

**CONDENSED INTERIM
FINANCIAL INFORMATION
(UN-AUDITED)
FOR THE HALF YEAR ENDED
31 DECEMBER
2017**



FIRST FIDELITY LEASING MODARABA

Managed by:
Fidelity Capital Management (Private) Limited



CORPORATE INFORMATION

Board of Directors

Fidelity Capital Management (Private) Limited.

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

Company Secretary / CFO

Mr. Ijaz Fazal
hi_ij@hotmail.com

Auditors of Modaraba

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Audit Committee

| | |
|-----------|---|
| Chairman | Mr. Abdul Hameed Kiyani |
| Members | Siyid Tahir Nawazish Sheikh Muhammad Nasim |
| Secretary | Mr. Muhammad Ilyas Shafiq |

Credit Committee

| | |
|----------|---|
| Chairman | Siyid Tahir Nawazish |
| Members | Mr. Wasim-ul-Haq Osmani Mr. Muhammad Younas Chaudhry |

Human Resource & Remuneration Committee

| | |
|-----------|---|
| Chairman | Sheikh Muhammad Nasim |
| Members | Siyid Tahir Nawazish Mr. Abdul Hameed Kiyani |
| Secretary | Mr. Muhammad Younas Chaudhry |

Legal Advisor

Salim & Baig (Advocates)

Bankers

Samba Bank Limited
MCB Bank Limited
Faysal Bank Limited
Meezan Bank Limited

Registered Office

Ground Floor, 93, B-1
Canal Bank Gulberg -II, Lahore
Tel: 0 4 2 – 3 5 7 1 3 4 6 1 – 6 4
Fax: 0 4 2 – 3 5 7 5 9 1 2 2
Email: info@fidelitymodaraba.com
Website: www.fidelitymodaraba.com

Registrars

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

DIRECTORS' REPORT



Directors of Fidelity Capital Management (Pvt.) Limited, the management company of First Fidelity Leasing Modaraba are pleased to present un-audited condensed interim financial information of the Modaraba for the half year ended December 31, 2017, together with auditors' review report thereon.

The Modaraba during the half year ended December 31, 2017, earned profit of Rs. 38.33 million, as compared to a loss of Rs. 3.67 million sustained in the corresponding six months period. The profit for the period mainly comprises gain on sale of room at ISE towers, Islamabad and shares of ISE tower REIT management company Ltd held by the Modaraba. The proceeds from sale of already accomplished assets are to be invested in recurring modes of financing. The sale of Murree Villas is also on the anvil. The Modaraba has major investment in the corporate tower near Kalma Chowk, Lahore which is still incomplete. Modaraba efforts to persuade sponsors of corporate tower to complete the same remained unfulfilled as they failed to raise finances either from financial institutions or through advance sale of the tower. The inept attitude of the sponsors has placed the Modaraba in a very tricky situation where it can neither use the space to take economic benefits nor sell the same to raise liquidity. After experiencing much waiting without success, the management has decided to resort to legal remedy for recovery of the amount. Based on legal opinion taken chances of recovery of stuck amounts are much evident. In the shorter run the Modaraba has earned profit and in the medium run, the likely positive effects of recovery efforts will bring about sustained regular stream of income for the Modaraba.

The half yearly accounts can also be accessed at www.fidelitymodaraba.com.

The Directors wish to place on record their thanks to the certificate holders, regulatory authorities for their valuable support, guidance and cooperation extended to the Modaraba and look forward to their continued patronage in future. The dedication and hard work put in by the officers and staff of the Modaraba is also acknowledged.

