is of Rs. 361,855 (2023: Rs. 282,587).



Note 8, Ijara Rental Receivable- Secured - Continued...

8.4 Future Ijarah rentals receivable

	2024	2023
	Rupees	Rupees
Not later than one year	7,806,040	9,460,625
Later than one year but not later than five years	21,806,940	26,103,101
	<u>29,612,980</u>	<u>35,563,726</u>

Note 9

Short Term Investments under Murabaha Arrangements

	Note	2024	2023
		Rupees	Rupees
Considered good	9.1	40,700,000	40,943,000
Considered doubtful	9.2 & 9.3	230,497,231	227,754,231
		<u>271,197,231</u>	<u>268,697,231</u>
Less: Provision for non-performing murabaha investments	9.4	(198,855,981)	(192,754,232)
		<u>72,341,250</u>	<u>75,942,999</u>

9.1 The Modaraba has sold goods to Murabaha customers with appropriate profit margins under Murabaha arrangements whereby payment is deferred over the time period agreed with customers. These finances are secured against mortgage of properties, demand promissory notes and personal guarantees. Profit margin on murabahah investments ranges from 13% to 14% (2023: 14% to 17%) per annum.

9.2 This represents receivables from 10 (2023: 10) customers under murabaha arrangements. Legal proceedings against these customers are in process in different courts of law. This includes receivable of Rs. 192.75 million (2023: 192.75 million) in respect of classified facilities of First Hajveri Modaraba.

9.3 This also includes receivable amounting to Rs. 35 million (2023: Rs. 35 million) which was given to M/s Enplan (Private) Limited against Murabahah facility for the construction material under the terms of settlement agreement dated April 01, 2011. It is secured against equitable as well as registered mortgage over land and building thereon measuring 4 kanals and 1 marla. It carried profit at 12.98% per annum. The Modaraba has filed a suit before Modaraba Tribunal / Banking Court Lahore (the Court) for recovery of murabaha receivable along with cost of funds amounting to Rs. 62,112,443 as on March 12, 2018. The same has been decreed in the favour of Modaraba by the Court vide order dated February 03, 2022 to the extent of Rs. 43,772,750 along with cost of funds. The valuer was appointed for the execution of decree on March 17, 2022 by the Court to get fresh valuation of the mortgaged property. Valuation was carried out by M/s A.S Consultants according to whom the forced sale value of the property was estimated at Rs. 558.790 million on April 04, 2022. Auction of the property was approved by the Court and was scheduled to be held on June 20, 2022. However, at the date of auction M/s Enplan (Private) Limited filed Request for Appeal 13776/2022 in Lahore High Court (LHC) and requested for stay order which was granted subject to the deposit of bank guarantee or an amount equal to 50% of decretal amount. M/s Enplan (Private) Limited deposited a pay order in LHC for the 50% amount and obtained a stay order. Next hearing for the case has been fixed on November 11, 2024.

9.4 Provision for non performing murabaha investments

Opening balance	192,754,231	192,754,231
Add: Provision for the year	6,101,750	-
Closing balance	<u>198,855,981</u>	<u>192,754,231</u>

Note 10

Other Receivables

	Note	2024	2023
		Rupees	Rupees
Receivable from clients (secured - considered good)	10.1	-	5,721,380
Receivable from Hajveri Modaraba Management Company (Private) Limited	10.2	-	-
Receivable against sale of shares	10.3	-	-
Other receivables (unsecured - considered good)	10.4	-	-
		<u>-</u>	<u>5,721,380</u>

10.1 Receivable from clients

Gross amount receivable	10.1.1	16,869,630	16,869,630
Less: Provision against doubtful receivables from clients		(16,869,630)	(11,148,250)
		<u>-</u>	<u>5,721,380</u>



Note 10, Other Receivables - Continued...

10.1.1 These balances represent receivables from brokerage clients that are secured against lien on respective listed shares of the clients in CDC system and a piece of mortgaged land. Owing to slim chances of recovery, receivables have been provided.

10.2 Receivable from Hajveri Modaraba Management Company (Private) Limited

		2024	2023
		Rupees	Rupees
Gross amount due	10.2.1	2,905,482	2,905,482
Less: Diminution in the value of certificates held as security		(1,396,795)	(1,396,795)
Transferred to receivable from other shareholder		(1,508,687)	(1,508,687)
		<u>-</u>	<u>-</u>

10.2.1 This represents amount withdrawn by Hajveri Modaraba Management Company (Private) Limited [the Previous management Company] of First Hajveri Modaraba from time to time during previous years out of the First Hajveri Modaraba's fund. Such amounts were drawn on account of remuneration for services in violation of section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

During the process of amalgamation with the previous management company, 2,053,200 certificates of erstwhile First Hajveri Modaraba were acquired by the Management Company against the above receivables. Such certificates were then converted into 578,041 certificates of this Modaraba. The Management Company intended to apply the sales proceeds of these certificates to settle the receivable. An application to this effect is pending with Lahore High Court. During the year ended June 30, 2022, the Modaraba entered into a tri-party agreement, whereby the Management Company of the Modaraba had agreed to sell these certificates to an existing certificate holder for a consideration of Rs. 2.47 million whereby the sale proceeds would be transferred to the Modaraba and adjusted against the above mentioned receivables. The Modaraba received post dated cheques of Rs. 2.47 million against these receivables. The certificates shall be transferred to the buyer after the total consideration has been received. However, this sale of certificates could not take place and resultantly the management has restated the dividend payable and written off this amount entirely.

10.3 Receivable against sale of shares

Gross amount due		1,073,937	1,073,937
Allowance for expected credit losses	10.3.1	(1,073,937)	(1,073,937)
		<u>-</u>	<u>-</u>

10.3.1 Provision against receivable against sale of shares

Opening balance		1,073,937	-
Add: Provision for the year		-	1,073,937
		<u>1,073,937</u>	<u>1,073,937</u>

10.4 Other receivables

Gross amount due		6,216,553	5,552,630
Allowance for expected credit losses	10.4.1	(6,216,553)	(5,552,630)
		<u>-</u>	<u>-</u>

10.4.1 Allowance for expected credit losses

Opening balance		5,552,630	4,757,187
Add: Provision for the year		663,923	795,443
		<u>6,216,553</u>	<u>5,552,630</u>

10.4.2 The other receivables include the amount of Rs. 5.333 million (2023: 4.186 million) receivable from the Management Company on the basis of rent. Owing to minimum chances of recovery, these receivables have been provided during the year. Maximum amount outstanding during the year is Rs. 890,424 (2023: Rs. 177,000).

