

ANNUAL REPORT 2020



FIRST FIDELITY LEASING MODARABA

Managed by:
Fidelity Capital Management (Private) Limited



CONTENTS

CORPORATE INFORMATION	02
VISION AND MISSION STATEMENT	03
KEY OPERATING DATA FOR LAST SIX YEARS	04
NOTICE OF ANNUAL REVIEW MEETING	05
DIRECTORS' REPORT	06
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	14
INDEPENDENT AUDITOR'S REVIEW REPORT ON CCG STATEMENT OF COMPLIANCE	16
AUDITORS' REPORT TO THE CERTIFICATE HOLDERS	17
SHARI'AH ADVISOR'S REPORT	18
BALANCE SHEET	19
PROFIT AND LOSS ACCOUNT	20
PROFIT OR LOSS ACCOUNT/STATEMENT OF OTHER COMPREHENSIVE INCOME	21
CASH FLOW STATEMENT	22
STATEMENT OF CHANGES IN EQUITY	23
NOTES TO THE ACCOUNTS	24
PATTERN OF CERTIFICATE HOLDINGS	49



CORPORATE INFORMATION

Board of Directors

Fidelity Capital Management (Private) Limited.

Chairman

Siyyid Tahir Nawazish

Chief Executive

Mr. Wasim-ul-Haq Osmani

Directors

Mr. Noor-ud-Din Ahmed

Mr. Muhammad Farooq Abid Tung

Company Secretary / CFO

Mr. Ijaz Fazal

hi_ij@hotmail.com

Auditors of Modaraba

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Audit Committee

Chairman

Mr. Muhammad Farooq Abid Tung

Members

Siyyid Tahir Nawazish

Mr. Noor ud Din Ahmed

Secretary

Mr. Muhammad Ilyas Shafiq

Credit Committee

Chairman

Siyyid Tahir Nawazish

Members

Mr. Wasim-ul-Haq Osmani

Mr. Muhammad Younas Chaudhry

Human Resource & Remuneration Committee

Chairman

Mr. Noor ud Din Ahmed

Members

Mr. Muhammad Farooq Abid Tung

Siyyid Tahir Nawazish

Secretary

Mr. Muhammad Younas Chaudhry

Legal Advisor

Salim & Baig (Advocates)

Bankers

MCB Bank Limited

Meezan Bank Limited

Registered Office

93, B-1 Canal Park, Gulberg -II, Lahore.

Tel: 0 4 2 – 3 5 7 1 3 4 6 1 – 6 4

Fax: 0 4 2 – 3 5 7 5 9 1 2 2

Email: info@fidelitymodaraba.com

Website: www.fidelitymodaraba.com

Registrars

Corptec Associates (Private) Limited

503-E, Johar Town Lahore.

Tel: 0 4 2 – 3 5 1 7 0 3 3 6 - 7

Fax: 0 4 2 – 3 5 1 7 0 3 3 8

Email: corptecassociates@gmail.com



Vision

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

Mission

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

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

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

**KEY OPERATING DATA FOR LAST SIX YEARS**

(Rupees in Millions)

	June 2020 Rupees	June 2019 Rupees	June 2018 Rupees	June 2017 Rupees	June 2016 Rupees	June 2015 Rupees
Operating results						
Revenues	24.40	27.29	50.53	3.57	5.35	11.57
Operating loss/profit before taxation and management fee	(4.06)	1.38	33.36	(8.15)	(9.74)	(7.30)
Financial position						
Fixed assets (owned and leased out)	284.4	288.4	301.75	228.58	233.52	242.32
Total assets	377.98	382.25	399.03	349.43	357.02	367.18
Certificateholders equity	336.35	341.00	357.02	323.66	331.81	341.61
Paid up capital	264.13	264.13	264.13	264.13	264.13	264.13
Earning Profit/ (Loss) per certificate	(0.18)	0.04	1.26	(0.31)	(0.37)	(0.28)
Profit distribution (%)	0.00	0.00	6.5	0.00	0.00	0.00
Break-up value per certificate	12.73	12.91	13.52	12.25	12.56	12.93



**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, 2020 will be held on Wednesday October 28, 2020 at 11:30 A.M. at Ground Floor, 93-B-1, Canal Bank, Gulberg-II, Lahore. The Certificate transfer books of the Modaraba remain closed from October 22, 2020 to October 28, 2020 (both days inclusive) for the determination of names of certificate holders for attendance of Annual Review Meeting. Certificate holders whose names are entered in the Register of Certificate holders as on October 21, 2020 shall be entitled to attend the meeting.

October 07, 2020

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 29th Annual Report of First Fidelity Leasing Modaraba along with the audited financial statements and the auditors' report thereon for the year ended June 30, 2020.

Financial Results

The financial results of the Modaraba are summarized as follows.

	Rupees in '000'	
	2020	2019
Income	24.402	27.293
Expenses	(27.007)	(25.999)
Operating (loss)/profit before provision and taxation	(2.605)	1.293
Impairment allowance for non-performing assets	(2.047)	0.246
Modaraba Company's management fee		0.154
profit before taxation	(4.653)	1.386
Taxation		(0.236)
(Loss)/Profit after tax	(4.653)	1.150
Appropriations		
Appropriated as follows:		
Transferred to statutory reserves		0.230
Profit distribution	Nil	Nil
Earnings per Certificate:		
Profit per certificate stood at Rs.	(0.18)	0.04

Review of Operations

A novel strain of corona virus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lock-downs, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses worldwide and in Pakistan, resulting in an economic slowdown. General economic activities in Pakistan also slowed down during the year. The Ijara / leasing operations of the Modaraba were materially affected from COVID19.



The Modaraba during the year ended June 30, 2020 sustained a loss of Rs 4.653 million as against profit of Rs. 1.150 million earned in the corresponding year ended June 30, 2019. Loss per certificate of the Modaraba is Rs.(0.18) as compared to profit of Rs 0.04 per certificate earned in the corresponding year. The operation of Modaraba for the year in substance have resulted in loss whereas its conversion to potential profitability necessarily depends on recovery of its major investment in the corporate tower.

As referred to in note 13.2.1 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 the 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, legal cases were instituted against Enplan and its sponsors which are pending in courts of law. Modaraba has meritorious grounds to have the cases decided in its favor. The ultimate resolution of Corporate Tower shall bring principal amount along with lost opportunity cost of funds which shall provide substantial funds for deployment in regular recurring business activities on realization. Due to COVID-19 pandemic and the lockdown situation in the country progress on the court cases remained stalled, We expect that after reopening of courts in the subsequent period court proceedings will normalise and we will see progress on our cases.

Based on advised legal position we are confident of favorable decisions in favor of the Modaraba. In the meantime, whatever resources we have, the management is cautious, prudent and selective in making new investments, so as to expand and grow the business in prudent manner, more so as economy of Pakistan is currently facing tough times and hard challenges.

Corporate Governance Compliance

As required by the Code of Corporate Governance, directors are pleased to report that:

- (a) The financial statements prepared by the management of the Modaraba present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- (b) Proper books of account of the Modaraba have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- (d) International accounting standards, as applicable in Pakistan have been followed in preparation of financial statements.
- (e) The system of internal control is sound and has been effectively implemented and monitored.
- (f) There are no significant doubts upon the Moradabad's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.
- (h) A statement setting out status of the compliance with the best practices of corporate governance is attached.
- (i) There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as on June 30, 2019 except those disclosed in the financial statements, (if any).



Key Operating and Financial Data

A statement summarizing key operating and financial data for the last six years is attached.

Trading in Modaraba certificates by Directors etc.

None of the directors, chief executive, executives, auditors of the Modaraba or their spouses and minor children carried out any trade in the certificates of the Modaraba during the year under report except a small transaction by one of the director information for which was reported to PSX within the stipulated time.

Board Meetings

During the year under review four meetings of the Board of Fidelity Capital Management (Pvt.) Limited were held, which were attended by the directors as follows:

Name of Director	Meetings Attended
Siyyid Tahir Nawazish	4
Mr. Wasim-ul-Haq Osmani	4
Mr. Muhammad Farooq Abid Tung	4
Mr. Noor Ud Din Ahmed	1

Audit Committee Meetings

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

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

Human Resource Committee Meetings

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

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

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

Entity Rating

PACRA has maintained Moradaba's long term rating as "BBB+" and short term rating as "A2". The ratings denote low expectation of credit risk and an adequate capacity for timely payment of financial commitments.

Value of Provident Fund

The Modaraba operates a contributory recognized provident fund for all its permanent employees. Equal monthly contributions are made, both by the Modaraba and the employee to the fund @ 10% of basic salary. The value of the fund as at June 30, 2020 works out to Rs. 452,393.



Pattern of Certificate holdings

The pattern of certificate holdings is annexed to this report.

