

**CONDENSED INTERIM
FINANCIAL STATEMENTS
(UN-AUDITED)
FOR THE HALF YEAR ENDED
31 DECEMBER
2020**



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	Mr. Noor-ud-Din Ahmed Mr. Muhammad Farooq Abid Tung

Company Secretary / CFO

Mr. Ijaz Fazal
hi_ij@hotmail.com

Auditors of Modaraba

CROWE HUSSAIN CHAUDHURY & CO.,
Chartered Accountants

Audit Committee

Chairman	Mr. Muhammad Farooq Abid Tung
Members	Siyid Tahir Nawazish Mr. Noor ud Din Ahmed
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	Mr. Noor ud Din Ahmed
Members	Mr. Muhammad Farooq Abid Tung Siyid 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

DIRECTORS' REPORT



Directors of Fidelity Capital Management (Pvt.) Limited, the management company of First Fidelity Leasing Modaraba are pleased to present second quarter un-audited condensed interim financial information of the Modaraba for the half year ended December 31, 2020, together with auditors' review report thereon.

The Modaraba during half year ended December 31, 2020, earned profit of Rs. 1.018 million, as against profit of Rs. 0.092 million earned in the corresponding six months' period. The operations of the Modaraba in substance have resulted in sustained marginal profit, however its potential profitability still depends on recovery of its major investment in the corporate tower being constructed by Enplan (Pvt.) Limited. As more elaborately discussed in the June 30, 2020 Annual Report, the Modaraba as a last option had filed legal suits against Enplan (Pvt.) Limited, which are being contested in the relevant court of laws. However, in the year 2020 due to COVID 19 pandemic limited court sessions were held and virtually no progress could be made in our cases as they didn't fall in priority category. Modaraba Management and its legal team are confident that in the ensuing period court proceedings would gather pace and progress can be expected in our cases. Modaraba has meritorious grounds to have the cases decided in its favor. The resultant recovery of amounts along with due markup shall provide much needed liquidity and profitability in future periods.

The management will remain cautions prudent and selective for its investment. We always strive to keep special emphasis on customer satisfaction and also ensuring in the process that we follow the Islamic Shariah Principals in all our business transactions.

The Board 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 25, 2021



ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز فیڈ بیلنٹ کیپیٹل مینجمنٹ (پرائیویٹ) لمیٹڈ جو کہ فرسٹ فیڈ بیلنٹ لیزنگ مضاربہ کی مینجمنٹ کمپنی ہے، مضاربہ کے 31 دسمبر 2020 کو ختم ہونے والی ششماہی مدت کے غیر احتساب شدہ مالی حسابات ہمہ آڈیٹر رپورٹ پیش کرتا ہے۔

مضاربہ نے زیر غور ششماہی مدت کے دوران مبلغ 1.018 ملین روپے کا خالص منافع کمایا ہے۔ جب کہ گزشتہ سال اسی مدت کے دوران مبلغ 0.092 ملین روپے کی خالص آمدنی ہوئی۔ تاہم اس کا ممکنہ منافع ابھی بھی این پلان (پرائیویٹ) لمیٹڈ کے زیر تعمیر کارپوریٹ ٹاور میں اس کی بڑی سرمایہ کاری کی وصولی پر منحصر ہے۔ جیسا کہ 30 جون 2020 کی سالانہ رپورٹ میں وسیع بحث کی گئی ہے۔ مضاربہ نے ایک آخری آپشن کے طور پر این پلان (پرائیویٹ لمیٹڈ) کے خلاف قانونی مقدمہ دائر کیا تھا۔ جو قانون کی متعلقہ عدالت میں لڑی جا رہی ہے۔ تاہم سال 2020 میں کوورڈ 19 وبائی بیماری کی وجہ سے محدود سیشن منعقد ہوئے۔ اور عملی طور پر ہمارے معاملات میں کوئی پیش رفت نہیں ہو سکی۔ کیونکہ وہ ترجیحی قسم میں نہیں آتے ہیں۔ مضاربہ مینجمنٹ اور اس کی قانونی ٹیم کو یقین ہے کہ آئندہ مدت میں عدالت کی کارروائی تیزی سے ہوگی۔ اور ہمارے معاملات میں پیش رفت کی توقع کی جا سکتی ہے۔ مضاربہ کے پاس مقدمات کا فیصلہ اس کے حق میں کرنے کے لیے بہت ساری بنیادیں ہیں۔ مارک اپ رقوم کی وصولی کے نتیجہ میں آئندہ ادوار میں کافی حد تک لیکویڈٹی اور منافع بخش فراہم کرے گی۔