Note 11

Long Term Advances and Deposits

	Note	2024	2023
		Rupees	Rupees
Advances to employees - Considered good	11.1	-	1,157,550
Considered doubtful		894,524	-
		894,524	1,157,550
Current portion		-	(235,204)
Long term deposits		12,500	12,500
		907,024	934,846
Less: Provision against long term advances and deposits	11.2	(894,524)	-
		<u>12,500</u>	<u>934,846</u>

11.1 These represent loans to employees for personal purposes as per the Modaraba policy. These carry profit at 5% (2023: 5% per annum). These loans are repayable in 36 equal monthly installments. Maximum amount outstanding during the year is Rs. 565,355 (2023: Rs. 1,442,000).



Note 11, Long Term Advances and Deposits - Continued...

11.2 Provision against advances to employees

	2024	2023
	Rupees	Rupees
Opening balance	-	-
Provision for the year	894,524	-
Closing balance	<u>894,524</u>	<u>-</u>

Note 12

Membership Assets

	2024	2023
	Rupees	Rupees
Membership of Pakistan Mercantile Exchange Limited	1,010,000	1,010,000
Advance for room at Pakistan Mercantile Exchange Limited	2,500,000	2,500,000
	<u>3,510,000</u>	<u>3,510,000</u>

Note 13

Fixed Assets Under Ijarah Arrangements

Description	Vehicles	Office Equipment	Machinery	Total
-----Rupees-----				
Year Ended June 30, 2024				
Cost				
Balance as at July 01, 2023	44,873,388	228,999	6,038,000	51,140,387
Additions	3,200,000	-	-	3,200,000
Disposals / Adjustments	(11,178,638)	-	(250,000)	(11,428,638)
Balance as at June 30, 2024	<u>36,894,750</u>	<u>228,999</u>	<u>5,788,000</u>	<u>42,911,749</u>
Accumulated depreciation				
Balance as at July 01, 2023	21,370,854	208,342	4,683,876	26,263,072
Charge for the year	5,825,966	20,657	383,905	6,230,528
Disposals / Adjustments	(8,567,382)	-	(205,000)	(8,772,382)
Balance as at June 30, 2024	<u>18,629,438</u>	<u>228,999</u>	<u>4,862,781</u>	<u>23,721,218</u>
Net book value	<u>18,265,312</u>	<u>-</u>	<u>925,219</u>	<u>19,190,531</u>
Year Ended June 30, 2023				
Cost				
Balance as at July 01, 2022	58,636,103	293,999	8,613,000	67,543,102
Additions	600,000	-	-	600,000
Disposals / Adjustments	(14,362,715)	(65,000)	(2,575,000)	(17,002,715)
Balance as at June 30, 2023	<u>44,873,388</u>	<u>228,999</u>	<u>6,038,000</u>	<u>51,140,387</u>
Accumulated depreciation				
Balance as at July 01, 2022	25,007,252	257,692	4,769,859	30,034,803
Charge for the year	7,331,978	5,250	1,069,819	8,407,047
Disposals / Adjustments	(10,968,376)	(54,600)	(1,155,802)	(12,178,778)
Balance as at June 30, 2023	<u>21,370,854</u>	<u>208,342</u>	<u>4,683,876</u>	<u>26,263,072</u>
Net book value	<u>23,502,534</u>	<u>20,657</u>	<u>1,354,124</u>	<u>24,877,315</u>
Depreciation Rate	20%	10%-33%	20%	



Note 13, Fixed assets under ijarah arrangements- Continued...

- 13.1 The assets leased out by the Modaraba under ijarah arrangements are secured as the title to the asset is held by the Modaraba.
- 13.2 The Modaraba has filed suits for re-possession of leased assets costing Rs. 1,561 million (2023: Rs. 2,215 million) against 1 client (2023: 2 clients). The Court has not yet awarded decree in favour of Modaraba.
- 13.3 **General description of significant ijarah arrangements (IFAS-2)**

The Modaraba has entered into various ijarah agreements for periods ranging from 1 to 7 years (2023: 3 to 7 years). Security deposits ranging from 0% to 52% (2023: 0% to 52%) are obtained at the time of disbursement. The rate of profit implicit in ijarah rentals ranges from 13% to 27% (2023: 13% to 27%) per annum.

13.4 Disposal of fixed assets given on ijarah

Description	Cost	Accumulated Depreciation	Book Value	Adjustment / Sale Proceeds	Gain	Mode of Disposal	Particulars of Buyer
*****Rupees*****							
Vehicles							
Motor Vehicle	1,107,750	886,200	221,550	221,550	-	Matured	Abdul Rasheed
Motor Vehicle	1,107,750	886,200	221,550	221,550	-	Matured	Ch Muhammad Aslam
Motor Vehicle	275,000	234,000	41,000	41,000	-	Matured	Syed Abdul Samad
Motor Vehicle	491,638	331,138	160,500	160,500	-	Matured	Syed Mohsin Raza
Motor Vehicle	3,700,000	2,500,000	1,200,000	1,200,000	-	Matured	Raza Ul Haq
Motor Vehicle	1,250,000	1,110,794	139,206	139,206	-	Pre Matured	Syed Mohammad Musa Raza
Motor Vehicle	3,028,000	2,422,400	605,600	605,600	-	Matured	Aqeel Nisar
Motor Vehicle	168,500	151,650	16,850	16,850	-	Matured	Tauqeer Hamid
Motor Vehicle	50,000	45,000	5,000	5,000	-	Matured	Ghulam Hussain
Plant and Machinery							
Machinery	250,000	205,000	45,000	45,000	-	Matured	Mohammad Musa Raza
Total 2024	11,428,638	8,772,382	2,656,256	2,656,256	-		



Note 13, Fixed assets under Ijarah arrangements- Continued...