For and on behalf of the Board of Directors

Wasim ul Haq Osmani

(Chief Executive)

Lahore:

February 26, 2018



ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز فیڈیلیٹی کیپیٹل مینجمنٹ (پرائیویٹ) لمیٹڈ جو کہ فرسٹ فیڈیلیٹی لیزنگ مزاربہ کی مینجمنٹ کمپنی ہے۔ مزاربہ کے 31 دسمبر 2017 کو ختم ہونے والی ششماہی مدت کے غیر احتساب شدہ مالی حسابات بمعہ آڈیٹڈ جائزہ رپورٹ کرتے ہیں۔

مزاربہ کو زیر غور ششماہی مدت کے دوران 38.33 ملین روپے کا منافع حاصل کیا جبکہ گزشتہ سال اسی مدت کے دوران کے مقابلے میں اس جھے ماہ کے عرصے میں 3.67 ملین تک خسارہ ہوا تھا۔ اس مدت کے منافع میں بنیادی طور پر آئی ایس ای ٹاورز، اسلام آباد اور مزاربہ کے زیر اہتمام آئی ایس ٹاور ریٹینی مینجمنٹ کمپنی لمیٹڈ کے حصص اور کرے کی فروخت پر فائدہ حاصل ہوا ہے۔ فائننس کی بار موصول ہونے والے پہلے سے ہی اثاثوں کی فروخت سے آمدنی سرمایہ کاری کی جارہی ہے۔ مری وے کی فروخت انجیل پر بھی ہے۔ مزاربہ کا کلمہ چوک کے قریب کاروپوریٹ ٹاور میں اہم سرمایہ ہے جو ابھی تک نامکمل ہے۔ مزاربہ کو مکمل کرنے کے لئے کاروپوریٹ ٹاور کے اسپانسرز کو قائل کرنے کی کوششیں ناکام رہیں کیونکہ وہ مالیاتی ادارے سے یا ٹاور کی پیشگی فروخت کے ذریعہ مالی بڑھانے میں ناکام رہیں کیونکہ وہ مالیاتی ادارے سے یا ٹاور کی پیشگی فروخت کے ذریعہ مالی بڑھانے میں ناکام رہے۔ اسپانسرز کے بے نقاب رویہ نے مزاربہ کو ایک بہت مشکل حالت میں رکھ دیا ہے جہاں وہ جگہ کو اقتصادی فائدہ اٹھانے کے لئے نہ استعمال کر سکتے ہیں اور نہ ہی اس کو فروخت کرنے کے لئے مانع کو بڑھانا ہے۔ کامیابی کے بغیر زیادہ انتظار کا تجربہ کرنے کے بعد، انتظامیہ نے رقم کی وصولی کے لئے قانونی علاج کرنے کا فیصلہ کیا ہے۔ قانونی رائے کے مطابق چھٹے مقدار کی وصولی کے امکانات بہت واضح ہیں۔ مختصر مدت میں مزاربہ نے منافع حاصل کیا ہے اور درمیانے درجے کے دوران، بحالی کی کوششوں کے امکانات کا مثبت اثر مزاربہ کے لئے مسلسل باقاعدگی سے مسلسل آمدنی لاتا ہے۔

ششماہی حسابات مزاربہ کی ویب سائٹ پر ملاحظہ کیے جاسکتے ہیں۔ www.fidelitymodaraba.com

بورڈ اس موقع پر اپنے معزز سرٹیفکیٹ ہولڈرز اور نگران اداروں کی مسلسل حمایت و رہنمائی اور تعاون کے لئے شکر یہ ادا کرنا چاہتا ہے اور اس کے ساتھ ساتھ انتظامیہ اور تمام عملے کا ان کی پر عزم اور دل سے کی جانے والی خدمات کا خصوصی شکر یہ ادا کرتا ہے۔

از طرف بورڈ آف ڈائریکٹرز:

بسم اللہ الرحمن الرحیم
وسیم الحق عثمانی
چیف ایگزیکٹو آفیسر

لاہور

فروری 26، 2018

AUDITOR' REPORT TO CERTIFICATE HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



Introduction

We have reviewed the accompanying condensed interim balance sheet of **First Fidelity Leasing Modaraba** ("the Modaraba") as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim statement of profit or loss and other comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures for three months ended December 31, 2017 of the condensed interim profit and loss account and condensed interim statement of profit or loss and other comprehensive income have not been reviewed as we are required to review only cumulative figures for the six months period ended on that date.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