انتظامیہ مضاربہ کے سرمائے کو محفوظ بنانے کے لئے محتاط اور منتخب کاروبار میں استعمال کرے گی۔ ہم ہمیشہ اپنے صارفین کی تسلی پر توجہ دیتے ہیں۔ اور اس بات کو ممکن بناتے ہیں۔ کہ ہمارا تمام کاروبار اسلامی شرعی اصولوں کے عین مطابق ہو۔

بورڈ اس موقع پر اپنے معزز سرٹیفیکیٹ ہولڈرز اور نگران اداروں کی مسلسل حمایت و رہنمائی اور تعاون کے لئے شکریہ 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 شکریہ ادا کرتا ہے۔

از طرف بورڈ آف ڈائریکٹرز:

وسیم الحق عثمانی

چیف ایگزیکٹو آفیسر

لاہور

فروری 2021ء

Independent Auditor's Review Report To The Certificate Holders of First Fidelity Leasing Modaraba On Review Of Interim Financial Statements



Introduction

We have reviewed the accompanying condensed interim balance sheet of **First Fidelity Leasing Modaraba** ("the Modaraba") as at December 31, 2020, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement, and notes to the financial statements for the half year then ended (here-in-after referred to as "the interim financial statements"). The Modaraba Management Company [Fidelity Capital Management (Private) Limited] is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the quarter ended December 31, 2020 and December 31, 2019 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

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 statements consists 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 for Qualified Conclusion

Based on our review we report that, as described in Note 11.2.1 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 and the settlement of the advance is dependent upon completion of the Tower through raising further funds or through the disposal of the Tower in its existing state. Further, the Modaraba has also filed various recovery suits against Enplan (Private) Limited and counter suit has been filed by Enplan (Private) Limited. Pending the outcomes of these cases, the management has not measured the recoverable amount of the advance. Accordingly, the impairment loss, if any, has not been recognized in these interim financial statements.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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

LAHORE

Dated: February 25, 2021

CROWE HUSSAIN CHAUDHURY & CO.

Chartered Accountants



Shari'ah Review Report of First Fidelity Leasing Modaraba For The Period Ended December 31, 2020

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 December 31, 2020 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that in my opinion;

1. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
2. The Modaraba's financing portfolio mainly consist on Ijarah and Murabaha financing, all the transactions are/were being executed under my supervision/review. The agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
3. The management of Modaraba is pursuing legal proceedings against Enplan (Pvt.) Limited, one of its major stuck-up investment in infrastructure project. The cases have reached on arguments stage, management is hopeful for positive outcome in the cases.
4. A few cases which were required to be consulted in accordance with the Shariah principles and market practices have been discussed and duly resolved.

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.

The Modaraba still has a part of its portfolio of assets, covered through conventional insurance companies instead of sharia compliant takaful. It must be fully converted into takaful as soon as possible on the next renewal.

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: February 23, 2021

CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2020



		December 31, 2020	June 30, 2020
	Note	(Un-audited) Rupees	(Audited) Rupees
ASSETS			
Current Assets			
Cash and bank balances		1,447,638	1,426,007
Short term finances under Murabaha arrangements	4	69,743,079	63,399,999
Ijarah rentals receivable	5	9,818,428	7,160,527
Profit receivable under Murabaha arrangements	6	2,177,935	2,299,077
Advances, prepayments and other receivables	7	13,644,602	13,555,254
Tax deducted at source		567,590	818,586
Current portion of non-current assets	8	456,004	250,484
		97,855,276	88,909,934
Non-Current Assets			
Long term advances to employees	8	908,278	1,059,014
Membership assets	9	3,510,000	3,510,000
Assets leased out under Ijarah contracts	10	50,128,043	60,187,110
Property and equipment	11	224,275,873	224,322,571
		278,822,194	289,078,695
Total Assets		376,677,470	377,988,629
LIABILITIES			
Current Liabilities			
Accrued and other liabilities	12	3,840,128	3,913,660
Unclaimed profit distribution		16,904,004	16,904,004
Current portion of security deposits	13	1,187,208	757,657
		21,931,340	21,575,321
Non-Current Liabilities			
Security deposits	13	17,101,829	19,747,380
Employees retirement benefits		275,401	315,668
		17,377,230	20,063,048
Total Liabilities		39,308,570	41,638,369
NET ASSETS		337,368,900	336,350,260
<i>REPRESENTED BY</i>			
CAPITAL AND RESERVES			
Certificate capital	14	264,138,040	264,138,040
Reserves		73,230,860	72,212,220
Contingencies and Commitments	15	-	-
		337,368,900	336,350,260

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements (un-audited).