Description	Cost	Accumulated Depreciation	Book Value	Adjustment / Sale Proceeds	Gain	Mode of Disposal	Particulars of Buyer
Vehicles							
Motor Vehicle	5,000,000	3,923,819	1,076,181	1,264,501	188,320	Matured	Ms. Sadia Khanum
Motor Vehicle	1,450,000	1,131,873	318,127	464,294	146,167	Pre-mature adjustment	Mr. Asad Ali
Motor Vehicle	1,450,000	916,654	533,346	624,397	91,051	Pre-mature adjustment	Mr. Ali Javed Sultan
Motor Vehicle	1,600,000	1,304,760	295,240	300,078	4,838	Matured	Mr. Ajmal Joya
Motor Vehicle	1,050,000	810,000	240,000	292,944	52,944	Matured	Mr. Muhammad Saeed
Motor Vehicle	1,050,000	784,468	265,532	348,379	82,847	Pre-mature adjustment	Mr. Qasim Ali Gill
Motor Vehicle	623,715	321,726	301,989	582,500	280,511	Pre-mature adjustment	Mr. Ijaz Fazal
Motor Vehicle	1,514,000	1,134,000	380,000	380,000	-	Matured	Ms. Aliya Ahmed
Motor Vehicle	625,000	424,983	200,017	239,964	39,947	Pre-mature adjustment	Mr. Akhtar Ali
Plant and Machinery							
Machinery	1,700,000	562,495	1,137,505	1,307,344	169,839	Matured	Mr. Hamza Munir Bhatti
Generator	280,000	266,000	14,000	14,000	-	Pre-mature adjustment	Mr. Muhammad Tariq Anwar
Machinery	500,000	450,000	50,000	50,000	-	Matured	Mr. Muhammad Ilyas Shafique
Machinery	95,000	85,000	10,000	10,000	-	Matured	Mr. Syed Muhammad Musa Raza
Office Equipment							
Air Conditioner	65,000	63,000	2,000	2,000	-	Matured	Mr. Ijaz Fazal
Total 2023	17,002,715	12,178,778	4,823,937	5,880,401	1,056,464		



Note 14

Property and Equipment

	Note	2024 Rupees	2023 Rupees
Operating fixed assets	14.1	95,928	134,473
Capital work in progress	14.2	224,000,000	224,000,000
		<u>224,095,928</u>	<u>224,134,473</u>

14.1 Operating fixed assets

Description	Furniture and fixtures	Computers and office equipment	Vehicles	Total
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Year Ended June 30, 2024

Cost

Balance as at July 01, 2023	311,098	376,749	-	687,847
Additions	-	-	-	-
Disposals	-	-	-	-
Balance as at June 30, 2024	<u>311,098</u>	<u>376,749</u>	<u>-</u>	<u>687,847</u>

Accumulated depreciation

Balance as at July 01, 2023	309,838	243,536	-	553,374
Charge for the year	1,260	37,285	-	38,545
Disposal / adjustment	-	-	-	-
Balance as at June 30, 2024	<u>311,098</u>	<u>280,821</u>	<u>-</u>	<u>591,919</u>

Net book value

	<u>-</u>	<u>95,928</u>	<u>-</u>	<u>95,928</u>
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Year Ended June 30, 2023

Cost

Balance as at July 01, 2022	311,098	531,749	60,912	903,759
Additions	-	-	-	-
Disposals	-	(155,000)	(60,912)	(215,912)
Balance as at June 30, 2023	<u>311,098</u>	<u>376,749</u>	<u>-</u>	<u>687,847</u>

Accumulated depreciation

Balance as at July 01, 2022	301,848	312,281	60,012	674,141
Charge for the year	7,990	77,301	900	86,191
Disposals	-	(146,046)	(60,912)	(206,958)
Balance as at June 30, 2023	<u>309,838</u>	<u>243,536</u>	<u>-</u>	<u>553,374</u>

Net book value

	<u>1,260</u>	<u>133,213</u>	<u>-</u>	<u>134,473</u>
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Annual rate of depreciation

	<u>10%</u>	<u>10%-33%</u>	<u>20%</u>
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14.1.1 Owned fixed assets contain fully depreciated assets of Rs. 467,910 (2023: Rs. 454,610) that are still in use by the Modaraba.

14.2 Capital work in progress

	Note	2024 Rupees	2023 Rupees
Advance against ground floor Corporate Tower, Lahore	14.2.1	204,000,000	204,000,000
Advance against purchase of property	14.2.2	4,500,000	4,500,000
Villas in Murree	14.2.3	20,000,000	20,000,000
		228,500,000	228,500,000
Impairment allowance		(4,500,000)	(4,500,000)
		<u>224,000,000</u>	<u>224,000,000</u>

14.2.1 This represents advance against purchase of ground floor, measuring 10,221 square feet, in Corporate Tower (the Tower), Garden Town, Lahore. This advance was created as a result of a settlement and swap agreement for amounts availed by a client, M/s Enplan (Private) Limited under musharakah arrangements. Under these arrangements, M/s Enplan (Private) Limited had availed Rs. 99 million from the Moradaba (inclusive of principal and profit) as well as Rs. 105 million from another financial institution namely Trust Investment Bank Limited. Later on, through settlement agreement dated June 28, 2012, the Moradaba took over the exposure of finance facilities provided by Trust Investment Bank Limited for Rs. 105 million.



On June 29, 2012, the Moradaba entered into an agreement with M/s Enplan (Private) Limited to sell and buy back the ground floor of the Tower. According to the terms of agreement, M/s Enplan (Private) Limited had to complete the ground floor of the Tower within 18 months of the date of agreement. The Moradaba is also entitled to have the sale deed of the Floor executed in its name and it has constructive possession of the property. If the floor is not purchased by M/s Enplan (Private) Limited within required time, the Moradaba has a right to sell the floor to any third party. M/s 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 Moradaba has created an equitable and a registered mortgage over the property of the Tower. Further, as indicated in note 8.3, the Moradaba has also extended murabahah facilities of Rs. 35 million to M/s Enplan (Private) Limited as per agreed terms for completion of the Tower. These facilities are also secured against equitable and registered mortgage over the property of the Tower.

The agreed work of construction of ground floor of the Tower did not commence and the work was stalled at plinth level. The Modaraba has filed recovery suits for amounts aggregating to Rs. 417 million before Banking Court / Modaraba Tribunal / Lahore High Court against M/s Enplan (Private) Limited. The Modaraba has also filed criminal complaint against the directors of M/s Enplan (Private) Limited for prosecution against criminal misrepresentation and breach of trust. These suits are pending adjudication as at the reporting date.