As referred to in note 8.2 to the condensed interim financial information, the construction of the Tower was due to be completed by December 28, 2013 as per the settlement agreement and agreement to sell and buy back. However, the construction work has stalled at the plinth level. Settlement of the advance is dependent upon completion of the Tower through raising further funds or disposal of the tower in existing state to an interested party for which the management as well as the contractor are actively working upon. Pending the outcome of the aforesaid efforts, management has not measured the recoverable amount of the advance. Accordingly, impairment loss, if any, has not been recognized in this condensed interim financial information.

Conclusion

Based on our review, except for the effect, if any, of matter described in Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: IRFAN RAHMAN MALIK
Lahore: February 23, 2018



SHARI'AH REVIEW REPORT

I have conducted the Shari'ah review of M/s First Fidelity Leasing Modaraba managed by Fidelity Capital Management (Pvt.) Limited, the Modaraba Management Company for the year ended December 31, 2017 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that in my opinion;

1. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
2. The Modaraba primarily used Ijara and Morabaha for its financing activities, all these transactions are/were being executed under my supervision/review. The agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
3. During the period the Modaraba has not extended any Ijara / Morabaha facility as major amounts are invested in infrastructure project, mainly Enplan and Murree Villas. Furthermore the management continued its efforts to recover the classified portfolio. However, subsequent to current financial year, Modaraba has sold its leasehold property/Room at ISE Tower and funds to be received from the sale will be invested in lease portfolio.
4. On liabilities side the Modaraba has not availed financing from any financial institution or a corporate entity during the year, furthermore there is not any brought forward figure, under this head, appearing in the book of accounts of the Modaraba.

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

There has been no earning that has been realized from the sources or by means prohibited by Shari'ah which could have been credited to charity accounts.

The amount kept under the head of charity was partially donated to two renowned approved charitable hospitals/institutions, management promised to donate the remaining amount to approved institutions shortly.

Recommendations

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

The Modaraba should focus on new innovations and explore possibility of entering into more specialized Shari'ah compliant business modes. The amounts already invested in development projects should be liquidated ASAP and be shifted towards core business of the Modaraba.

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

Conclusion:

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

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

Mufti Muhammad Umar Ashraf
Shari'ah Advisor
Dated: February 26, 2018

CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2017



| | Note | December 31, 2017 | June 30, 2017 |
|---|------|------------------------|---------------------|
| | | Rupees (Un-Audited) | Rupees (Audited) |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and bank balances | | 34,684,526 | 24,406 |
| Short term finances under murabahah arrangements - Secured | | 94,434,676 | 93,239,838 |
| Ijarah rentals receivable - Secured | | 181,934 | 101,696 |
| Profit receivable | | - | 43,820 |
| Prepayments and other receivables | | 20,256,942 | 12,974,984 |
| Advance income tax | | 1,456,394 | 1,392,323 |
| Current portion of non-current assets | | 62,301 | 37,078 |
| | | 151,076,773 | 107,814,145 |
| NON-CURRENT ASSETS | | | |
| Long term advances and deposits | | 857,500 | 1,000,550 |
| Long term investment | 6 | - | 5,750,000 |
| Membership assets | | 3,510,000 | 6,280,000 |
| Assets leased out under ijarah contracts | 7 | 3,379,088 | 4,009,111 |
| Property and equipment | 8 | 224,375,343 | 224,571,593 |
| | | 232,121,931 | 241,611,254 |
| TOTAL ASSETS | | 383,198,704 | 349,425,399 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accrued and other liabilities | | 18,677,640 | 23,162,113 |
| Current portion of non-current liabilities | | 303,108 | 327,528 |
| | | 18,980,748 | 23,489,641 |
| NON-CURRENT LIABILITIES | | | |
| Security deposits | | 1,264,100 | 1,264,100 |
| Employees retirement benefits | | 962,265 | 1,010,925 |
| | | 2,226,365 | 2,275,025 |
| Contingencies and commitments | 9 | | |
| TOTAL LIABILITIES | | 21,207,113 | 25,764,666 |
| NET ASSETS | | 361,991,591 | 323,660,733 |
| REPRESENTED BY | | | |
| Authorized Certificate Capital | | | |
| 62,500,000 (June 30, 2016: 62,500,000) modaraba certificates of Rs. 10 each | | 625,000,000 | 625,000,000 |
| Issued, subscribed and paid-up capital | | 264,138,040 | 264,138,040 |
| Reserves | | 97,853,551 | 59,522,693 |
| TOTAL EQUITY | | 361,991,591 | 323,660,733 |