Chief Executive Officer
Fidelity Capital Management
(Private) Limited


Director
Fidelity Capital Management
(Private) Limited


Director
Fidelity Capital Management
(Private) Limited


CFO/Company Secretary



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2020

	Note	Half year ended December 31,		Quarter ended December 31,	
		2020	2019	2020	2019
		Rupees	Rupees	Rupees	Rupees
		----- Unaudited -----		----- Unaudited -----	
Income from ijarah		9,159,800	9,441,208	3,412,057	5,001,354
Profit on murabaha finances		2,405,272	2,722,449	1,170,023	356,405
Other income	16	461,450	232,746	(101,379)	49,896
		<u>12,026,522</u>	<u>12,396,403</u>	<u>4,480,701</u>	<u>5,407,655</u>
Reversal / (Charge) Provision against non performing finance and other receivables - net		206,189	(78,204)	206,189	(78,204)
		<u>12,232,711</u>	<u>12,318,199</u>	<u>4,686,890</u>	<u>5,329,451</u>
Amortization of assets leased out under ijarah contracts		(5,915,692)	(5,802,221)	(2,763,054)	(3,000,940)
Administrative and general expenses		(5,167,573)	(6,386,723)	(2,851,391)	(3,203,137)
Financial charges		(17,624)	(5,869)	(2,061)	(4,270)
		<u>(11,100,889)</u>	<u>(12,194,813)</u>	<u>(5,616,506)</u>	<u>(6,208,347)</u>
Operating Profit / (Loss)		<u>1,131,822</u>	<u>123,386</u>	<u>(929,616)</u>	<u>(878,896)</u>
Charge of Modaraba Management Company's fee		(113,182)	(12,339)	(113,182)	(12,339)
Profit / (Loss) before Taxation		<u>1,018,640</u>	<u>111,047</u>	<u>(1,042,798)</u>	<u>(891,235)</u>
Taxation	17	-	(18,878)	-	(18,878)
Net Profit / (Loss) for the Period		<u>1,018,640</u>	<u>92,169</u>	<u>(1,042,798)</u>	<u>(910,113)</u>
Earnings / (Loss) per Certificate - Basic and Diluted		<u>0.039</u>	<u>0.003</u>	<u>(0.039)</u>	<u>(0.034)</u>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements (un-audited).


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**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2020**



	Half year ended December 31,		Quarter ended December 31,	
	2020	2019	2020	2019
	Rupees	Rupees	Rupees	Rupees
	----- Unaudited -----	----- Unaudited -----	----- Unaudited -----	----- Unaudited -----
Net Profit / (Loss) for the Period	1,018,640	92,169	(1,042,798)	(910,113)
Other Comprehensive Income:				
<i>Items that will not be reclassified to profit or loss</i>	-	-	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total Comprehensive Income / (Loss) for the Period	<u>1,018,640</u>	<u>92,169</u>	<u>(1,042,798)</u>	<u>(910,113)</u>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements (un-audited).


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 (Private) Limited


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Director
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 (Private) Limited