Auditors

The Audit Committee has re-appointed of M/s CROW Hussain Chaudhry & Co, Chartered Accountants as auditors of the Modaraba for the year ending June 30,2021.

Future Outlook and Strategy

The Management visualizes Modaraba's future prospects bright on realization of funds out of investments in the current real estate projects so as to invest in business modes to generate regular stream of income for the benefit of the certificate holders.

Acknowledgement

The Board wishes to place on record its appreciation for the continued support, guidance and necessary measures taken pointed by the Registrar Modaraba, Securities and Exchange Commission of Pakistan, Modaraba Association of Pakistan and other Regulators. At the same time the Board appreciates the commitment, dedication and hard work put in by the management and staff members of the Modaraba and looks forward to their continued commitment in the coming years. Finally, the Board extends its gratitude and appreciation to the certificate holders who remained committed to the Modaraba.

For and on behalf of the Board of Directors

**Wasim ul Haq Osmani
Chief Executive**

**Lahore
October 07, 2020**



ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز فیڈیلیٹی کیپیٹل مینجمنٹ (پرائیویٹ) لمیٹیڈ (FCML) منتظم فرسٹ فیڈیلیٹی لیزنگ مضاربہ کی 29 ویں سالانہ مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ یہ مالیاتی نتائج رپورٹ فرسٹ فیڈیلیٹی لیزنگ مضاربہ کی قانونی محاسب کی رپورٹ بابت مالیاتی سال 2019-20 کے ساتھ پیش کرتے ہیں۔

مالی نتائج سال ہذا

Rupees in '000'

	2020	2019
Income	24.402	27.293
Expenses	(27.007)	(25.999)
Operating (loss)/profit before provision and taxation	(2.605)	1.293
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profit before taxation	(4.653)	1.386
Taxation		(0.236)
(Loss)/Profit after tax	(4.653)	1.150
Appropriations		
Appropriated as follows:		
Transferred to statutory reserves		0.230
Profit distribution	Nil	Nil
Earnings per Certificate:		
(Loss).Profit per certificate stood at Rs.	(0.18)	0.04



مالیاتی کارکردگی کا جائزہ

چین میں پہلی بار منظر عام پر آنے والی کورونا وائرس (COVID 19) کو عالمی ادارہ صحت نے 11 مارچ 2020 کو ایک عالمی وباء کا درجہ دیا۔ اس وباء نے دنیا کے تمام ممالک کو متاثر کیا۔ وائرس کے پھیلاؤ کو روکنے کے لئے مختلف اقدامات کئے گئے جن میں لاک ڈاون، سفری پابندیاں، حد بندی، معاشرتی فاصلے اور کاروباری اداروں کی بندش جیسے اقدامات سے باقی عالم اقوام کی طرح پاکستان میں بھی معاشی سرگرمیاں بند ہو کر رہ گئی۔ مضاربہ کا اجارہ کاروبار بھی COVID 19 کے وجہ سے بری طرح متاثر رہا۔

زیر غور حالیہ سال کے دوران مضاربہ کی فروخت 4.653 ملین روپے تک خسارہ رہا جب کہ اس کے مقابلے میں گذشتہ سال میں 1.150 ملین روپے کا منافع تھا۔ مضاربہ نے اس سال ایک شیئر کے بدلے میں 0.18 روپے کا خسارہ کیا جبکہ اسکے مقابلے میں گذشتہ سال میں 0.04 روپے پر شیئر کمایا۔ مضاربہ کے مالیاتی لحاظ سے سال کے دوران خسارہ مستقل رہتا تاہم مضاربہ کا ممکنہ زیادہ منافع کارپوریٹ ٹاور میں اس کی بڑی سرمایہ کاری کی بازیابی پر منحصر ہے۔

کارکردگی کا جائزہ

جیسا کہ مالیات کے نوٹ 13.2.1 میں محاسب نے اجاگر کیا ہے۔ کہ مضاربہ ہذا کی زیادہ تر سرمایہ کاری کارپوریٹ ٹاور میں ہے جو کہ ENPLAN (PVT.) LTD تعمیر کر رہا ہے۔ یہاں پر یہ بات واضح کرنے کی ضرورت ہے کہ انتظامیہ کی یہ خواہش ہے کہ مضاربہ کی یہ سرمایہ کاری جلد از جلد واپس آجائے۔ تاکہ اس کو بنیادی کاروبار میں استعمال کیا جاسکے۔ مضاربہ انتظامیہ نے ٹاور بنانے والے ادارے کو مختلف ذرائع سے سرمایہ حاصل کر کے اس کی تکمیل کرنے پر زور دیا تاکہ مضاربہ کی سرمایہ کاری واپس مل سکے۔ تاہم ٹاور کے کیفیل کا فلورز کی مارکیٹ کی موجود قیمت پر فروخت پر رضامند نہ ہونا اور غیر حقیقی بلند قیمت کی طلب اس مسئلے کے حل میں رکاوٹ رہا۔ اور بارہا فلور کی تعمیر کے وعدے کی خلاف ورزی کی بنا پر مضاربہ انتظامیہ نے ENPLAN (PVT.) LTD اور اس انتظامیہ کے خلاف قانونی جارہ جوئی کردی جو کہ ابھی عدالت میں جاری ہے۔ مضاربہ کی انتظامیہ مطمئن ہے کہ جن مضبوط بنیادوں پر قانونی کارروائی کی گئی ہے ان سے مضاربہ کے حق میں فیصلہ آنے کی قوی امید ہے۔ کارپوریٹ ٹاور کے معاملے کے حتمی حل کے بعد اصل سرمایہ شدہ رقم بشمول منافع کی رقم کی واپسی سے مضاربہ کے پاس اپنا کاروبار مسلسل بنیادوں پر کرنے کے لئے وسیع سرمایہ دستیاب ہو جائے گا۔

ملک میں جاری COVID-19 کی وباء اور لاک ڈاون کی صورت حال کے باعث عدالتی کارروائی رکی رہی۔ ہمیں امید ہے کہ عدالتی کارروائی کے دوبار آغاز کے بعد ہمارے دائر کردہ کیسز میں پیش رفت ہوگی، قانونی حیثیت کی بنیاد پر ہم مطمئن ہے کہ تمام کیسز میں ہمارے حق میں فیصلہ آئے گا۔ اس سے بالا ہمارے پاس جو وسائل موجود ہیں ان کا محفوظ اور مخصوص طریقے سے سرمایہ کاری کی جاری ہے۔ مزید برآں پاکستانی معیشت کافی سخت اور مشکل حالات کا سامنا کر رہی ہے۔



کوڈ آف کارپوریٹ گورننس کی تعمیل۔

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

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

(پ) مالی اسٹیٹمنٹس کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیاں مسلسل لاگو کی گئی ہیں اور اکاؤنٹنگ کے تخمینہ جات معقول اور محتاط فیصلوں پر مبنی ہیں۔

(ت) مالی اسٹیٹمنٹس کی تیاری میں پاکستان میں مضاربہ پر لاگو بین الاقوامی مالی رپورٹنگ اور اسلامی اکاؤنٹنگ کے معیار کی پیروی کی گئی ہے۔

(ث) مضاربہ کا اندرونی کنٹرول اپنے ڈھانچے میں درست ہے اور اس کا اطلاق اور نگرانی موثر طریقے سے کی گئی ہے۔

(ج) مضاربہ کی مسلسل کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہ نہ ہے۔

(چ) پاکستان اسٹاک ایکسچینج لمیٹڈ کے لسٹنگ قوانین میں بیان کردہ کاروبار کی دیکھ بھال کے بہترین عمل میں کوئی قابل ذکر تبدیلی نہ ہوئی ہے۔

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

(خ) ٹاکسز، ڈیوٹیز، لیویز اور چارج کی مد میں 30 جون 2020 تک کی آئینی ادائیگیوں میں کوئی واجب الادا مطالبات نہ ہیں

ماسوائے ان کے جو مالی گوشوارے میں بیان کیے گئے ہیں۔ (اگر ہیں تو)

مضاربہ کے حصص میں ڈائریکٹران کا کاروبار

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

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

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

بورڈ مینٹنگز

30 جون 2020 کو اختتام پزیر ہونے والے سال میں ہونے والی مینٹنگز کی تفصیلات درج ذیل ہیں۔

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

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



انٹی ریٹنگ

جون 2020 جاری کردہ اپنی رپورٹ میں PACRA کریڈٹ ریٹنگ کمپنی نے طویل دورانیے کی ریٹنگ BBB+ اور مختصر دورانیے کی کریڈٹ ریٹنگ A2 مختص کی ہے۔

پراویڈنٹ فنڈ

مضاربہ کا اپنے مستقل ملازمین کے لیے ایک منظور شدہ پراویڈنٹ فنڈ ہے۔ اس فنڈ کی مالیت 30-06-2020 کو 452,393 روپے ہے۔