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information


Chief Executive
Fidelity Capital Management
(Private) Limited


Director
Fidelity Capital Management
(Private) Limited


Director
Fidelity Capital Management
(Private) Limited



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

| | Six months ended | | Three months ended | |
|---|-------------------|--------------------|--------------------|--------------------|
| Note | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| | Rupees | Rupees | Rupees | Rupees |
| INCOME | | | | |
| Income from ijarah financing | 913,638 | 1,964,893 | 450,169 | 531,196 |
| Profit on murabahah financing | 137,118 | 279,238 | - | 5,583 |
| Net other income | 43,677,274 | 16,592 | 43,677,197 | 15,426 |
| | 44,728,030 | 2,260,723 | 44,127,366 | 552,205 |
| EXPENSES | | | | |
| Amortization of assets leased out | (593,465) | (862,252) | (277,402) | (418,704) |
| Administrative and general expenses | (4,294,806) | (4,937,637) | (2,299,189) | (2,460,446) |
| Stock exchange and CDC charges | (172,357) | (131,586) | (172,357) | (131,586) |
| Financial charges | (32,656) | (4,566) | (30,910) | (1,002) |
| | (5,093,284) | (5,936,041) | (2,779,858) | (3,011,738) |
| Changes in impairment allowance for non-performing assets | (1,303,888) | - | (1,303,888) | - |
| Profit/(loss) before management fee and taxation | 38,330,858 | (3,675,318) | 40,043,620 | (2,459,533) |
| Management fee | - | - | - | - |
| Profit/(loss) before taxation | 38,330,858 | (3,675,318) | 40,043,620 | (2,459,533) |
| Taxation | - | - | - | - |
| Profit/(loss) after taxation | 38,330,858 | (3,675,318) | 40,043,620 | (2,459,533) |
| Earning/(loss) per certificate - basic and diluted | 1.45 | (0.14) | 1.52 | (0.09) |

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information


Chief Executive
Fidelity Capital Management
(Private) Limited


Director
Fidelity Capital Management
(Private) Limited


Director
Fidelity Capital Management
(Private) Limited

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017



| | Six months ended | | Three months ended | |
|--|-------------------|-------------------|--------------------|-------------------|
| | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| | Rupees | Rupees | Rupees | Rupees |
| <i>Items that may be reclassified subsequently to profit or loss</i> | - | - | - | - |
| <i>Items that will not be reclassified to profit or loss</i> | - | - | - | - |
| Other comprehensive income | - | - | - | - |
| Profit/(loss) after taxation | 38,330,858 | (3,675,318) | 40,043,620 | (2,459,533) |
| Total comprehensive income/(loss) | 38,330,858 | (3,675,318) | 40,043,620 | (2,459,533) |

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information


Chief Executive
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 (Private) Limited