CFO/Company Secretary



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 31, 2020

	Half yearly ended December 31,	
	2020	2019
	Rupees	Rupees
	----- Unaudited -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,018,640	111,047
Adjustments for non-cash and other items:		
- Amortization of assets under ijarah	5,899,192	5,802,221
- Depreciation on property and equipment	103,498	130,994
- Impairment on receivable from Hajveri Modaraba Management Company	5,780	173,412
- Security deposits written off	-	37,500
	<u>6,008,470</u>	<u>6,144,127</u>
Operating profit before working capital changes	<u>7,027,110</u>	<u>6,255,174</u>
Decrease / (increase) in current assets		
- Finances under murabahah arrangements	(6,343,080)	9,000,000
- Ijarah rentals receivable	(2,657,901)	(2,683,701)
- Profit receivable	121,142	(722,449)
- Advances, prepayments and other receivables	(95,128)	(4,506,159)
Increase / (decrease) in current liabilities		
- Accrued and other liabilities	(73,532)	(103,176)
	<u>(9,048,499)</u>	<u>984,515</u>
Cash (Used in) / generated from operations	<u>(2,021,389)</u>	<u>7,239,689</u>
<i>(Increase) in non-current assets:</i>		
- Long term advances and deposits	(54,784)	(221,555)
<i>(Decrease) / Increase in non-current liabilities:</i>		
- Security deposits	(2,216,000)	(2,251,951)
- Employees retirement benefits	(40,267)	67,753
Proceeds from disposal of ijarah assets	8,384,875	7,682,632
Purchase of ijarah assets	(4,225,000)	(6,809,999)
Income tax refund / (paid)	<u>250,996</u>	<u>(3,189)</u>
Net Cash Generated from Operating Activities	<u>78,431</u>	<u>5,703,380</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(56,800)</u>	<u>(57,000)</u>
Net Cash Used in Investing Activities	<u>(56,800)</u>	<u>(57,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distributed to certificate holders	<u>-</u>	<u>(77,566)</u>
Net Cash Used in Financing Activities	<u>-</u>	<u>(77,566)</u>
Net Increase in Cash and Cash Equivalents	<u>21,631</u>	<u>5,568,814</u>
Cash and cash equivalents at the beginning of the period	<u>1,426,007</u>	<u>3,416,953</u>
Cash and Cash Equivalents at the End of the Period	<u><u>1,447,638</u></u>	<u><u>8,985,767</u></u>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements (un-audited).


Chief Executive Officer
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(Private) Limited


Director
Fidelity Capital Management
(Private) Limited


Director
Fidelity Capital Management
(Private) Limited


CFO/Company Secretary

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2020**



Particulars	Certificate Capital	Reserves		Total	Total Equity
		Statutory Reserve	Accumulated Profit / (Loss)		
	Rupees	Rupees	Rupees	Rupees	Rupees
		----- Unaudited -----			
Balance as at June 30, 2019	264,138,040	94,620,283	(17,755,062)	76,865,221	341,003,261
Net profit for the period	-	-	92,169	92,169	92,169
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for six months period ended December 31, 2019	-	-	92,169	92,169	92,169
Transfer to statutory reserves	-	23,042	(23,042)	-	-
Balance as at December 31, 2019	264,138,040	94,643,325	(17,685,935)	76,957,390	341,095,430
Balance as at June 30, 2020	264,138,040	94,620,283	(22,408,063)	72,212,220	336,350,260
Net Profit for the period	-	-	1,018,640	1,018,640	1,018,640
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for six months period ended December 31, 2020	-	-	1,018,640	1,018,640	1,018,640
Transfer to statutory reserves	-	254,660	(254,660)	-	-
Balance as at December 31, 2020	264,138,040	94,874,943	(21,644,083)	73,230,860	337,368,900

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements (un-audited).


Chief Executive Officer
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(Private) Limited


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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2020

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 framed thereunder and 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 perpetual, multi-purpose and multi-dimensional, engaged in the business of Murabahas, Musharakahs, Ijarah, equity investment, 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 interim condensed financial statements are unaudited and are being submitted to the certificate holders as required under Rule 10 of the Modaraba Companies and Modaraba Rules, 1981. These condensed interim financial statements of the Modaraba for the half year ended December 31, 2020 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and 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 Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan. Wherever the requirements of IAS 34 differ with the requirements of the Companies Act, 2017, Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by the Securities and Exchange Commission of Pakistan (SECP), the requirements of latter take precedence.

- 2.2 These condensed interim financial statements should be read in conjunction with annual audited financial statements for the year ended June 30, 2020. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2020 whereas comparative profit and loss account, comparative statement of comprehensive income, comparative cash flows statement and comparative statement of changes in equity are extracted from unaudited interim financial statements for the half year ended December 31, 2020.
- 2.3 A limited scope review of these interim financial statements (un-audited) has been performed by the external auditors as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019. The figures for the quarters ended on December 31, 2019 and 2020 presented in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed by the external auditors.
- 2.4 The preparation of these condensed interim financial statements (un-audited) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the annual audited financial statements for the year ended June 30, 2020.