14.2.2 This represents advance to M/s Rahman Construction Company against purchase and construction of property amounting to Rs. 4.5 million which has been fully provided by the management during the previous periods as the chances of recovery of these advance are slim.

14.2.3 This represents property under construction comprising land measuring 1 kanal and 8 marlas, situated in Murree. Most recent valuation of this property was carried out in September 2022 by M/s Madadgar who estimated its value at Rs. 33.8 million and forced sale value at 28.7 million.

Note 15

Accrued and Other Liabilities

	Note	2024 Rupees	2023 Rupees
Advance ijarah rentals		148,395	574,381
Accrued liabilities	15.1	5,260,580	3,206,128
Payable to provident fund trust		198,516	207,365
Workers' Welfare Fund		177,149	177,149
Withholding tax payable		1,432,559	1,395,091
		<u>7,217,199</u>	<u>5,560,114</u>

15.1 This includes Rs. 745,645 (2023: Rs. 621,957) on account of charity payable.

Note 16

Unclaimed Profit Distribution

	2024 Rupees	2023 Rupees
Opening balance	16,863,739	16,460,819
Add: Dividend writtten back	-	434,750
Less: Dividend paid	-	(31,830)
	<u>16,863,739</u>	<u>16,863,739</u>

Note 17

Security Deposits against Ijarah Assets

	2024 Rupees	2023 Rupees
Opening balance	8,377,507	11,966,007
Add: Received during the year	-	50,000
Less: Adjusted during the year	(2,607,050)	(3,638,500)
Closing balance	<u>5,770,457</u>	<u>8,377,507</u>
Less: Current portion	<u>(3,888,957)</u>	<u>(4,202,257)</u>
	<u>1,881,500</u>	<u>4,175,250</u>



Note 18

Post Employment Benefits

The Modaraba operates a leave encashment facility for all of its employees as a defined benefit plan. Under the scheme, the Modaraba pays lump-sum benefits 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 obligations determined by independent actuary for the year ended June 30, 2024.

18.1 Company's Liability

	2024	2023
	Rupees	Rupees
Opening balance	528,050	463,566
Charged to statement of profit and loss during the year	3,929	100,884
Paid during the year	-	(36,400)
Closing balance	<u>531,979</u>	<u>528,050</u>

18.2 Movement in present value of defined benefit obligation

Opening balance	528,050	463,566
Current service cost	60,099	115,753
Interest cost on defined benefit obligation	65,983	50,928
Benefits paid to outgoing employees	-	(36,400)
Actuarial loss	(122,153)	(65,797)
	<u>531,979</u>	<u>528,050</u>

18.3 Charged to statement of profit and loss during the year

Current service cost	60,099	115,753
Interest cost	65,983	50,928
Actuarial loss	(122,153)	(65,797)
	<u>3,929</u>	<u>100,884</u>

18.4 Actuarial assumptions

Discount rate used for interest cost in P/L charge	16.25%	13.25%
Discount rate used for year end obligation	14.75%	16.25%
Salary increase FY 2024	N/A	12.25%
Salary increase FY 2025-2028	15.25%	12.25%
Salary increase FY 2029	15.25%	15.25%
Salary increase FY 2030 onward	13.75%	15.25%
Next salary is increased at	1-Jul-24	1-Jul-23
Expected mortality rate for active employees	SLIC 2001 - 2005 Setback 1 Year with 1 year setback	
Withdrawal rates	Age based	
Retirement assumption	Age 60	
Actuarial valuation method	Projected Unit Credit Actuarial Cost	

18.5 The Modaraba does not have any plan assets covering its post-employment benefits payable. The comparative statement of present value of defined benefit obligations is as under:

	2024	2023	2022	2021	2020
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligations	531,979	528,050	463,566	394,072	315,668
Fair value of plan asset	-	-	-	-	-
Net liability	<u>531,979</u>	<u>528,050</u>	<u>463,566</u>	<u>394,072</u>	<u>315,668</u>

18.6 Year end sensitivity analysis on defined benefit obligations

Reasonably possible changes as at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in present value of defined benefit obligation as stated below:

	2024	2023
	Rupees	Rupees
Discount rate + 1%	378,033	369,938
Discount rate - 1%	446,118	447,359
Salary increase + 1%	446,194	446,907
Salary increase - 1%	377,490	369,756
The average duration of the defined benefit obligation is	8.3 years	9.5 years



Note 19

Certificate Capital

	2024	2023
	Rupees	Rupees
Authorized Capital		
62,500,000 (2023: 62,500,000) Modaraba Certificates of Rs. 10 each	625,000,000	625,000,000
Issued, subscribed and paid-up certificate capital		
16,656,491 (2023: 16,656,491) Modaraba Certificates of Rs. 10 each fully paid in cash	166,564,910	166,564,910
3,976,908 (2023: 3,976,908) Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates	39,769,080	39,769,080
5,780,405 (2023: 5,780,405) fully paid Modaraba Certificates of Rs. 10 each issued as a result of amalgamation of First Hajvery Modaraba	57,804,050	57,804,050
	<u>264,138,040</u>	<u>264,138,040</u>

19.1 No certificates have been issued / cancelled during the year.

19.2 All certificates rank equally with regard to residual assets of the Modaraba. Certificate holders are entitled to receive all distributions including profit distributions and other entitlements in the form of bonus and right certificates as and when declared by the Modaraba.

Note 20

Contingencies and Commitments

20.1 Contingencies

As mentioned in note 14.2.1, the Modaraba has filed recovery suits against M/s Enplan (Private) Limited for Rs. 417 million. M/s 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 which has been dismissed. These suits and complaints are pending for hearing before the appropriate judicial / appellate authorities. On the basis of opinion of its legal advisors, the management is confident that the case will be decided in the favour of the Modaraba. No hearing was held during the year; although hearings were scheduled multiple times, they were postponed each time and have been rescheduled for a future date. The next hearing has been scheduled for November 11, 2024, subsequent to the year end. Based on information available as of the reporting date, no adjustment to the financial statements has been deemed necessary.

20.2 Commitments

There are no material commitments as at the reporting date (2023: Nil).