Director
 Fidelity Capital Management
 (Private) Limited


Director
 Fidelity Capital Management
 (Private) Limited



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

| | December 31, 2017 | December 31, 2016 |
|--|-------------------|-------------------|
| | Rupees | Rupees |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit/(loss) before taxation | 38,330,858 | (3,675,318) |
| Adjustments for non-cash items and other items | (41,598,688) | 1,065,704 |
| Operating loss before changes in working capital | (3,267,830) | (2,609,614) |
| Changes in working capital | (14,208,168) | 1,703,836 |
| Net cash used in operations | (17,475,998) | (905,778) |
| (Payments)/receipts for: | | |
| Income taxes | (64,071) | (9,365) |
| Dividend received | 303,460 | (6,258) |
| Employee retirement benefits | (48,660) | (1,500) |
| Proceeds from transfer of ijarah assets | 36,558 | 883,117 |
| Net cash used in operating activities | (17,248,711) | (39,784) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (26,500) | (28,000) |
| Proceeds from disposal of property and equipment | 41,678 | - |
| Proceeds from disposal of long term investments | 15,931,665 | - |
| Proceeds from disposal of membership assets | 35,961,988 | - |
| Net cash generated from/(used in) investing activities | 51,908,831 | (28,000) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| | - | - |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 34,660,120 | (67,784) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 24,406 | 127,069 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 34,684,526 | 59,285 |

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information


Chief Executive
Fidelity Capital Management
(Private) Limited


Director
Fidelity Capital Management
(Private) Limited


Director
Fidelity Capital Management
(Private) Limited

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**



| | Capital reserves | | Revenue reserve | | Total equity Rupees |
|---|--------------------------------------|-----------------------------|------------------------------|--------------------------|------------------------|
| | Certificate capital Rupees | Statutory reserve Rupees | Accumulated losses Rupees | Total reserves Rupees | |
| | As at July 01, 2016 - Audited | 264,138,040 | 79,377,508 | (11,707,747) | |
| Comprehensive loss | | | | | |
| Loss after taxation | - | - | (3,675,318) | (3,675,318) | (3,675,318) |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive loss | - | - | (3,675,318) | (3,675,318) | (3,675,318) |
| Transaction with owners | - | - | - | - | - |
| As at December 31, 2016 - Un-audited | <u>264,138,040</u> | <u>79,377,508</u> | <u>(15,383,065)</u> | <u>63,994,443</u> | <u>328,132,483</u> |
| As at January 01, 2017 | 264,138,040 | 79,377,508 | (15,383,065) | 63,994,443 | 328,132,483 |
| Comprehensive loss | | | | | |
| Loss after taxation | - | - | (4,471,750) | (4,471,750) | (4,471,750) |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive loss | - | - | (4,471,750) | (4,471,750) | (4,471,750) |
| Transaction with owners | - | - | - | - | - |
| As at June 30, 2017 - Audited | <u>264,138,040</u> | <u>79,377,508</u> | <u>(19,854,815)</u> | <u>59,522,693</u> | <u>323,660,733</u> |
| As at July 01, 2017 | 264,138,040 | 79,377,508 | (19,854,815) | 59,522,693 | 323,660,733 |
| Comprehensive income | | | | | |
| Profit after taxation | - | - | 38,330,858 | 38,330,858 | 38,330,858 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | 38,330,858 | 38,330,858 | 38,330,858 |
| Transaction with owners | - | - | - | - | - |
| As at December 31, 2017 - Un-audited | <u>264,138,040</u> | <u>79,377,508</u> | <u>18,476,043</u> | <u>97,853,551</u> | <u>361,991,591</u> |

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information


Chief Executive
 Fidelity Capital Management
 (Private) Limited


Director
 Fidelity Capital Management
 (Private) Limited


Director
 Fidelity Capital Management
 (Private) Limited



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

1 REPORTING ENTITY

First Fidelity Leasing Modaraba ("the Modaraba") is a perpetual, multi-purpose and multi-dimensional modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Fidelity Capital Management (Private) Limited ("the Management Company), a company incorporated in Pakistan under the Companies Ordinance, 1984. The registered office of the Modaraba is situated at Ground Floor, 90, A-1, Canal Bank, Gulberg II, Lahore. The Modaraba commenced operations on December 05, 1991 and is listed on Pakistan Stock Exchange. The Modaraba is primarily engaged in the business of ijarah, musharakah and murabahah financing, equity investment, brokerage and other related businesses.