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**



Note 2, Basis of Preparation- Continued...

- 2.5 These condensed interim financial statements (un-audited) are presented in Pak Rupees, which is the Modaraba's functional and presentational currency. All the figures have been rounded off to the nearest rupees, unless otherwise stated.

Note 3

Significant Accounting Policies

The Modaraba's accounting and financial risk management policies and methods of computation adopted in the preparation of these condensed interim financial statements (un-audited) are the same as those applied in the preparation of the published preceding annual audited financial statements for the year ended June 30, 2020.

Note 4

Short Term Finances Under Murabaha Arrangements

		December 31, 2020	June 30, 2020
	Note	Rupees (Un-audited)	Rupees (Audited)
Performing murabahah finance	4.1	34,743,080	28,400,000
Non-performing murabahah finance	4.2	227,754,231	227,754,231
		262,497,311	256,154,231
Less: Allowance for expected credit losses	4.3	(192,754,232)	(192,754,232)
		<u>69,743,079</u>	<u>63,399,999</u>

- 4.1 These represent receivables against murabahah finances on deferred payment basis at a specified margin. These are secured against mortgage of property, demand promissory notes and personal guarantees. Profit margin on murabahah finances ranges from 12.98% to 19% (June 2019: 12.98% to 19%) per annum.
- 4.2 These include an amount of Rs. 35 million (June 2019: Rs. 35 million) advanced to Enplan (Private) Limited against Murabahah facility under the terms of settlement agreement dated April 01, 2011. It is secured against equitable as well as registered mortgage over land and building thereon measuring 4 kanals and 1 marla. It carries profit at 12.98% per annum. Principal as well as profit is receivable in bullet payment on expiry of the facility.
- 4.3 This provision represents classified facilities of the erstwhile First Hajveri Modaraba. Certain recovery suits in this respect are pending adjudication in the Honourable Lahore High Court and Banking Court. However, due to inadequate securities, chances of substantial recoveries are slim.

Note 5

Ijarah Rentals Receivable

		December 31, 2020	June 30, 2020
	Note	Rupees (Un-audited)	Rupees (Audited)
Performing ijarah rentals		9,818,428	7,160,527
Non-performing ijarah rentals		37,610,665	37,816,854
		47,429,093	44,977,381
Impairment allowance for expected credit losses	5.1	(37,610,665)	(37,816,854)
		<u>9,818,428</u>	<u>7,160,527</u>

5.1 Movement in allowance for expected credit losses:

As at beginning of the period / year	37,816,854	36,920,823
Recognized during the period / year	552,046	1,590,959
Reversed during the period / year	(758,235)	(694,928)
Net charged during the period / year	(206,189)	896,031
As at end of the period / year	<u>37,610,665</u>	<u>37,816,854</u>



**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

Note 6

Profit Receivable Under Murabaha Arrangements

	December 31, 2020	June 30, 2020
	Rupees (Un-audited)	Rupees (Audited)
Receivable against performing murabahah	2,177,935	2,299,077
Receivable against non-performing murabahah	19,808,177	19,808,177
	<u>21,986,112</u>	<u>22,107,254</u>
Less: Allowance for expected credit losses	(19,808,177)	(19,808,177)
	<u><u>2,177,935</u></u>	<u><u>2,299,077</u></u>

Note 7

Advances, Prepayments and Other Receivables

		December 31, 2020	June 30, 2020
	Note	Rupees (Un-audited)	Rupees (Audited)
Receivable from clients	7.1	7,244,723	7,244,723
Receivable from Hajveri Modaraba Management Company (Private) Limited	7.2	2,023,144	2,028,924
Other receivables	7.3	4,376,735	4,281,607
		<u>13,644,602</u>	<u>13,555,254</u>

7.1 Receivable from clients

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

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

Gross amount due	2,905,482	2,905,482
Impairment allowance on doubtful receivable	(882,338)	(876,558)
	<u>2,023,144</u>	<u>2,028,924</u>

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

The current Modaraba Management Company has filed a civil law suit against the previous Management Company for recovery of the amount which has been returned for want of jurisdiction. FHM has filed an appeal in the Lahore High Court against the decision of the Civil Court. The appeal has been adjourned with a date in office.