پیٹرن آف سرٹیفیکیٹ ہولڈنگ

سرٹیفیکیٹ ہولڈرز 30.06.2020 کی ترتیب لف ہذا ہے۔

آڈیٹرز

مضاربہ کے آڈیٹرز میسرز رحمان سرفراز رحیم اقبال رفیق چارٹرڈ اکاؤنٹنٹس جو کہ پانچ سال سے کوڈ آگورنس قانون 2017 کے مطابق آڈٹ کیا۔ آڈٹ کمیٹی نے اب حسین چوہدری اینڈ کمپنی کی 2020-21 کے لئے منظوری دی ہے جو کہ رجسٹر آف مضاربہ کمپنیز کی منظوری سے مشروط ہے۔

مستقبل کا جائزہ

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

اعتراف

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

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

برائے و بجانب بورڈ

وسیم الحق عثمانی

چیف ایگزیکٹو آفیسر

لاہور

اکتوبر 2020,07



**STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019
OF FIRST FIDELITY LEASING MODARABA
FOR THE YEAR ENDED JUNE 30, 2020**

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

1. The total number of Directors are 4 as per the following, -
 - a) Male: 4
 - b) Female: 0
2. The composition of the Board is as follows:

CATEGORY	NAMES
Independent Directors	Mr. Noor-ud-Din Ahmed Mr. Muhammad Farooq Abid Tung
Executive Directors	Mr. Wasim-ul-Haq Osmani
Non-Executive Directors	Mr. Siyyid Tahir Nawazish

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 October 4, 2019. Overall four Board 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. All the members of the Board are exempted from Directors' Training Program by virtue of their requisite qualification and experience of serving on the Board of a listed Company.
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. Tahir Nawazish Tung	Member
Mr. Noor-ud-Din Ahmed	Member

b) HR & Remuneration Committee:

Mr. Noor-ud-Din Ahmed	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 meetings:	5
b) HR and Remuneration Committee:	1

*Audit Committee has met for the first quarter of the year on October 4, 2019. Overall five 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;

16. 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;

17. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with other than 27 (2) which is specifically highlighted in SOC 14; and

18. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below;

Sr.No	Paragraph No.	Description	Future Course of Action
1	7	The Board did not have a meeting in respect of first quarter until as later as October 4, 2019.	The Board is arranging to have meeting in first quarter.
2	19	The Chief financial Officer and Company Secretary is same person	Noted for future compliance.

(Wasim ul Osmani)
Chief Excituve



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, 20179

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 Fidelity Capital Management (Private) Limited for and on behalf of First Fidelity Leasing Modaraba (the Modaraba) for the year ended June 30, 2020 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 Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the 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 Company's corporate governance procedures and risks.

The Regulations require the 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 Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Sr. No	Paragraph Reference	Description
1	7	The Board did not have a meeting in respect of first quarter until as late as October 4, 2019.
2	14	The Audit Committee did not have a meeting in respect of first quarter until as late as October 4, 2019.
3	19	The Position of Chief Financial Officer and Company Secretary is currently held by same individual.

Lahore
Dated:

CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Mr. Amin Ali)



Crowe Hussain Chaudhury & Co.
25-E, Main Market, Gulberg II,
Lahore-54600, Pakistan
Main +92-42-3575 9223-5

FIRST FIDELITY LEASING MODARABA

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Fidelity Leasing Modaraba** ("the Modaraba") as at June 30, 2020 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Company's [Fidelity Capital Management (Private) Limited] responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- I. The capital work in progress as on June 30, 2020 includes an advance of Rs. 204 Million (2019: 204 million) as detailed in note 13.2.1 to the financial statements. This advance was created vide settlement agreement dated June 28, 2012 through conversion of amounts availed by M/s Enplan (Private) Limited under Musharikhah arrangements. In another sell and buyback agreement dated June 29, 2012, executed with this client, M/s Enplan (Pvt) 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 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.
- II. Except for the possible effects of the matter described in paragraph (I) above, we report that:
 - a) In our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;
 - b) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied, except for the change in accounting policy as mentioned in note 4.13 to the financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
 - c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the affairs of the Modaraba as at June 30, 2020 and of the loss, comprehensive income, its cash flows and changes in its equity for the year then ended; and
 - d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Modaraba for the year ended June 30, 2019 were audited by another auditor who issued a modified report on those financial statements on October 4, 2019 by including a qualified opinion.

LAHORE
Dated:

CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Amin Ali)



Shari'ah Review Report of First Fidelity Leasing Modaraba For The Year Ended June 30, 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 June 30, 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 Ijara and Morabaha financing, all the transactions are/were being executed under my supervision/review. The agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
3. The management of Modaraba is pursuing legal proceedings against Enplan (Pvt.) Limited, one of its major stuck-up investment in infrastructure project. 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.
5. The Modaraba has rescheduled one of its lease contract with its customer on his request, in purview of COVID-19 pandemic and the lockdown situation, which had no material impact on the carrying amounts of assets and liabilities of items of income and expenses as required under the relevant accounting and reporting standards, that require specific disclosure in the financial statements.

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.

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

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 06, 2020



BALANCE SHEET AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances	5	1,426,007	3,416,953
Profit receivable on murabahah arrangements	6	2,299,077	503,626
Ijarah rentals receivable	7	7,160,527	2,697,017
Short term finances under murabahah arrangements	8	63,399,999	69,100,000
Other receivables	9	13,555,254	12,764,693
Advance income tax		818,586	901,799
Current portion of long term advances and deposits	10	250,484	214,022
		88,909,934	89,598,110
NON-CURRENT ASSETS			
Long term advances and deposits	10	1,059,014	739,468
Membership assets	11	3,510,000	3,510,000
Assets leased out under ijarah contracts	12	60,187,110	64,016,079
Property and equipment	13	224,322,571	224,388,119
		289,078,695	292,653,666
		377,988,629	382,251,776
TOTAL ASSETS			
LIABILITIES			
CURRENT LIABILITIES			
Accrued and other liabilities	14	3,913,660	4,791,460
Unclaimed profit distribution	15	16,904,004	16,982,280
Current portion of security deposits	16	757,657	990,108
		21,575,321	22,763,848
NON-CURRENT LIABILITIES			
Security deposits	16	19,747,380	18,232,700
Post employment benefits	17	315,668	251,967
		20,063,048	18,484,667
		41,638,369	41,248,515
TOTAL LIABILITIES			
NET ASSETS		336,350,260	341,003,261
REPRESENTED BY:			
Authorized Certificate capital			
62,500,000 (2019:62,500,000) Modaraba Certificates of Rs. 10 each		625,000,000	625,000,000
	18	264,138,040	264,138,040
Reserves		72,212,220	76,865,221
TOTAL EQUITY AND RESERVES		336,350,260	341,003,261
CONTINGENCIES AND COMMITMENTS			
	19		
The annexed notes from 1 to 34 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



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Income from Operations			
Income from ijarah financing		18,388,602	22,252,259
Profit on murabahah financing		1,795,451	1,476,715
Other income	20	4,217,664	3,563,578
		<u>24,401,717</u>	<u>27,292,552</u>
Expenses			
Depreciation of assets leased out under ijarah contracts	12	(11,478,485)	(12,425,837)
Administrative and general expenses	21	(15,528,622)	(13,153,355)
		<u>(27,007,107)</u>	<u>(25,579,192)</u>
Operating (Loss) / Profit Before Provisions And Taxation		<u>(2,605,390)</u>	<u>1,713,360</u>
Provisions			
Fair value loss on certificates held as security against receivable		(456,652)	(419,906)
Provision against non- performing financing- net	7	(1,590,959)	246,422
		<u>(2,047,611)</u>	<u>(173,484)</u>
Operating (Loss) / Profit		<u>(4,653,001)</u>	<u>1,539,876</u>
Modaraba Company's management fee		-	(153,988)
(Loss) / Profit Before Taxation		<u>(4,653,001)</u>	<u>1,385,888</u>
Taxation	22	-	(235,601)
Net (Loss) / Profit For The Year		<u>(4,653,001)</u>	<u>1,150,287</u>
(Loss) / Earning Per Certificate - Basic And Diluted	23	<u>(0.18)</u>	<u>0.04</u>

The annexed notes from 1 to 34 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 COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019
	Rupees	Rupees
Net (Loss) / Profit for the Year	(4,653,001)	1,150,287
Other Comprehensive Income:		
<i>Items that will not be reclassified to profit and loss</i>	-	-
<i>Items that may be reclassified subsequently to profit and loss</i>	-	-
Other comprehensive income for the year	-	-
Total Comprehensive (Loss) / Income for the Year	<u>(4,653,001)</u>	<u>1,150,287</u>

The annexed notes from 1 to 34 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