Note 21

Other Income

		2024	2023
	Note	Rupees	Rupees
Profit on deposit and saving accounts with banks		15,376	6,259
Markup on loans to employees		4,280	16,622
Miscellaneous income		36,000	802,769
Gain on disposal of ijarah assets	13.4	-	1,056,464
		<u>55,656</u>	<u>1,882,114</u>

Note 22

Administrative and General Expenses

		2024	2023
	Note	Rupees	Rupees
Salaries, allowances and other benefits	22.1	6,909,421	7,612,394
Utilities		502,508	426,777
Repairs and maintenance		43,750	50,190
Printing and stationery		169,851	282,567
Communication		183,558	165,789
Travelling and conveyance		89,100	248,290
Fees and subscription		798,950	1,106,208
Entertainment		38,144	43,631
Auditors' remuneration	22.2	592,300	592,300
Legal and professional charges		460,000	270,245
Bank charges		5,846	11,682
Provision against other receivables	9.3.1	-	-
Balances written off		61,700	78,045
Depreciation on property and equipment		38,545	86,191
Loss on disposal of property and equipment		-	6,461
Miscellaneous		13,738	227,132
		<u>9,907,411</u>	<u>11,207,902</u>



Note 22, Administrative and general expenses- Continued...

22.1 Salaries, allowances and other benefits

The aggregate amounts charged for remuneration to officers and employees of the Modaraba including all benefits are as under:

	2024			2023		
	Officers	Employees	Total	Officers	Employees	Total
	-----Rupees-----					
Basic salary	2,620,000	799,857	3,419,857	2,789,915	1,044,933	3,834,848
House rent allowance	516,000	317,450	833,450	984,500	700,560	1,685,060
Utilities	171,996	105,815	277,811	192,329	44,264	236,593
Provident fund	171,996	32,996	204,992	192,329	44,264	236,593
Fuel allowance	2,067,496	105,815	2,173,311	1,619,300	-	1,619,300
	<u>5,547,488</u>	<u>1,361,933</u>	<u>6,909,421</u>	<u>5,778,373</u>	<u>1,834,021</u>	<u>7,612,394</u>
Number of persons	<u>5</u>	<u>8</u>	<u>13</u>	<u>5</u>	<u>6</u>	<u>11</u>

22.1.1 All employees are entitled for reimbursement of the fuel expenses up to certain limits.

22.1.2 This includes Rs. 0.198 million (2023: Rs. 0.236 million) in respect of contribution to the staff provident fund.

22.1.3 This includes Rs. 0.004 million (2023: Rs. 0.1 million) in respect of post employment benefits.

22.2 Auditors' remuneration

	2024	2023
	Rupees	Rupees
Annual audit fee	315,000	315,000
Half yearly review and other certifications fee	132,300	132,300
CCG review fee	105,000	105,000
Out of pocket expenses	40,000	40,000
	<u>592,300</u>	<u>592,300</u>

Note 23

Taxation

		2024	2023
	Note	Rupees	Rupees
Levy / final taxation	23.1	(141,020)	(214,457)
Income tax- current year		<u>-</u>	<u>-</u>

23.1 This represents minimum tax and final tax paid under various sections of Income Tax Ordinance (ITO, 2001), representing levy in terms of requirements of IFRIC 21/IAS 37.

23.2 The Modaraba's taxation is based on minimum tax and is recognized as a levy under IFRIC 21 at a rate of 1.25% of turnover (2023: 1.25%). Being prudent, the Modaraba believes that future taxable profits are uncertain. As a result, no income tax is recognized in accordance with IAS 12, and no deferred tax on temporary differences is calculated, as the enacted tax rate for deferred tax purposes is Nil (2023: Nil). The Modaraba expects to remain within the levy regime for the foreseeable future.

23.3 Reconciliation of Levy and Income tax under IAS-12

Current Tax liability as per applicable tax laws	141,020	214,457
Portion of current tax liability representing		
-Income tax as per IAS -12	-	-
-Levy as per IFRIC 21 / IAS 37	(141,020)	(214,457)
Difference	<u>-</u>	<u>-</u>

Note 24

Loss Per Certificate - Basic and Diluted

		2024	2023
Loss attributable to certificate holders	Rupees	<u>(22,749,744)</u>	<u>(2,404,521)</u>
Weighted average number of certificates outstanding during the year	Number	<u>26,413,804</u>	<u>26,413,804</u>
Loss per certificate - basic	Rupees	<u>(0.86)</u>	<u>(0.09)</u>

24.1 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.



Note 25

Changes in Financing Activities

	As at June 30, 2023	Non-cash changes	Cash flows (Net)	As at June 30, 2024
	----- Rupees -----			
Unclaimed profit distribution	16,863,739	-	-	16,863,739

	As at June 30, 2022	Non-cash changes	Cash flows (Net)	As at June 30, 2023
	----- Rupees -----			
Unclaimed profit distribution	16,460,819	434,750	(31,830)	16,863,739

Note 26

Remuneration of Executives / Key Management Personnel

Aggregate amounts charged in the financial statements for the year as remuneration and benefits to executives / key management personnel of the Modaraba are as follows:

	Executives / Key Management Personnel	
	2024	2023
	-----Rupees-----	
Managerial remuneration	879,996	1,083,334
House rent allowance	264,000	433,333
Utilities allowance	87,996	108,333
Other allowances	1,190,496	1,238,579
	<u>2,422,488</u>	<u>2,863,579</u>
Number of persons	<u>2</u>	<u>2</u>

26.1 Executives are entitled for reimbursement of fuel expenses only as per the Modaraba policy.

Note 27

Transactions and Balances with Related Parties

Related parties comprise the Management Company, directors of the Modaraba management company and their close family members, key management personnel of the Management Company and their close family members and entities with common directors or under common management. Details of transactions with related parties and balances outstanding with them as at the reporting date are as follows:

Transactions during the year

Related party	Basis of Relationship	Nature of transaction	2024	2023
			Rupees	Rupees
Employees' Provident Fund	Associated undertaking	Contribution for the year	-	236,593
Officers and employees	Associated persons	Ijarah rentals received	694,629	339,843
Fidelity Capital Management (Private) Limited	Management Company	Rent accrued during the year	1,146,724	667,525

The amounts above do not include salaries and other employee benefits of the executives of the Modaraba which have been disclosed in Note 26.