The present Management Company came in possession of 2,053,200 certificates of erstwhile FHM that were subsequently converted into 578,041 certificates of The Modaraba on amalgamation. The present Management Company has prayed to the Court that these certificates be attached and sold for adjustment of claim of the Modaraba. The suit was returned by the Civil Court with the objection that the same should be filed with the Modaraba Tribunal. The present Management Company has filed an appeal against this order in the Honourable Lahore High Court which is pending adjudication.

7.3 Other receivables

	December 31, 2020	June 30, 2020
	Rupees (Un-audited)	Rupees (Audited)
Gross amount due	4,541,998	4,446,870
Impairment allowance on doubtful receivables	(165,263)	(165,263)
	<u>4,376,735</u>	<u>4,281,607</u>

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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Note 8

Long Term Advances and Deposits

		December 31, 2020	June 30, 2020
	Note	Rupees (Un-audited)	Rupees (Audited)
Advances to employees	8.1	1,364,282	1,309,498
Current portion		<u>(456,004)</u>	<u>(250,484)</u>
		<u>908,278</u>	<u>1,059,014</u>

8.1 These represent loans to employees for personal purposes as per the Modaraba's policy. These carry profit at 5% (June 2019: 5% per annum).

Note 9

Membership Assets

		December 31, 2020	June 30, 2020
		Rupees (Un-audited)	Rupees (Audited)
Membership of Pakistan Mercantile Exchange Limited		1,010,000	1,010,000
Room at Pakistan Mercantile Exchange Limited		2,500,000	2,500,000
		<u>3,510,000</u>	<u>3,510,000</u>

Note 10

Assets Leased Out Under Ijarah Contracts

		December 31, 2020	June 30, 2020
		Rupees (Un-audited)	Rupees (Audited)
Carrying value as at beginning of the period / year		60,187,110	64,016,079
Additions during the period / year		4,225,000	22,824,979
Net carrying value of disposals during the period / year		<u>(8,384,875)</u>	<u>(15,175,463)</u>
		56,027,235	71,665,595
Amortization for the period / year		<u>(5,899,192)</u>	<u>(11,478,485)</u>
		<u>50,128,043</u>	<u>60,187,110</u>

Note 11

Property and Equipment

		December 31, 2020	June 30, 2020
		Rupees (Un-audited)	Rupees (Audited)
Operating fixed assets	11.1	275,873	322,571
Capital work in progress	11.2	224,000,000	224,000,000
		<u>224,275,873</u>	<u>224,322,571</u>

11.1 Operating fixed assets

Carrying value as at beginning of the period / year	322,571	388,119
Additions during the period / year	56,800	125,000
	379,371	513,119
Depreciation for the period / year	<u>(103,498)</u>	<u>(190,548)</u>
	<u>275,873</u>	<u>322,571</u>



**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**

Note 11, Property and Equipment - Continued...

		December 31, 2020	June 30, 2020
		Rupees (Un-audited)	Rupees (Audited)
11.2 Capital work in progress			
Corporate Tower, Lahore	11.2.1	204,000,000	204,000,000
Villas at Murree	11.2.2	20,000,000	20,000,000
Advance against purchase of property	11.2.3	4,500,000	4,500,000
		228,500,000	228,500,000
Impairment allowance		(4,500,000)	(4,500,000)
		<u>224,000,000</u>	<u>224,000,000</u>

11.2.1 This represents an 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 musharikhah arrangements. Under these arrangements, M/s Enplan (Private) Limited had availed Rs. 99 million from the modaraba (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 modaraba took over the exposure of finance facilities provided by Trust Investment Bank Limited for Rs. 105 million.

On June 29, 2012, the Modaraba 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 Modaraba 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 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. Further, as indicated in note 8.3, the Modaraba has also extended murabahah facilities of Rs. 35 million to Enplan (Private) Limited as per agreed terms for completion 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 Enplan (Private) Limited. The Modaraba has also filed criminal complaint against the directors of Enplan (Private) Limited for prosecution against criminal misrepresentation and breach of trust.

11.2.2 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 October 2016 by Maricon Consultants (Private) Limited at Rs. 35.2 million.

11.2.3 This represents an advance to Rahman Construction Company against purchase and construction of property amounting to Rs. 4.5 million which has been fully provided by the management during the previous periods as there are low chances of recovery of this advance.