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	Rupees	Rupees (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES	24	
	4,431,733	3,531,475
Employees retirement benefits	63,701	(509,400)
Income taxes	1,366,412	453,935
Proceeds from transfer of Ijarah assets	15,175,463	17,273,002
Net Cash Generated from Operating Activities	21,037,309	20,749,012
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(125,000)	(91,900)
Purchase of Ijarah assets	(22,824,979)	(16,441,500)
Net Cash Used in Investing Activities	(22,949,979)	(16,533,400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distribution	(78,276)	(10,839,186)
Net Cash Used in Financing Activities	(78,276)	(10,839,186)
Net Decrease in Cash and Cash Equivalents	(1,990,946)	(6,623,574)
Cash and cash equivalents at the beginning of the period	3,416,953	10,040,527
Cash and Cash Equivalents at the End of the Year	1,426,007	3,416,953

The annexed notes from 1 to 34 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, 2020

Particulars	Issued, Subscribed And Paid-Up Capital	Reserves			Total Equity
		Statutory Reserves	Accumulated Loss	Total	
Rupees					
Balance as at June 30, 2018	264,138,040	94,390,226	(1,505,938)	92,884,288	357,022,328
Comprehensive income for the year					
Net profit for the year	-	-	1,150,287	1,150,287	1,150,287
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	1,150,287	1,150,287	1,150,287
Profit distribution @ 6.5% i.e. Rs. 0.65 per certificate	-	-	(17,169,354)	(17,169,354)	(17,169,354)
Transfer to statutory reserve	-	230,057	(230,057)	-	-
Balance as at June 30, 2019	264,138,040	94,620,283	(17,755,062)	76,865,221	341,003,261
Comprehensive income for the year					
Net loss for the year	-	-	(4,653,001)	(4,653,001)	(4,653,001)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	(4,653,001)	(4,653,001)	(4,653,001)
Balance as at June 30, 2020	264,138,040	94,620,283	(22,408,063)	72,212,220	336,350,260

The annexed notes from 1 to 34 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, 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 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 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 (Floatation 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 the approved accounting standards differ with the requirement of the Companies Act, 2017, Modaraba Companies and Modarabas (Floatation 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 these local pronouncements take precedence over IFRS Standards.

2.2 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.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for post employment benefits obligations measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

Note 2, Basis of Preparation- Continued...

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 amendments to existing standards and interpretations have been published and are mandatory for the year ended June 30, 2020 and are considered to be relevant to the Company's financial statements:



IFRS 9 Financial Instruments [Amendments]	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019
Annual improvements to IFRSs (2015-2017 Cycle)	January 1, 2019

The following standards, amendments and interpretations thereto as notified under the Companies Act, 2017 are either not relevant to the Company's operations or are not likely to have significant impact on the Company's financial statements:

IAS 28 Investments in Associates and Joint Ventures [Amendments]	January 1, 2019
IAS 23 Borrowing costs [Amendments]	January 1, 2019
IAS 19 Employee Benefits [Amendments]	January 1, 2019
IFRS 16 Leases	January 1, 2019
IFRS 3 Business Combinations [Amendments]	January 1, 2019
IFRS 11 Joint Arrangement [Amendments]	January 1, 2019

2.4.2 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 Company, would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective Date (Period beginning)
Conceptual Framework in IFRS Standards [Amendments]	January 1, 2020
IFRS 7 Financial Instruments: Disclosures [Amendments]	January 1, 2020
IFRS 9 Financial Instruments [Amendments]	January 1, 2020
IAS 16 Property, Plant and Equipment [Amendments]	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	January 1, 2022
IFRS 16 Leases [Amendments]	June 1, 2020
IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]	January 1, 2020
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

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 continually evaluated 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 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 investment properties and fixed assets, 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 financing

The Modaraba reviews its overdue receivables from ijarahs, murabahas and musharakahs at each reporting date to assess whether additional provision 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 after taking into account tax credits available, rebates and exemptions, if any. Under clause 100 of Part – I of Second Schedule to the Income Tax Ordinance 2001, the income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders.

3.4 Provisions and contingencies

The Modaraba reviews its provisions and contingencies at each reporting date 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

Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented except the policy for IFRS 16, Leases which is explained in Note 4.13 below.

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 instruments include long term deposits, advances, deposits and other receivables, cash and bank balances, murabaha finances, ijarah rental receivables, investments, creditors, accrued and other liabilities.

4.2.1 Financial assets

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.

4.2.1.1 Classification

The management determines the classification of its financial assets at the time of initial recognition and classifies its financial assets in the following 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.

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 equity investments of the Modaraba held in short term investments are classified at fair value through profit or loss because they are frequently traded while equity investments in long term investments are classified at fair value through other comprehensive income because the Modaraba intends to held these to collect dividends.

Note 4, Summary of Significant Accounting Policies - Continued...

Note 4.2.1, Financial Assets - Continued...

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 profit or loss.

In case of reclassification out of fair value through profit or loss measurement category to the amortized cost measurement category, fair value of the financial asset at the reclassification date becomes its new gross carrying amount.

In case of reclassification out of fair value through other comprehensive income measurement category to the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of fair value through profit or loss measurement category to the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

In case of reclassification out of fair value through other comprehensive income measurement category to the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

4.2.1.2 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. Regular purchases and sales of investments are recognized on trade-date that is the date on which the Modaraba commits to purchase or sell the asset.

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 profit and loss account. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account when the Modaraba's right to receive payments is established. 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.



Note 4, Summary of Significant Accounting Policies - Continued...

Note 4.2.1, Financial Assets - Continued...

4.2.1.3 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 profit or loss.

Financial assets 'at fair value through other comprehensive income' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income. Interest calculated using the effective interest rate method is credited to the statement of profit or loss. Dividends on equity instruments are credited to the statement of profit or loss when the Modaraba's right to receive payments is established.

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

4.2.1.4 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 profit or 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.

Note 4, Summary of Significant Accounting Policies - Continued...

Note 4.2.1, Financial Assets - Continued...

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 profit or loss.



4.2.1.5 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 musharakah 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.

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. In case of financial assets measured at fair value through other comprehensive income, loss allowance is recognized in other comprehensive income and carrying amount of the financial asset in the balance sheet is not reduced.

The Modaraba measures, at each reporting date, the loss allowance for a financial instrument at 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 and lease receivables.

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 the profit or loss.

4.2.2 Financial liabilities

4.2.2.1 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.

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 the profit and loss account.

Note 4, Summary of Significant Accounting Policies - Continued...

Note 4.2.2, Financial Assets - Continued...

4.2.2.2 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 profit or 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 or loss 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 profit and loss account.

4.2.2.3 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 profit or 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 profit or loss.

Note 4, Summary of Significant Accounting Policies - Continued...

4.2.3 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.

4.3 Murabaha finances

Murabaha to the purchase ordered is sale transaction wherein the first party (the Modaraba) sells to the client / customer (the second party) sharia compliant asset / goods for cost plus a pre-agreed profit. In principal on the basis of undertaking (promise-to-purchase) from the client (the purchase ordered), the Modaraba purchases the assets/goods subject of the Murabaha from third party and takes possession thereof, however, the Modaraba can appoint the client as its agent to purchase the assets/goods on its behalf. Thereafter, its sells it to the client at cost plus the profit agreed upon in the promise. Murabaha financing is recorded at the invoiced amount and profit is recognized. Profit is accrued on monthly basis. Goods purchased by the Modaraba but remained unsold, if any with the Modaraba at reporting date constitute inventories.

4.4 Tangible fixed assets

4.4.1 Operating fixed assets in own use and related depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income by applying the straight-line method at the rates given in note 13.

Depreciation on additions to operating fixed assets is charged from the month in which the asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain/loss on disposal of assets is charged to current year's income.



4.4.2 Assets given to customers held under Ijarah arrangements

Assets given to customers under ijarah arrangements are assets available / held for ijarah which are accounted for as operating lease assets 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 transfer during the year, depreciation is charged proportionately over the period of ijarah.

4.4.3 Ijarah assets acquired for own use

The Modaraba has entered into ijarah contracts under which it obtains usufruct of an asset for an agreed period for an agreed consideration. The ijarah contracts are undertaken in compliance with the Shariah essentials for such contracts.

The Modaraba accounts for its ijarah contracts in accordance with the requirements of IFAS 2 'Ijarah'. Accordingly, the Modaraba as a Mustaj'ir (lessee) in the ijarah contract recognizes the Ujrah (lease) payments as an expense in the profit and loss on straight line basis over the ijarah term.

Note 4, Summary of Significant Accounting Policies - Continued...

4.5 Impairment of assets

The Modaraba assesses, at each reporting date, whether there is any indication of impairment. 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 profit and loss account. 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 profit and loss account. 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 recognised 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 finances under murabaha arrangements is recognized on a pro-rata basis taking into account the duration of placement of funds. Profit not due for payment in the current year is not charged to profit and loss and no deferred income is created. The same is then recognized as revenue on a time proportionate basis.

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.