2 BASIS OF PREPARATION

The financial information contained in this financial report is un-audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Modaraba for the year ended June 30, 2017. The Securities and Exchange Commission of Pakistan vide Circular No. 10 of 2004 date February 13, 2004 has deferred, till further orders, the applicability of the IAS 17 "Leases" with effect from July 01, 2003. Accordingly, this IAS has not been considered for the purpose of preparation of this financial information.

The comparative interim balance sheet as at June 30, 2017 and the related notes to the condensed interim financial information are based on audited financial statements. The comparative interim profit and loss account, interim statement of profit or loss and other comprehensive income, interim cash flow statement, interim statement of changes in equity and related notes to the condensed interim financial information for the six months period ended December 31, 2016 are based on unaudited, reviewed interim financial information. The interim profit and loss account and interim statement of profit or loss and other comprehensive income for the three months period ended December 31, 2017 and December 31, 2016 are neither audited nor reviewed.

2.1 Statement of compliance

This interim financial report of the Modaraba for the six months period ended December 31, 2017 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules and regulations made thereunder. In case where requirements differ, the provisions of and directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the rules and regulations made thereunder have been followed.

2.2 Basis of measurement

The financial information contained in this financial report has been prepared under the historical cost convention except for certain financial instruments at fair value/amortized cost and employees retirement benefits at present value. In this financial information, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.4 Functional currency

This financial information is prepared in Pak Rupees which is the Modaraba's functional currency.

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

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

**SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**



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

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets have been amended to clarify the following aspects:

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

Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)

IAS 7 - Statement of Cash Flows have been amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 12 - Disclosure of Interests in Other Entities)

IFRS 12 - Disclosure of Interests in Other Entities have been amended to clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

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

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

| | Effective date (annual periods beginning on or after) |
|---|--|
| IFRS 9 – Financial Instruments (2014) | January 01, 2018 |
| IFRS 15 – Revenue from Contracts with Customers (2014) | January 01, 2018 |
| IFRS 16 – Leases (2016) | January 01, 2019 |
| IFRS 17 – Insurance contracts (2017) | January 01, 2021 |
| Clarifications to IFRS 15 - Revenue from Contracts with Customers | January 01, 2018 |
| IFRIC 22 - Foreign Currency Transactions and Advances Consideration | January 01, 2018 |
| IFRIC 23 - Uncertainty over Income Tax Treatments | January 01, 2019 |
| Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) | January 01, 2018 |
| Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts) | January 01, 2018 |
| Transfers of Investment Property (Amendments to IAS 40) | January 01, 2018 |
| Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures) | January 01, 2018 |
| Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments) | January 01, 2019 |
| Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures) | January 01, 2019 |
| Annual Improvements to IFRS Standards 2015–2017 Cycle | January 01, 2019 |
| Companies Act, 2017 | January 01, 2018 |



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

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

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

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

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

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

5 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Modaraba for the year ended June 30, 2017.

6 LONG TERM INVESTMENT

Pursuant to the promulgation of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 ('the Act'), the ownership rights in a stock exchange were segregated from right to trade on the stock exchange. This arrangement resulted in allocation of 3,034,603 ordinary shares of Rs. 10 each and Trading Right Entitlement Certificate ('TREC') to the Modaraba by the Islamabad Stock Exchange Limited ('ISE') against cancellation/surrender of membership of ISE. These shares have been sold during the period.