Note 12

Accrued And Other Liabilities

	December 31, 2020	June 30, 2020
	Rupees (Un-audited)	Rupees (Audited)
Due to customers	27,628	27,628
Advance ijarah rentals	559,625	342,719
Management Company's remuneration payable	161,170	153,988
Accrued liabilities	1,769,458	1,482,536
Payable to Provident Fund Trust	235,601	446,441
Workers' welfare fund	197,481	177,149
With holding tax payable	889,165	1,283,199
	<u>3,840,128</u>	<u>3,913,660</u>

Note 13

Security Deposits

	December 31, 2020	June 30, 2020
	Rupees (Un-audited)	Rupees (Audited)
Security deposits under ijarah contracts	18,289,037	20,505,037
Current portion	(1,187,208)	(757,657)
	<u>17,101,829</u>	<u>19,747,380</u>

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**



Note 14

Certificate Capital

	December 31, 2020	June 30, 2020
	Rupees (Un-audited)	Rupees (Audited)
Authorized Capital		
62,500,000 (June 30, 2020: 62,500,000) Modaraba Certificates of Rs. 10 each	<u>625,000,000</u>	<u>625,000,000</u>
Issued, subscribed and paid-up capital		
16,656,491 (June 30, 2020: 16,656,491) Modaraba Certificates of Rs. 10 each fully paid in cash	166,564,910	166,564,910
3,976,908 (June 30, 2020: 3,976,908) Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates	39,769,080	39,769,080
5,780,405 (June 30, 2020: 5,780,405) certificates issued on amalgamation of First Hajveri Modaraba	<u>57,804,050</u>	<u>57,804,050</u>
	<u>264,138,040</u>	<u>264,138,040</u>

Note 15

Contingencies And Commitments

There is no significant change in the status of contingencies and commitments as reported in the annual audited financial statements of the Modaraba for the year ended 30 June 2020.

Note 16

Other Income

	Half Year Ended December 31,		Quarter ended December 31,	
	2020	2019	2020	2019
	----- Rupees -----		----- Rupees -----	
	----- (Un-audited) -----		----- (Un-audited) -----	
Return on bank deposits	19,996	10,827	19,996	10,827
Markup on loans to employees	16,995	12,900	16,918	12,823
Gain on early termination of Ijarah arrangement	424,459	209,019	424,459	209,019
	<u>461,450</u>	<u>232,746</u>	<u>461,373</u>	<u>232,669</u>

Note 17

Taxation

Under the current tax law, the income of non-trading modarabas is exempt from tax provided that they distribute ninety (90) percent of their profits as cash dividend to the certificate holders out of current period's total profit after appropriating statutory reserves. Where such profits are not distributed, provision for tax is made on taxable income at the current tax rates applicable to Modaraba after taking into account the available tax exemptions and tax credits, if any. No provision for tax liability has been incorporated in these condensed interim financial statements (un-audited) due to the losses during the period.



**NOTES TO AND FORMING PART OF THE
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Note 18

Segment Reporting

18.1 A business 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 (the chief operating decision maker of the Modaraba) for allocation of resources and for the assessment of performance. Based on internal management reporting structure and products produced and sold, the Modaraba is organized into following five operating segments:

Types of segments	Nature of business
- Murabaha finances	Sale of goods under murabaha arrangement
- Ijarah finances	Giving right to the benefit of using an asset for a consideration

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

The Chief Operating Decision Maker 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 on an arm's length basis in a manner similar to transactions with third parties.

18.2 Segment analysis

The segment information for the reportable segments for the period / year is as follows:

December 31, 2020			December 31, 2019		
Murabaha Finances	Ijarah Finances	Total	Murabaha Finances	Ijarah Finances	Total
----- Rupees -----			----- Rupees -----		
----- (Un-audited) -----			----- (Un-audited) -----		

Segment revenues / profits

Revenues	2,405,272	9,159,800	11,565,072	9,441,208	2,722,449	12,163,657
Depreciation	-	(5,915,692)	(5,915,692)	-	(5,802,221)	(5,802,221)
Gain on disposal	-	424,459	424,459	-	209,019	209,019
(Provision) / Reversal for doubtful receivables	-	206,189	206,189	-	(78,204)	(78,204)