Others

Gain on sale of fixed assets is recognised in the period in which it arises.
Return on deposit accounts is recognized on accrual basis.



4.8 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account applicable tax credit, rebates and exemption available, if any. The income of non-trading Modarabas is exempt from tax provided that not less than 90% of its profits in the year after transfer to statutory reserve are distributed amongst the certificate holders. Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 percent of distributable profit.

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.

Note 4, Summary of Significant Accounting Policies - Continued...

Note 4.8, Taxation - Continued...

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.

Deferred taxation has not been recognized in these financial statements as the management believes that the future income of Modaraba will not be taxable in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption through profit distribution to the extent of 90 percent of distributable profit.

4.9 Post employment benefits

The Modaraba operates 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.

4.10 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 recognised in the year in which these are declared / approved.

4.11 Earnings per certificate

Earnings per certificate is calculated by dividing the profit after taxation for the year by the weighted average number of certificates outstanding during the period.

4.12 Segment Information

An operating segment is a component of an entity:

- a) 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);
- b) 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
- c) for which discrete financial information is available.



4.13 Leases

For contracts entered into, or modified, on or after July 1, 2019; the Modaraba assesses whether a contract contains a lease or not at the inception of a contract. The Modaraba reassesses whether a contract is, or contains, a lease further when the terms and conditions of the contract are modified.

The Modaraba determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Modaraba is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Modaraba is reasonably certain to not to exercise that option.

Note 4, Summary of Significant Accounting Policies - Continued...

Note 4.13, Leases - Continued...

The Modaraba reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Modaraba and affects whether the Modaraba is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in the determination of the lease term.

The Modaraba revises the lease term if there is a change in the non-cancellable period of a lease.

4.13.1 Modaraba as a lessee

Recognition

The Modaraba recognizes a right-of-use asset and a lease liability at the commencement date. A commencement date is the date on which the lessor makes an underlying asset available for use by the lessee (the Modaraba).

The Modaraba has elected not to recognize right-of-use assets and lease liabilities for short-term leases of all underlying assets that have a lease term of 12 months or less and leases for which the underlying asset, when new, is of low-value as per the threshold set by the Modaraba. The Modaraba recognizes the lease payments associated with these leases as an expense on straight-line basis over the lease term.

Initial measurement

Lease liability

At the commencement date, the Modaraba measures the lease liability at the present value of the lease payments that are not paid. The lease payments are discounted using the interest rate implicit in the lease, or the Modaraba's incremental borrowing rate if the implicit rate is not readily available. Generally, the Modaraba uses its incremental borrowing rate as the discount rate.

Lease payments comprise fixed payments less any lease incentives receivable; variable lease payments that depend on an index or a rate; amounts expected to be payable by the Modaraba under residual value guarantees; the exercise price of a purchase option if the Modaraba is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the Modaraba exercising an option to terminate the lease.

Right-of-use asset

The Modaraba initially measures the right-of-use asset at cost. This cost comprises the amount of lease liability as initially measured, plus any lease payments made on or before the commencement date, less lease incentives received, initial direct costs and estimated terminal costs (i.e. dismantling or other site restoration costs required by the terms and conditions of the lease contract).

Subsequent measurement

Lease liability

After the commencement date, the Modaraba re-measures the lease liability to reflect the effect of interest on outstanding lease liability, lease payments made, reassessments and lease modifications etc. Variable lease payments not included in the measurement of the lease liability and interest on lease liability are recognized in the profit or loss account, unless these are included in the carrying amount of another asset.

**Note 4, Summary of Significant Accounting Policies - Continued...****Note 4.13.1, Leases - Modaraba as lessee -Continued...**

Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability.

Lease liability payable in foreign currency is translated to local currency of the Modaraba at the reporting date. Any foreign exchange differences arising on translation of lease liability are recognized in profit or loss.

Right-of-use asset

After the commencement date, the Modaraba measures the right-of-use asset at cost less accumulated depreciation and accumulated identified impairment losses, if any, adjusted for any remeasurement of the lease liability.

The Modaraba depreciates the cost of right-of-use asset, net of residual value, from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. However, if the lease contract transfers ownership of the underlying asset to the Modaraba by the end of the lease term or if the cost of the right-of-use asset reflects that the Modaraba will exercise the purchase option, the Modaraba depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

4.13.2 Modaraba as a lessor

Leases in which the Modaraba does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight line basis over the lease terms and is included in profit and loss account. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Recognition

The Modaraba recognizes a right-of-use asset and a lease liability at the commencement date. A commencement date is the date on which the lessor makes an underlying asset available for use by the lessee (the Modaraba).

The IFRS 16 does not have any impact on the financial statements.

Note 5**Cash and Bank Balances**

		2020	2019
	Note	Rupees	Rupees
Cash in hand		13,139	1,491,580
Balances with banks in:			
- Current accounts		564,013	987,727
- Savings accounts	5.1	848,855	937,646
		1,412,868	1,925,373
		<u>1,426,007</u>	<u>3,416,953</u>

5.1 These balances yield return at rates ranging from 6.5% to 11.5% (2019: 6% to 7%) per annum.

Note 6**Profit Receivable on Murahaba Arrangements**

		2020	2019
	Note	Rupees	Rupees
Considered good - secured		2,299,077	503,626
Considered doubtful		19,808,177	21,217,816
		22,107,254	21,721,442
Suspended income	6.1 & 6.2	(19,808,177)	(21,217,816)
		<u>2,299,077</u>	<u>503,626</u>



6.1 Suspended Income

Opening balance		21,217,816	19,808,177
Charged during the year		-	1,409,639
Reversed during the year		(1,409,639)	-
Net charged during the year		(1,409,639)	1,409,639
Closing balance		19,808,177	21,217,816

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

Note 7

Ijarah Rentals Receivable - Secured

		2020	2019
	Note	Rupees	Rupees
Considered good - secured		7,160,527	2,697,017
Considered doubtful		37,816,854	36,920,823
		44,977,381	39,617,840
Less: Provision against doubtful ijarah receivables	7.1	(37,816,854)	(35,059,224)
		7,160,527	4,558,616
7.1 Provision for doubtful ijarah rentals receivable			
Opening balance		36,920,823	36,125,495
Charged during the year		1,590,959	1,764,197
Reversed during the year		(694,928)	(968,869)
Net charged during the year		896,031	795,328
Closing balance		37,816,854	36,920,823

Note 7, Ijara Rental Receivable- Secured - Continued...

7.2 These are secured against ijarah assets 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.

7.3 This includes balance receivable of Rs. 32,072 against ijarah facilities of Rs. 65,000 extended to employees. Maximum aggregate outstanding at any month during the year is of Rs. 65,000.

	2020	2019
	Rupees	Rupees
Future Ijarah rentals receivable		
Not later than one year	19,306,524	20,712,742
Later than one year but not later than five years	63,889,412	59,811,789
Later than five years	39,867,951	37,320,973
	123,063,887	117,845,504

Note 8

Short Term Finances under Murabaha Arrangements

		2020	2019
	Note	Rupees	Rupees
Considered good	8.1	28,400,000	10,100,000
Considered doubtful	8.2 & 8.3	227,754,231	250,354,232
		256,154,231	260,454,232
Less: Provision for non-performing murabaha investments	8.4	(192,754,232)	(191,354,232)
		63,399,999	69,100,000



- 8.1** The Modaraba has sold goods 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 finances ranges from 12.98% to 19% (2019: 12.98% to 19%) per annum.
- 8.2** This represents receivables from 10 (2019: 8) customers under murabaha finance. Legal proceedings against these customers are in process in different courts of law. This includes parties of Rs. 192.75 million (2019: 192.75 million) in respect of classified facilities of First Hajveri Modaraba.
- 8.3** This includes receivable of Rs. 35 million (2019: Rs. 35 million) which was given to 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.

8.4 Provision for classified receivables under Prudential Regulations for Modarabas:

	2020	2019
	Rupees	Rupees
Opening balance	191,354,232	193,970,884
Add: Provision for the year	1,400,000	-
	<u>192,754,232</u>	<u>193,970,884</u>
Less: Reversal of provision	-	(2,616,652)
Closing balance	<u><u>192,754,232</u></u>	<u><u>191,354,232</u></u>

Note 9

Other Receivables

		2020	2019
	Note	Rupees	Rupees
Receivable from clients (secured - considered good)	9.1	7,244,723	7,244,723
Receivable from Hajveri Modaraba Management Company (Private) Limited	9.2	2,028,924	2,485,576
Other receivables (unsecured - considered good)	9.3	4,281,607	3,139,998
		<u>13,555,254</u>	<u>12,870,297</u>

9.1 Receivable from clients

	2020	2019
	Rupees	Rupees
Gross amount receivable	16,869,630	16,869,630
Less: Provision against doubtful receivables from clients	(9,624,907)	(9,624,907)
	<u>7,244,723</u>	<u>7,244,723</u>

- 9.1.1** These represent receivables from brokerage clients. These are secured against a lien on respective listed shares of the clients in CDC system.