Outstanding Balance as at the reporting date

Employees' Provident Fund	Contribution payable	198,516	207,365
Officers and employees	Ijarah rentals receivables	80,638	282,587



Note 28

Maturities of Assets and Liabilities

	2024			
	Total	Up to one year	One year to five years	Over five years
 Rupees			
Assets:				
Cash and bank balances	2,066,023	2,066,023	-	-
Short term investments under murabaha arrangements	72,341,250	72,341,250	-	-
Ijarah rentals receivable	10,321,840	10,321,840	-	-
Advance income tax	1,059,785	1,059,785	-	-
Long term advances and deposits	12,500	-	12,500	-
Long term investments under murabaha arrangements	-	-	-	-
Membership assets	3,510,000	-	3,510,000	-
Fixed assets under ijarah arrangements	19,190,531	4,408,642	14,781,889	-
Property and equipment	224,095,928	-	224,095,928	-
	332,597,857	90,197,540	242,400,317	-
Liabilities:				
Accrued and other liabilities	7,217,199	7,217,199	-	-
Unclaimed profit distribution	16,863,739	16,863,739	-	-
Security deposits	5,770,457	3,888,957	1,881,500	hhh
Post employment benefits	531,979	-	531,979	-
	30,383,374	27,969,895	2,413,479	-
Net Balance	302,214,483	62,227,645	239,986,838	-
Certificate holders' equity	302,073,463			
	2023			
	Total	Up to one year	One year to five years	Over five years
 Rupees			
Assets:				
Cash and bank balances	177,089	177,089	-	-
Short term investments under murabaha arrangements	75,942,999	75,942,999	-	-
Ijarah rentals receivable	10,975,744	10,975,744	-	-
Unearned murabaha profit receivable	1,328,271	1,328,271	-	-
#REF!	6,099,562	6,099,562	-	-
#REF!	5,721,380	5,721,380	-	-
Advance income tax	1,044,005	1,044,005	-	-
Long term advances and deposits	1,170,050	235,204	934,846	-
Certificate capital	2,500,000	-	2,500,000	-
Membership assets	3,510,000	-	3,510,000	-
Fixed assets under ijarah arrangements	24,877,315	6,678,587	18,198,728	-
Property and equipment	224,134,473	65,979	224,068,494	-
	357,480,888	108,268,820	249,212,068	-
Liabilities:				
Accrued and other liabilities	5,560,114	5,560,114	-	-
Unclaimed profit distribution	16,863,739	16,863,739	-	-
Deferred murabaha income	1,328,271	1,328,271	-	-
Post employment benefits	528,050	-	528,050	-
Security deposits	8,377,507	4,202,257	4,175,250	-
	32,657,681	27,954,381	4,703,300	-
Net Balance	324,823,207	80,314,439	244,508,768	-
Certificate holders' equity	324,823,207			



Note 29

Financial Risk Management

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Modaraba's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board) of the Management Company, chief operating officer and chief financial officer. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

The Modaraba's overall risk management procedures, to minimize the potential adverse effects of financial market on the Modaraba's performance, are as follows:

29.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will affect the Modaraba's income or the value of its holdings of financial instruments.

29.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Modaraba is not exposed to currency risk arising from currency exposure as Modaraba is not involved in foreign currency transactions.

29.1.2 Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is not exposed to equity price risk.

29.1.3 Profit rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. As at the reporting date the profit rate profile of the Modaraba's profit bearing financial instruments were as under:

Fixed rate instruments

Financial assets

	<u>2024</u>	<u>2023</u>
	Rupees	Rupees
Short term investments under murabaha arrangements		
Ijarah rentals receivable		
Profit receivable on murabaha arrangements	72,341,250	75,942,999
	10,321,840	10,975,744
	-	6,099,562

Floating rate instruments

Financial assets

Bank balances - deposit accounts	2,018,561	94,409
----------------------------------	-----------	--------

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

If profit rates, as at the reporting date, fluctuates by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. 20,186 (2023: Rs. 944) higher / lower. This analysis is prepared assuming the amounts of floating rate instruments outstanding at reporting dates were outstanding for the whole year, which may not be representative of whole year.



Note 29, Financial Risk Management - Continued...

29.2 Credit risk

29.2.1 Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date, net of impairment, was as follows:

Bank balances	2,066,023	177,030
Short term investments under murabaha arrangements	72,341,250	75,942,999
Ijarah rentals receivable	10,321,840	10,975,744
Profit receivable on murabaha arrangements	-	6,099,562
Other receivables	-	5,721,380
Long term advances and deposits	12,500	1,170,050
	<u>84,741,613</u>	<u>100,086,765</u>

29.2.2 Geographically all credit exposure is concentrated in Pakistan.

The maximum exposure to credit risk for receivables (musharakah financing and ijarah / lease rental receivables) as at the reporting date by type of customer is given below:

	<u>2024</u>	<u>2023</u>
	Rupees	Rupees
Individuals	82,663,090	93,018,305

29.2.3 The aging of murabaha, musharakah, lease / ijarah rental and other receivables and related impairment loss as at the reporting date is as follows:

Aging of murabaha and ijarah rentals

Not past due	9,791,955	55,747,015
Past due 1 - 180 days	37,341,250	17,075,306
Past due 181 days - 1 year	-	-
Past due 1 - 2 years	529,885	-
More than 2 years	35,000,000	25,917,364
	<u>82,663,090</u>	<u>98,739,685</u>

The Modaraba has adopted a policy of only dealing with creditworthy parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Modaraba has internally developed rating criteria to rate its customers which is supplemented by ratings supplied by independent rating agencies where available. The Modaraba also uses other publicly available financial information and its own trading records to rate its customers. The Modaraba's exposure and the credit ratings of its parties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed annually.

The management monitors and limits Modaraba's exposure to credit risk through monitoring of clients' credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in customers of sound financial standing covering various industrial sectors and segments.

29.2.4 The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. The table below shows the bank balances and investments held with some major counterparties at the reporting date:

	Rating		Rating Agency	2024	2023
	Short term	Long term			
				Rupees	Rupees
MCB Bank Limited	A-1	A+	PACRA	12,927	12,797
Faysal Bank Limited	A1+	AA	PACRA	-	174
Samba Bank Limited	A-1	AA	VIS	4,895	1,932
Meezan Bank Limited	A-1+	AAA	VIS	2,009,602	88,369
Bank Al Habib Limited	A1+	AAA	PACRA	37,389	72,210
State Bank of Pakistan				1,210	1,548
				<u>2,066,023</u>	<u>177,030</u>



Note 29, Financial Risk Management - Continued...