| Note | December 31, 2017 | June 30, 2017 |
|---|--------------------------|----------------------|
| | <i>Rupees</i> | <i>Rupees</i> |
| | <i>(Un-Audited)</i> | <i>(Audited)</i> |
| 7 ASSETS LEASED OUT IJARAH CONTRACTS | | |
| Carrying value as at beginning of the period/year | 4,009,111 | 8,586,719 |
| Net carrying value of disposals during the period/year | 7.1 (36,558) | (3,083,230) |
| Amortization for the period/year | (593,465) | (1,494,378) |
| Carrying value as at end of the period/year | <u>3,379,088</u> | <u>4,009,111</u> |
| 7.1 Carrying value of disposals during the period/year | | |
| Plant and machinery | 36,558 | 406,090 |
| Office equipment | - | 10,400 |
| Vehicles | - | 2,666,740 |
| | <u>36,558</u> | <u>3,083,230</u> |
| 8 PROPERTY AND EQUIPMENT | | |
| Operating fixed assets | 8.1 375,343 | 571,593 |
| Capital work in progress | 8.2 224,000,000 | 224,000,000 |
| | <u>224,375,343</u> | <u>224,571,593</u> |

**SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**



| | Note | December 31, 2017 | June 30, 2017 |
|--|-------|-------------------------------|----------------------------|
| | | <i>Rupees</i> (Un-Audited) | <i>Rupees</i> (Audited) |
| 8.1 Operating fixed assets | | | |
| Net book value as at beginning of the period/year | | 571,593 | 938,783 |
| Additions during the period/year | 8.1.1 | 26,500 | 28,000 |
| Net carrying value of disposals during the period/year | | (41,678) | - |
| Depreciation for the period/year | | (181,072) | (395,190) |
| Net book value as at end of the period/year | | <u>375,343</u> | <u>571,593</u> |
| 8.1.1 Additions during the period/year | | | |
| Computers and equipment | | 26,500 | 28,000 |
| | | <u>26,500</u> | <u>28,000</u> |
| 8.2 Capital work in progress | | | |
| Corporate Tower, Lahore | 8.2.1 | 204,000,000 | 204,000,000 |
| Residential Villas, Murree | | 20,000,000 | 20,000,000 |
| | | <u>224,000,000</u> | <u>224,000,000</u> |

8.2.1 Corporate Tower, Lahore

This includes an advance against purchase of ground floor, measuring 10,221 square feet, in Corporate Tower ('the tower'), Garden Town, Lahore by settlement of total share of Musharika Investment of Rs. 99 million to Enplan (Private) Limited and takeover of exposure of Trust Investment Bank Limited to Enplan (Private) Limited of Rs. 105 million through settlement agreement dated June 28, 2012. On June 29, 2012, the Modaraba entered into an agreement to sell and buy back the ground floor of the tower with Enplan (Private) Limited. According to the terms of agreement, Enplan (Private) Limited shall complete the tower within 18 months of the date of agreement. The Modaraba is also entitled to have the sale deed of the floor executed in its name and it has constructive possession of the property.

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

Due to economic situation and non-availability of credit facilities, the construction of the property could not commence and the work has stalled at plinth level. However, after the structural improvement of road network the value of the property has appreciated due to its location and accessibility. Further, the managements of Enplan (Private) Limited and the Modaraba are actively seeking and negotiating with buyers for sale of further floors to generate funds for completion of the tower. Possibilities are also being explored by the management of Enplan (Private) Limited to wholly and substantially sell the tower to some interested party. In this case the proceeds will be adjusted towards the purchase of first floor from Modaraba before vacation of charge by the Modaraba. Based on the situation, the management is hopeful that sale of further floors may be made in the ensuing year to generate funds to complete the tower.

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

There is no significant change in the status of contingencies since June 30, 2017.

9.2 Commitments

There are no significant commitments at the reporting date except for those under ijarah contracts regarding use by lessees of assets leased out to them under ijarah contracts against future rentals.



**SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

| | Six months ended | | Three months ended | |
|--------------------------------------|-------------------|-------------------|--------------------|-------------------|
| | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| | Rupees | Rupees | Rupees | Rupees |
| 10 NET OTHER INCOME | | | | |
| Gain on financial instruments | | | | |
| Return on bank deposits | - | 146 | - | 146 |
| Markup on loans to employees | 161 | 2,080 | 84 | 914 |
| Dividend income | 303,460 | - | 303,460 | - |
| Gain on sale of membership asset | 33,191,988 | - | 33,191,988 | - |
| Gain on sale of long term investment | 10,181,665 | - | 10,181,665 | - |
| Gain on sale of investments | - | 217 | - | 217 |
| | 43,677,274 | 2,443 | 43,677,197 | 1,277 |
| Other income | | | | |
| Fees, commission and other incomes | - | 14,149 | - | 14,149 |
| | 43,677,274 | 16,592 | 43,677,197 | 15,426 |

11 TAXATION

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

12 RELATED PARTY TRANSACTIONS AND BALANCES

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

| | December 31, 2017 | December 31, 2016 |
|--|-------------------|-------------------|
| | Rupees | Rupees |
| | (Un-Audited) | (Un-Audited) |

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

12.1 Transactions with related parties

| Nature of relationship | Nature of transaction | | |
|------------------------|-----------------------------|---------|---------|
| Provident fund trust | Contribution for the period | 236,244 | 215,948 |
| Officers and employees | Ijarah rentals received | 42,000 | 358,756 |

| | Note | December 31, 2017 | June 30, 2017 |
|--|------|-------------------|---------------|
| | | Rupees | Rupees |
| | | (Un-Audited) | (Audited) |

12.2 Balances with related parties

| | | | |
|------------------------|----------------------------|---------|-----------|
| Officers and employees | Ijarah rentals receivables | 104,402 | 107,447 |
| | Ijarah rentals suspended | 104,402 | 107,447 |
| Provident Fund Trust | Contribution payable | 822,686 | 1,463,708 |

13 FINANCIAL INSTRUMENTS

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

**SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**



| | December 31, 2017 | June 30, 2017 |
|--|---------------------|--------------------|
| | <i>Rupees</i> | <i>Rupees</i> |
| | <i>(Un-Audited)</i> | <i>(Audited)</i> |
| 13.1 Financial assets | | |
| <i>Cash in hand</i> | 55,107 | 389 |
| <i>Available for sale financial assets</i> | | |
| Investments in equity securities | - | 5,750,000 |
| <i>Loans and receivables</i> | | |
| Balances with banks | 34,629,419 | 24,017 |
| Finances under murabahah arrangements | 94,434,676 | 93,239,838 |
| Ijarah rentals receivable | 181,934 | 101,696 |
| Profit receivable | - | 43,820 |
| Security deposits | 857,500 | 857,500 |
| Receivable from clients | 6,653,993 | 9,156,059 |
| Other receivables | 10,224,525 | 535,525 |
| | <u>147,037,154</u> | <u>109,708,844</u> |
| 13.2 Financial liabilities | | |
| <i>Financial liabilities at amortized cost</i> | | |
| Due to customers | 616,846 | 1,308,419 |
| Accrued and other payables | 7,107,814 | 9,932,594 |
| Unclaimed profit distribution | 10,672,043 | 10,673,516 |
| | <u>18,396,703</u> | <u>21,914,529</u> |

14 FAIR VALUE MEASUREMENTS

The Modaraba measures some of its assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

14.1 Financial instruments measured at fair value

14.1.1 Recurring fair value measurements

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

14.1.2 Non-recurring fair value measurements

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

14.2 Financial instruments not measured at fair value

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



**SELECTED NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

14.3 Assets and liabilities other than financial instruments.

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

15 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Management Company and authorized for issue on February 23, 2018.

16 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period that may require adjustment of and/or disclosure in this condensed interim financial information.

17 GENERAL

17.1 No further allowances for impairment are required other than those already made as the management does not envisage any other material doubtful recoveries.

17.2 There are no other significant activities since June 30, 2017 affecting the interim financial information.

17.3 Corresponding figures have been re-arranged where necessary to facilitate comparison.

17.4 Figures have been rounded off to the nearest rupee.

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited



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