9.2 Receivable from Hajveri Modaraba Management Company (Private) Limited

Gross amount due	9.2.1	2,905,482	2,905,482
Less: Diminuation in the value of shares held as security		(876,558)	(419,906)
		<u>2,028,924</u>	<u>2,485,576</u>

- 9.2.1** This represents amount withdrawn by Hajveri Modaraba Management Company (Private) Limited [the Previous management Company] of First Hajveri Modaraba [the Modaraba] from time to time during previous years out of the Modaraba's fund. Such amounts were drawn on account of remuneration for services in violation of the 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 shares were then converted into 578,041 certificates of this Modaraba. The Management Company intends to apply the sales proceeds of these certificates to settle the receivable and an application for the said arrangement was not entertained by Civil Court Lahore for want of jurisdiction. An application to this effect is now pending with Lahore High Court.

9.3 Other receivables

		2020	2019
		Rupees	Rupees
Gross amount due		4,381,171	3,305,261
Allowance for expected credit losses	9.3.1	(165,263)	(165,263)
		<u>4,215,908</u>	<u>3,139,998</u>

9.3.1 Allowance for expected credit losses

Opening balance	165,263	-
Add: Provision for the year	-	165,263
	<u>165,263</u>	<u>165,263</u>

9.3.2 The other receivable includes the amount of Rs. 1.8 million (2019: Rs. 0.721 million) receivable from Management Company on the basis of rent.

Note 10

Long Term Advances and Deposits

		2020	2019
	Note	Rupees	Rupees
Advances to employees	10.1	1,309,498	915,990
Security deposits		-	37,500
		1,309,498	953,490
Current portion		(250,484)	(214,022)
		<u>1,059,014</u>	<u>739,468</u>

10.1 These represent loans to employees for personal purposes as per the Modaraba policy. These carry profit at 5% (2019: 5% per annum). These loans are repayable in 36 equal monthly installments.

10.2 Security deposits

	2020	2019
	Rupees	Rupees
Considered good	-	37,500
Considered doubtful	-	820,000
	-	857,500
Less: Provision against doubtful security deposits	-	(820,000)
	-	<u>37,500</u>

Note 11

Membership Assets

	2020	2019
	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 12

Assets Leased Out Under Ijarah Contracts

Description	Vehicles	Office Equipments	Machinery	Total
-------------	----------	-------------------	-----------	-------

-----Rupees-----

Year Ended June 30, 2020

Cost

Balance as at July 01, 2019	71,765,235	64,000	7,966,074	79,795,309
Additions	20,849,980	229,999	1,745,000	22,824,979
Disposals	(19,065,387)	-	(1,013,074)	(20,078,461)
Balance as at June 30, 2020	73,549,828	293,999	8,698,000	82,541,827

Accumulated depreciation

Balance as at July 01, 2019	13,565,982	57,142	2,156,106	15,779,230
Charge for the year	9,839,594	154,350	1,484,541	11,478,485
Disposals	(4,321,168)	-	(581,830)	(4,902,998)
Balance as at June 30, 2020	19,084,408	211,492	3,058,817	22,354,717
Total as at June 30, 2020	54,465,420	82,507	5,639,183	60,187,110

Year Ended June 30, 2019

Cost

Balance as at July 01, 2018	77,859,160	64,000	9,188,022	87,111,182
Additions	11,427,500	80,000	4,934,000	16,441,500
Disposals	(17,521,425)	(80,000)	(6,155,948)	(23,757,373)
Balance as at June 30, 2019	71,765,235	64,000	7,966,074	79,795,309

Accumulated depreciation

Balance as at July 01, 2018	6,285,273	57,142	3,495,349	9,837,764
Charge for the year	10,607,565	18,000	1,800,272	12,425,837
Disposals	(3,326,856)	(18,000)	(3,139,515)	(6,484,371)
Balance as at June 30, 2019	13,565,982	57,142	2,156,106	15,779,230
Total as at June 30, 2019	58,199,253	6,858	5,809,968	64,016,079

12.1 The assets leased out by the Modaraba under ijarah arrangements are secured as the title to the asset is held by the Modaraba.

12.2 The Modaraba has filed suits for re-possession of leased assets costing Rs. 2.215 million (2019: Rs. 2.215 million) against 2 clients (2019: 2 clients). The Court has not yet awarded decree in favour of Modaraba. However, execution petitions for recovery of the decretal amount are still pending.

Note 12, Assets Leased out under ijarah contracts- Secured - Continued...

12.3 General description of significant ijarah arrangements (IFAS-2)

The Modaraba has entered into various Ijarah agreements for periods ranging from 3 to 7 years (2019: 3 to 7 years). Security deposits ranging from 0% to 73 % (2019: 0% to 73% are obtained at the time of disbursement. The rate of profit implicit in Ijarah ranges from 13% to 27%) per annum.

12.4 Disposal of fixed assets given on ijarah

Description	Cost	Accumulated Depreciation	Book Value	Adjustment / Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Buyer
-----Rupees-----							
Vehicles:							
Motor Vehicle	2,500,000	380,004	2,119,996	2,272,491	152,495	Term of ijarah agreement	Muhammad Ajmal
Motor Vehicle	5,400,000	1,400,000	4,000,000	4,435,751	435,751	Term of ijarah agreement	Abdul Naveed
Motor Vehicle	4,000,000	612,000	3,388,000	3,591,225	203,225	Term of ijarah agreement	Muhammad Ali Qureshi
Motor Vehicle	772,000	110,289	661,711	710,722	49,011	Term of ijarah agreement	Muhammad Sher Baz
Motor Vehicle	1,000,000	280,005	719,995	809,045	89,050	Term of ijarah agreement	Asghar Ali
Motor Vehicle	1,350,000	150,000	1,200,000	1,246,248	46,248	Term of ijarah agreement	Faisal Manzoor
Motor Vehicle	1,900,000	547,625	1,352,375	1,554,503	202,128	Term of ijarah agreement	Khatija Shafiqat
Motor Vehicle	900,000	341,251	558,749	610,061	51,312	Term of ijarah agreement	Humayun Sohrab
Motor Vehicle	700,000	500,000	200,000	200,000	-	Term of ijarah agreement	Abdul Qayum
Motor Vehicle	30,272	-	30,272	30,272	-	Adjustment of early payment	Aashir Yaqoob
Motor Vehicle	202,253	-	202,253	202,253	-	Adjustment of early payment	Shahid Pervaiz
Motor Vehicle	310,862	-	310,862	58,626	(252,236)	Adjustment of early payment	Syed Mohsin Raza
Plant and Machinery							
Generator	585,000	200,000	385,000	385,276	276	Term of ijarah agreement	Nadir Ali
Generator	285,000	251,500	33,500	33,500	-	Term of ijarah agreement	Muhammad Anwar
Lazor Levellor	143,074	130,324	12,750	12,750	-	Term of ijarah agreement	Mushtaq Ahmed
Total 2020	20,078,461	4,902,998	15,175,463	16,152,723	977,260		
Total 2019	23,757,373	6,484,371	17,273,002	17,273,002	-		





Note 13

Property and Equipment

	Note	2020 Rupees	2019 Rupees
- Operating fixed assets	13.1	322,571	388,119
- Capital work in progress	13.2	224,000,000	224,000,000
		<u>224,322,571</u>	<u>224,388,119</u>

13.1 Operating fixed assets

Year Ended June 30, 2020

Description	Furniture and fixtures	Computers and office equipment	Vehicles	Total
-----Rupees-----				
Cost				
Balance as at July 01, 2019	301,098	547,949	60,912	909,959
Additions	-	125,000	-	125,000
Disposals	-	-	-	-
Balance as at June 30, 2020	<u>301,098</u>	<u>672,949</u>	<u>60,912</u>	<u>1,034,959</u>
Accumulated depreciation				
Balance as at July 01, 2019	283,583	192,607	45,650	521,840
Charge for the year	6,870	177,144	4,300	190,548
Disposals	-	-	-	-
Balance as at June 30, 2020	<u>290,453</u>	<u>369,751</u>	<u>49,950</u>	<u>712,388</u>
Total as at June 30, 2020	<u>10,645</u>	<u>303,198</u>	<u>10,962</u>	<u>322,571</u>

Year Ended June 30, 2019

Cost				
Balance as at July 01, 2018	279,698	489,949	773,412	1,543,059
Additions	21,400	58,000	12,500	91,900
Disposals	-	-	(725,000)	(725,000)
Balance as at June 30, 2019	<u>301,098</u>	<u>547,949</u>	<u>60,912</u>	<u>909,959</u>
Accumulated depreciation				
Balance as at July 01, 2018	254,145	109,577	699,286	1,063,008
Charge for the year	29,438	83,030	71,364	183,832
Disposals	-	-	(725,000)	(725,000)
Balance as at June 30, 2019	<u>283,583</u>	<u>192,607</u>	<u>45,650</u>	<u>521,840</u>
Total as at June 30, 2019	<u>17,515</u>	<u>355,342</u>	<u>15,262</u>	<u>388,119</u>

Annual rate of depreciation

10% 10%-33% 20%

13.1.1 These contain fully depreciated assets of Rs. 348,759 (2019: Rs. 232,398) that are still in use by the Modaraba.

13.2 Capital work in progress

	Note	2020 Rupees	2019 Rupees
Advance against ground floor Corporate Tower, Lahore	13.2.1	204,000,000	204,000,000
Advance against purchase of property	13.2.2	4,500,000	4,500,000
Villas at Murree	13.2.3	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>



Note 13, Property and Equipments - Continued...