Further, the Modaraba's exposure to credit risk related to murabaha financing, ijarah financing, and other receivables are disclosed in the relevant notes to the financial statements.

The Modaraba's exposure related to ijarah receivables and murabaha receivables are secured by collaterals held and the Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diversified credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The mudaraba revenue is not depending upon single customer and there is no single customer from whom mudaraba is generating more than 10% of total revenue.

29.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. Owing to the fact that the Modaraba is in a positive working capital position at the year end, the management believes the liquidity risk to be low.

Fair value estimation

The table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equate to their carrying balances as the impact of discounting is not significant.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
------(Rupees)-----					
June 30, 2024					
Accrued and other liabilities	5,784,640	5,784,640	5,784,640	-	-
Unclaimed profit distribution	16,863,739	16,863,739	16,863,739	-	-
	<u>22,648,379</u>	<u>22,648,379</u>	<u>22,648,379</u>	<u>-</u>	<u>-</u>
June 30, 2023					
Accrued and other liabilities	4,165,023	4,165,023	4,165,023	-	-
Unclaimed profit distribution	16,863,739	16,863,739	16,863,739	-	-
	<u>21,028,762</u>	<u>21,028,762</u>	<u>21,028,762</u>	<u>-</u>	<u>-</u>

Note 28 to the financial statements summarizes the maturity profile of the Modaraba's assets and liabilities.

29.4 Fair value of financial instruments

All financial assets and financial liabilities are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost.

The carrying values of all financial assets and liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

29.5 Financial instruments by categories

	At fair value through OCI	Amortized cost	Assets at fair value through profit or loss	Total
-----Rupees-----				
Financial assets as at June 30, 2024				
Cash and bank balances	-	2,066,023	-	2,066,023
Short term investments under murabaha arrangements	-	72,341,250	-	72,341,250
Ijarah rentals receivable	-	10,321,840	-	10,321,840
	<u>-</u>	<u>84,729,113</u>	<u>-</u>	<u>84,729,113</u>



Note 29, Financial Risk Management - Continued...

Financial assets as at June 30, 2023

Cash and bank balances	-	177,089	-	177,089
Short term investments under murabaha arrangements	-	75,942,999	-	75,942,999
Ijarah rentals receivable	-	10,975,744	-	10,975,744
Profit receivable on murabaha arrangements	-	6,099,562	-	6,099,562
Other receivables	-	5,721,380	-	5,721,380
Long term murabaha investment	-	2,500,000	-	2,500,000
	-	101,416,774	-	101,416,774

Financial liabilities at amortized cost

	2024	2023
	Rupees	Rupees
As at June 30,		
Accrued and other liabilities	5,784,640	4,165,023
Unclaimed profit distribution	16,863,739	16,863,739
	22,648,379	21,028,762

29.6 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

29.7 Capital Risk Management

The Modaraba's objectives when managing capital are to safeguard the Modaraba's ability to continue as a going concern in order to provide return for certificate holders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize certificate holders value. The Modaraba manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. There were no changes to the Modaraba's approach to capital management during the year and the modaraba is not subject to externally imposed capital requirements. Furthermore, the Modaraba is not geared as at the reporting date.

Note 30

Segment Reporting

30.1 An operating segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The management has determined the operating segments based on the information that is presented to the Chief Executive Officer (Chief Operating Decision Maker) for allocation of resources and assessments of performance. Based on internal management reporting structure and products offered, the Modaraba is organized into following five operating segments:

Types of segments

- Murabaha finances
- Ijarah finances

Nature of business

- Sale of goods under murabaha arrangement
- Giving right to the benefit of using an asset for a consideration



Note 30, segment reporting- Continued...

No operating segments have been aggregated to or form the above reportable operating segments.

The Chief Executive Officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit, profit from operations, reduction in operating cost and free cash flows.

Transfer prices between operating segments are made on an arm's length basis in a manner similar to transactions with third parties. There were no transfers between operating segments during the year (2023: Nil).

30.2 Segment analysis

The segment information for the reportable segments is mentioned below:

	June 30, 2024			June 30, 2023		
	Murabaha Finances	Ijarah Finances	Total	Murabaha Finances	Ijarah Finances	Total
	-----R upees-----					
Segment revenues / profits						
Gross revenue from external customers	1,211,257	7,517,398	8,728,655	6,090,941	11,065,632	17,156,573
Other income	-	-	-	-	1,056,464	1,056,464
Net revenue	1,211,257	7,517,398	8,728,655	6,090,941	12,122,096	18,213,037
Depreciation	-	(6,230,528)	(6,230,528)	-	(8,407,047)	(8,407,047)
Suspension / Provision for doubtful receivables	(6,182,777)	(1,792,492)	(7,975,269)	81,014	609,314	690,328
Reportable segment profit	(4,971,520)	(505,622)	(5,477,142)	6,171,955	4,324,363	10,496,318
Reportable segment assets	72,341,250	29,512,371	101,853,621	85,870,832	35,853,059	121,723,891
Reportable segment liabilities	-	5,918,852	5,918,852	1,328,271	8,951,888	10,280,159
Additions to non-current assets	-	3,200,000	3,200,000	-	600,000	600,000

Reconciliation of reportable segments revenues, profit or loss, assets and liabilities is as follows:

	2024	2023
	-----R upees-----	
Revenues		
Total revenues for reportable segments	8,728,655	18,213,037
Other revenues	-	(1,056,464)
Modaraba's revenues	8,728,655	17,156,573
Loss		
Total profit for reportable segments	(5,477,142)	10,496,318
Other income	55,656	832,111
Administrative and general expenses	(17,187,238)	(13,512,032)
Taxation	(141,020)	(214,457)
	(22,749,744)	(2,398,060)
Assets		
Total assets for reportable segments	101,853,621	121,723,891
Corporate assets unallocated:		
Cash and bank balances	2,066,023	177,089
Other receivables	-	5,721,380
Advance income tax	1,059,785	1,044,005
Current portion of long term advances	-	235,204
Long term advances and deposits	12,500	934,846
Membership assets	3,510,000	3,510,000
Property and equipment	224,095,928	224,134,473
	230,744,236	235,756,997
Total assets as per the balance sheet	332,597,857	357,480,888
Liabilities		
Total liabilities for reportable segments Corporate liabilities unallocated:	5,918,852	10,280,159
Accrued and other liabilities	7,068,804	4,985,733
Unclaimed profit distribution	16,863,739	16,863,739
Post employment benefits	531,979	528,050
Total liabilities as per the balance sheet	30,383,374	32,657,681

Certain liabilities, assets, other income and other operating charges of the Modaraba cannot be allocated to a specific segment. Accordingly, these amounts have been classified as unallocated.