Reportable segment profit	<u>2,405,272</u>	<u>3,874,756</u>	<u>6,280,028</u>	<u>9,441,208</u>	<u>(2,948,957)</u>	<u>6,492,251</u>
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December 31, 2020			June 30, 2020		
Murabaha Finances	Ijarah Finances	Total	Murabaha Finances	Ijarah Finances	Total
----- Rupees -----			----- Rupees -----		
----- (Un-audited) -----			----- (Audited) -----		

Reportable segment assets	<u>71,921,014</u>	<u>60,807,453</u>	<u>132,728,467</u>	<u>65,699,076</u>	<u>67,615,145</u>	<u>133,314,221</u>
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Reportable segment liabilities	<u>-</u>	<u>18,999,145</u>	<u>18,999,145</u>	<u>-</u>	<u>20,847,756</u>	<u>20,847,756</u>
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**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2020**



Note 18, Segment Reporting - Cont ...

Note 18.2, Segment analysis - Cont ...

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

	December 31, 2020	December 31, 2019
	----- Rupees -----	
	----- (Un-audited) -----	
Revenues		
Total revenues for reportable segments	11,989,531	12,372,676
Other revenues	36,991	23,727
Modaraba's revenues	<u>12,026,522</u>	<u>12,396,403</u>
Profit for the period		
Total profit for reportable segments	6,280,028	6,492,251
Other expenses - net	(5,261,388)	(6,400,082)
	<u>1,018,640</u>	<u>92,169</u>
	December 31, 2020	June 30, 2020
	Rupees	Rupees
	(Un-audited)	(Audited)
Assets		
Total assets for reportable segments	132,728,467	133,314,221
Corporate assets unallocated	242,501,365	243,248,401
Cash and bank balances	1,447,638	1,426,007
Total assets as per the balance sheet	<u>376,677,470</u>	<u>377,988,629</u>
Liabilities		
Total liabilities for reportable segments	18,999,145	20,847,756
Corporate liabilities unallocated	20,309,425	20,790,613
Total liabilities as per the balance sheet	<u>39,308,570</u>	<u>41,638,369</u>

- 18.2.1** 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.
- 18.2.2** 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.
- 18.2.3** There are no changes from prior periods in the measurement methods used to determine reported segment profit or loss.
- 18.2.4** There are no asymmetrical allocations to reportable segments.
- 18.3** All non-current assets of the Modaraba are located in Pakistan as at the reporting date.



**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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Note 19

Balances and Transactions with Related Parties

Related parties of the Modaraba include the Modaraba Management Company [Fidelity Capital Management (Private) Limited], directors and key management personnel of the Modaraba Management Company, key management personnel of the Modaraba and their close family members, the provident fund trust and entities with common directors or under common management and control.

Contribution to the provident fund is made in accordance with the services rules. Modaraba management fee, if any, is accrued in accordance with the requirements of the Modaraba Regulations. Remuneration of key management personnel is paid in accordance with the terms of their employment. Other transactions are carried out at agreed terms.

Transactions during the period			December 31,	December 31,
			2020	2019
			----- Rupees -----	
			----- (Un-audited) -----	
Related party	Relationship	Nature of transaction		
Employees Provident Fund Trust	Provident Fund Trust	Contribution for the period	163,726	190,794
		Payment during the period	538,304	144,795
Officers and employees	Key management personnel	Ijarah rentals received	338,921	230,179
Management company	Management Company	Management company's remuneration payable	113,182	12,339
Management company	Management Company	Rent receivable from management company	608,845	1,164,000
Outstanding Balances as at,			December 31,	June 30,
			2020	2020
			Rupees	Rupees
			(Un-audited)	(Audited)
Employees Provident Fund Trust		Contribution payable	235,601	446,441
Officers and employees		Ijarah rentals receivables	32,072	202,794
Management company		Management company's remuneration payable	161,170	153,988
Management company		Rent receivable from management company	2,494,419	1,885,574

**NOTES TO AND FORMING PART OF THE
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Note 20

Fair Value of Financial Instruments

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 Company has access at that date.

There has been no change in the hierarchy of input used to determine fair value as compare to the bases used in the preceding annual audited financial statements for the year ended June 30, 2020

Note 21

Date of Authorization for Issue

These condensed interim financial statements (un-audited) are approved and authorized for issuance on by the Board of Directors of the Modaraba Management Company.

Note 22

General

Corresponding figures have been rearranged / reclassified, wherever necessary, to facilitate comparison. No material rearrangements / reclassifications have been made during the period.



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