13.2.1 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.

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

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

Note 14

Accrued and Other Liabilities

	Note	2020 Rupees	2019 Rupees
Due to customers	14.1	27,628	27,628
Advance ijarah rentals and security deposits		342,719	1,566,513
Management Company's remuneration payable		153,988	153,988
Accrued liabilities		1,482,536	2,578,712
Payable to provident fund trust		446,441	287,470
Workers' welfare fund		177,149	177,149
With holding tax payable		1,283,199	-
		<u>3,913,660</u>	<u>4,791,460</u>

14.1 These represent payable to brokerage clients.



Note 15

Unclaimed profit distribution

	2020	2019
	Rupees	Rupees
Opening balance	16,982,280	10,652,112
Add: Issued during the year	-	17,169,354
Less: Dividends paid	(78,276)	(10,839,186)
	<u>16,904,004</u>	<u>16,982,280</u>

Reconciliation of amount kept in separate bank account (current account) is as follows:

Opening balance	16,257	-
Amount transferred during the year	-	10,855,443
Dividend claim received and settled	-	(10,839,186)
Bank charges	(200)	-
Closing balance	<u>16,057</u>	<u>16,257</u>

Note 16

Security Deposits against Ijarah Assets

	2020	2019
	Rupees	Rupees
Security deposits against ijarah assets	20,505,037	19,222,808
Less: Current portion	(757,657)	(990,108)
	<u>19,747,380</u>	<u>18,232,700</u>

Note 17

Post Employment Benefits

The Modaraba operates a leave encashment facility as a defined benefits plan, for all of its employees. 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 benefits obligation.

17.1 Movement in present value of defined benefits obligations

		2020	2019
	Note	Rupees	Rupees
Opening balance		251,967	568,852
Charged to profit and loss account during the year	17.1.1	63,701	192,515
Paid during the year		-	(509,400)
Closing balance		<u>315,668</u>	<u>251,967</u>

17.1.1 Charged to profit and loss account during the year

Current service cost	158,369	135,506
Interest cost	36,535	28,274
Actuarial (loss) / gain	(131,203)	28,735
	<u>63,701</u>	<u>192,515</u>

Note 17, Post Employment Benefits - Cont...

17.2 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries on June 30, 2020. The principal assumptions used in determining present value of defined benefit obligation are:



	2020	2019
Discount rate	9.25%	15%
Expected rates of increase in salary	8.25%	14%
Average number of leaves (in days) un-utilized per annum	10 days	10 days
Expected average remaining working lives	12 years	9 years

17.3 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligations as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	2020		2019	
	Change in actuarial assumption	Defined benefit obligation	Change in actuarial assumption	Defined benefit obligation
		Rupees		Rupees
Discount rate	+ 1%	281,930	+ 1%	222,508
	- 1%	354,951	- 1%	286,966
Expected rates of increase in salary	+ 1%	354,549	+ 1%	286,501
	- 1%	281,704	- 1%	222,441

A change in expected remaining working lives of employees and average number of leaves un-utilized per annum is not expected to have a material impact on the present value of defined benefit obligations. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Note 18

Certificate Capital

	2020	2019
	Rupees	Rupees
Authorized Capital		
62,500,000 (2019: 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 (2019: 16,656,491) Modaraba Certificates of Rs. 10 each fully paid in cash	166,564,910	166,564,910
3,976,908 (2019: 3,976,908) Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates	39,769,080	39,769,080
5,780,405 (2019: 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>

Note 19

Contingencies and Commitments

19.1 Contingencies

The details of contingencies as at reporting date are as follows:

- 19.1.1** As mentioned in note 13.2.1, the Modaraba has filed recovery suits against M/s Enplan (Private) Limited for Rs. 417 million. 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. 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.



19.1.2 In contravention of section 244 of the Companies Act, 2017; the Modaraba did not transfer the total amount of dividend which remains unpaid or unclaimed to a separate profit bearing account to be called the unpaid dividend account opened by the Modaraba for this purpose in any scheduled bank. Moreover, the Modaraba did not place on its website a statement containing the names, the last known addresses, number of certificates held, the amount of unpaid dividend to be paid to each certificate holder. The Modaraba and every officer of the Modaraba shall be liable to a penalty of level 3 on the standard scale upto Rs. 100 million. The Modaraba may also be liable to additional penalty upto Rs. 0.5 million per day during which the default continues. However the Modaraba is of the view that it is due to not pending by their side, but the shareholders has not provided the information required to transfer the dividends. Hence, no provision has been made in these financial statements as the management believes that the Modaraba is not liable to any penalty.

19.2 Commitments

There are no material commitments as at the reporting date (2019: Nil).

Note 20

Other Income

		2020	2019
		Rupees	Rupees
Profit on deposit and saving accounts with banks		101,529	18,567
Markup on loans to employees		23,330	13,797
Gain on settlement	20.1	3,066,682	-
Fees and commission		29,500	76,395
Gain on disposal of ijarah assets	12.4	977,260	-
Advance against sale of Villas at Murree written back		-	2,500,000
Liabilities written back		19,363	954,819
		<u>4,217,664</u>	<u>3,563,578</u>

20.1 This represents amount received from Sunrise Textile Mills Limited as per decree issued by court as on June 30, 2003 against murabaha facility.

Note 21

Administrative and General Expenses

		2020	2019
	Note	Rupees	Rupees
Salaries, allowances and other benefits	21.1	8,320,119	9,252,228
Utilities		403,586	485,990
Repairs and maintenance		303,895	386,692
Printing and stationery		313,770	387,645
Communication		209,905	84,048
Travelling and conveyance		234,589	177,305
Advertisement		-	31,314
Fees and subscription		1,056,661	400,145
Entertainment		1,054,953	229,999
Auditors' remuneration	21.2	592,300	592,300
Legal and professional charges		1,453,652	524,500
Bank charges		12,784	75,454
Provision against other receivable	9.3.1	-	-
Balances written off		1,144,235	-
Depreciation		190,548	183,832
Miscellaneous		237,625	341,903
		<u>15,528,622</u>	<u>13,153,355</u>



21.1 Salaries, allowances and other benefits

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

	2020			2019		
	Officers	Employees	Total	Officers	Employees	Total
	-----Rupees-----					
Basic salary	3,542,676	510,667	4,053,343	4,105,326	463,994	4,569,320
House rent allowance	1,062,809	157,400	1,220,209	1,231,600	139,200	1,370,800
Utilities	354,276	51,133	405,409	410,526	46,394	456,920
Bonus	362,000	20,961	382,961	69,000	6,000	75,000
Other allowances	2,060,008	198,189	2,258,197	2,541,281	238,907	2,780,188
	<u>7,381,769</u>	<u>938,350</u>	<u>8,320,119</u>	<u>8,357,733</u>	<u>894,495</u>	<u>9,252,228</u>
Number of persons	<u>10</u>	<u>4</u>	<u>14</u>	<u>10</u>	<u>4</u>	<u>14</u>

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

21.1.2 This includes Rs. 0.718 million (2019: Rs. 0.782 million) in respect of contribution to the staff provident fund.

21.2 Auditors' remuneration

	2020	2019
	Rupees	Rupees
Annual audit fee	315,000	315,000
Half yearly review	132,300	132,300
Review report under corporate governance	105,000	105,000
Out of pocket expenses	40,000	40,000
	<u>592,300</u>	<u>592,300</u>

Note 22

Taxation

		2020	2019
		Rupees	Rupees
Current taxation	22.1	<u>-</u>	<u>235,601</u>

22.1 Provision for current tax for the year has not been made under section 113C of the Income Tax Ordinance, 2001 on ACT basis as the Modaraba has incurred loss during the year.

22.2 The Modaraba has carried forward provisions and other liabilities against which a deferred tax asset amounting to Rs. 90.179 million (2019: Rs. 104.260 million) may be created. However, the Modaraba has not recognized the deferred tax assets as the temporary differences are not expected to be reversed in foreseeable future due to non-availability of taxable profits against which the temporary differences may be utilized.