Note 30, segment reporting- Continued...

There are no differences between the measurements of the reportable segments' profits or losses, assets and liabilities with the Modaraba's profits or losses, assets and liabilities.

There are no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

There are no asymmetrical allocations to reportable segments.

30.3 All non-current assets of the Modaraba are located in Pakistan as at the reporting date.

Note 31

Number of Employees

	2024	2023
Total Number of employees as at June 30,	11	11
Average number of employees during the year	11	12

Note 32

Provident Fund

	2024	2023
	Rupees (Un-audited)	Rupees (Un-audited)
Size of the fund	397,032	382,598
Percentage of investments made	1.18%	1.18%
Fair value of investments	5,000	5,000

Break-up of investment in terms of amount and percentage of the size of the provident fund are as follows:

	2024		2023	
	Investment Rupees	Investment as a % of Size of funds	Investment Rupees	Investment as a % of Size of funds
Investment in mutual funds	5,000	1.18%	5,000	1.18%

Investments out of the funds of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

Note 33

Shariah Screening Disclosures by Company Listed on Islamic Index

	2024	2023
	Rupees	Rupees
Shariah compliant bank deposits / bank balances	2,066,023	177,030
Revenue earned from a shariah compliant business segment	8,728,655	17,156,573
Short term investments under Morabaha arrangement	72,341,250	75,942,999
Relationship with shariah compliant financial institutes:		
Profit earned from Shariah compliant bank deposits/bank	15,376	6,259
Relationship with shariah compliant banks;	Meezan Bank	Meezan Bank



Note 34

Date of Authorization for Issue

These financial statements were approved for issue by the Board of Directors of the Management Company in its meeting held on November 05, 2024.

Note 35

General

Corresponding figures have been re-arranged, wherever necessary, to facilitate comparison. Following re-arrangements have been made in these financial statements that does not have any impact on the statement of financial position and profitability of the Modaraba.

Nature	From	To	2023
			<u>Rupees</u>
Statement of profit or loss			
Classification of levy	Taxation (Note 23)	Levy / final taxation (Face of statement of profit and loss)	(214,457)

**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

CFO/Company Secretary



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

Pattern of Shareholding

Summary
Form - 20

PART - I

1.1 Name of The Company **First Fidelity Leasing Modaraba**

PART - II

2.1 Pattern of Holding of the Shares held by the Shareholders as at :June 30, 2024

2.2

No. of Shareholders	Shareholding		Total Shares held
	From	To	
3,322	1	100	133,560
2,125	101	500	510,548
772	501	1,000	590,098
825	1,001	5,000	1,616,229
91	5,001	10,000	658,485
43	10,001	15,000	504,210
16	15,001	20,000	285,610
14	20,001	25,000	312,931
2	25,001	30,000	57,143
6	30,001	35,000	198,755
4	35,001	40,000	151,519
3	40,001	45,000	124,940
3	50,001	55,000	160,362
1	55,001	60,000	56,427
1	75,001	80,000	78,500
2	85,001	90,000	174,854
1	90,001	95,000	93,991
1	95,001	100,000	100,000
1	100,001	105,000	103,500
2	125,001	130,000	259,000
1	145,001	150,000	149,496
1	155,001	160,000	158,000
1	165,001	170,000	170,000
1	190,001	195,000	191,230
1	195,001	200,000	200,000
1	200,001	205,000	200,153
1	230,001	235,000	233,183
1	265,001	270,000	266,792
1	350,001	355,000	350,804
1	445,001	450,000	445,078
1	575,001	580,000	578,041
1	580,001	585,000	582,170
1	770,001	775,000	775,000
1	815,001	820,000	820,000
1	1,000,001	1,005,000	1,005,000
1	1,015,001	1,020,000	1,019,004
1	1,030,001	1,035,000	1,034,931
1	1,440,001	1,445,000	1,444,500
1	2,640,001	2,645,000	2,641,380
1	3,225,001	3,230,000	3,228,234
1	4,750,001	4,755,000	4,750,146
7,256			26,413,804



CATEGORIES OF CERTIFICATE HOLDING

As On: June 30, 2024

First Fidelity Leasing Modaraba

As On: June 30, 2024

2.3 Categories of Shareholder	Folios	Physical	CDC	Share held	Percentage
<u>2.3.1 - Directors, CEO, Their Spouse and Minor Childern</u>	1	-	54,552	54,552	0.21
<u>2.3.2 - Associated Companies, Undertakings & Related Parties</u>	3	578,041	5,869,614	6,447,655	24.41
<u>2.3.3 - NIT & ICP</u>	1	-	445,078	445,078	1.69
<u>2.3.4 - Banks, DFIs, NBFCs</u>	14	31,417	27,612	59,029	0.22
<u>2.3.5 - Insurance Companies</u>	3	40	1,034,931	1,034,971	3.92
<u>2.3.6 - Modarabas and Mutual Funds</u>	4	437	700	1,137	0.00
<u>2.3.8 - A. General Public (Local)</u>	7,199	2,953,162	15,218,387	18,171,549	68.80
<u>2.3.8 - B. General Public (Foreigner)</u>	1	-	664	664	0.00
<u>2.3.9 - A. Other Companies (Local)</u>	30	84,646	114,523	199,169	0.75
	7,256	3,647,743	22,766,061	26,413,804	100.00

Shareholders More Than 10.00%			
Mr. Muhammad Iqbal	1	4,750,146	17.98
M/S. FIDELITY CAPITAL MANAGEMENT (PVT) LTD	3	6,447,655	24.41



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- Risk profiler*
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Associates (Pvt.) Limited

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 <i>(For Companies)</i>	
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

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