Note 23

Earning Per Certificate - Basic and Diluted

		2020	2019
		Rupees	Rupees
(Loss) / Earnings attributable to certificate holders	Rupees	<u>(4,653,001)</u>	<u>1,150,287</u>
Weighted average number of certificates	Number	<u>26,413,804</u>	<u>26,413,804</u>
(Loss) / Earnings per certificate - basic	Rupees	<u>(0.18)</u>	<u>0.04</u>

23.1 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 24

Cash Generated from Operations

	2020	2019
	Rupees	Rupees
Net (loss) / profit for the Year	(4,653,001)	1,385,888
Adjustment for:		
Depreciation	190,548	183,832
Amortization of assets leased out under ijarah contracts	11,478,485	12,425,837
Advance against sale of Villas at Murree written back	-	(2,500,000)
Excess accrued liabilities written back	-	(954,819)
Impairment allowance for non-financial assets	-	419,906
Changes in fair value of non-performing receivables	-	(246,422)
Provision for employees retirement benefits	-	192,515
Provision for for doubtful ijarah	1,590,959	-
	<u>13,259,992</u>	<u>9,520,849</u>
Operating profit before working capital changes	8,606,991	10,906,737
Finances under murabahah arrangements	5,700,001	1,400,000
Ijarah rentals receivable	(6,054,469)	(2,266,605)
Profit receivable on murabahah finances	(1,795,451)	(1,475,765)
Advances, deposits, prepayments and other receivables	(790,561)	(1,226,269)
Long term advances and deposits	(356,008)	(484,919)
Accrued and other liabilities	(2,160,999)	(2,972,354)
Security deposits	1,282,229	(349,350)
Net changes in working capital	(4,175,258)	(7,375,262)
Cash Generated from Operations	<u>4,431,733</u>	<u>3,531,475</u>

24.1 Changes in Financing Activities

	As at June 30, 2019	Non-cash changes	Cash flows (Net)	As at June 30, 2020
	----- Rupees -----			
Unclaimed profit distribution	<u>16,982,280</u>	-	<u>(78,276)</u>	<u>16,904,004</u>
	----- Rupees -----			
Unclaimed profit distribution	<u>10,652,112</u>	<u>17,169,354</u>	<u>(10,839,186)</u>	<u>16,982,280</u>

Non cash changes reflect dividend declared and recognized as payable.

Note 25

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	
	2020	2019
	-----Rupees-----	
Managerial remuneration	975,996	1,951,992
House rent allowance	292,800	585,600
Utilities allowance	97,596	195,192
Bonus	96,000	32,000
Other allowances	524,071	999,746
	<u>1,986,463</u>	<u>3,764,530</u>
Number of persons	<u>2</u>	<u>2</u>

25.1 No executives have been provided with the Modaraba maintained cars but they are entitled for reimbursement of fuel expenses.

Note 26

Transactions and Balances with Related Parties

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

A related party is a person or entity that is related to the entity. 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 regulations governing Modaraba. Remuneration of key management personnel are in accordance with the terms of their employment. Other transactions are carried out at agreed terms.

Amounts due from and due to related parties are shown under respective notes to these financial statements. All transactions are based on commercial terms and are approved by the Board of Directors. Outstanding balances at the reporting date are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables.

Note 26, Transactions and Balances with Related Parties - Continued...

			2020	2019
			-----Rupees-----	
Transactions during the year				
Related party	Basis of Relationship	Nature of transaction		
Fidelity Capital Management (Private) Limited	Modaraba Management Company	Management fee	-	153,988
Employees' Provident Fund	Associated undertaking	Contribution for the year	358,788	456,196
Officers and employees	Associated persons	Ijarah rentals received	542,660	1,113,376

The amounts above do not include salaries and other employee benefits of the executives of the Company which have been disclosed in Note 25.

Outstanding Balance as at the reporting date			2020	2019
			-----Rupees-----	
Fidelity Capital Management (Private) Limited	Management Company's remuneration payable		153,988	153,988
	Receivable on account of rent		1,885,574	721,574
Employees' Provident Fund	Contribution payable		446,441	287,470
Officers and employees	Ijarah rentals receivables		202,784	154,306
	Ijarah rentals suspended		-	125,854



Note 27

Maturities of Assets and Liabilities

	2020			
	Total	Up to one year	One year to five years	Over five years
 Rupees			
Assets:				
Cash and bank balances	1,426,007	1,426,007	-	-
Short term finances under murabahah arrangements	63,399,999	63,399,999	-	-
Ijarah rentals receivable	7,160,527	7,160,527	-	-
Profit receivable on murabahah arrangements	2,299,077	2,299,077	-	-
Other receivables	13,555,254	13,555,254	-	-
Advance income tax	818,586	818,586	-	-
Long term advances and deposits	1,309,498	250,484	1,059,014	-
Membership assets	3,510,000	-	3,510,000	-
Assets leased out under ijarah contracts	60,187,110	11,971,304	48,215,806	-
Property and equipment	224,322,571	-	224,322,571	-
	<u>377,988,629</u>	<u>100,881,238</u>	<u>277,107,391</u>	<u>-</u>
Liabilities:				
Accrued and other liabilities	3,913,660	12,891,301	-	-
Unclaimed profit distribution	16,904,004	1,626,307	-	-
Security deposits	20,505,037	757,657	19,747,380	-
Post employment benefits	315,668	-	315,668	-
	<u>41,638,369</u>	<u>15,275,265</u>	<u>20,063,048</u>	<u>-</u>
Net Balance	<u>336,350,260</u>	<u>85,605,973</u>	<u>257,044,343</u>	<u>-</u>
Certificate holders' equity	<u>336,350,260</u>			
	2019			
	Total	Up to one year	One year to five years	Over five years
 Rupees			
Assets:				
Cash and bank balances	3,416,953	4,057,050	-	-
Short term finances under murabahah arrangements	69,100,000	8,445,401	-	-
Ijarah rentals receivable	2,697,017	28,343,871	-	-
Profit receivable on murabahah arrangements	503,626	14,756,103	-	-
Other receivables	12,764,693	6,094,347	-	-
Advance income tax	901,799	1,130,042	-	-
Long term advances and deposits	953,490	214,022	739,468	-
Membership assets	3,510,000	-	3,510,000	-
Assets leased out under ijarah contracts	64,016,079	14,547,891	49,468,188	-
Property and equipment	224,388,119	-	224,388,119	-
	<u>382,251,776</u>	<u>77,588,727</u>	<u>278,105,775</u>	<u>-</u>
Liabilities:				
Accrued and other liabilities	4,791,460	12,930,127	-	-
Unclaimed profit distribution	16,982,280	2,618,976	-	-
Post employment benefits	251,967	-	-	-
Security deposits	19,222,808	990,108	18,232,700	-
	<u>41,248,515</u>	<u>16,539,211</u>	<u>18,232,700</u>	<u>-</u>
Net Balance	<u>341,003,261</u>	<u>61,049,516</u>	<u>259,873,075</u>	<u>-</u>
Certificate holders' equity	<u>341,003,261</u>			



Note 28

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:

28.1 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.

28.1.1 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.

28.1.2 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.

28.1.3 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:

	<u>2020</u>	<u>2019</u>
	Rupees	Rupees
<u>Fixed rate instruments</u>		
Financial assets		
Short term finances under murabahah arrangements	63,399,999	69,100,000
Ijarah rentals receivable	7,160,527	2,697,017
Profit receivable on murabahah arrangements	2,299,077	503,626

Note 28, Financial Risk Management - Continued...

	<u>2020</u>	<u>2019</u>
	Rupees	Rupees
<u>Floating rate instruments</u>		
Financial assets		
Bank balances - deposit accounts	848,855	937,646

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. 8,489 (2019: Rs. 9,376) higher / lower. This analysis is prepared assuming the amounts of floating rate instruments outstanding at reporting dates were outstanding for the whole year.

28.2 Credit risk

28.2.1 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:

	2020	2019
	Rupees	Rupees
Bank balances	1,412,868	1,925,373
Short term finances under murabahah arrangements	63,399,999	69,100,000
Ijarah rentals receivable	7,160,527	2,697,017
Profit receivable on murabahah arrangements	2,299,077	503,626
Other receivables	13,555,254	12,764,693
Long term advances and deposits	-	37,500
	<u>87,827,725</u>	<u>87,028,209</u>

Note 28, Financial Risk Management - Continued...

Note 28.2, Credit Risk - Continued...

28.2.2 Geographically all credit exposure is concentrated in Pakistan.

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

	2020	2019
	Rupees	Rupees
Textile Composite	13,893,352	13,893,352
Power	19,118,856	19,118,856
Engineering	57,130,700	44,800,000
Individuals	50,691,727	61,577,075
Chemicals and Pharmaceuticals	156,504,231	156,504,231
Manufacturing	6,500,000	6,500,000
Miscellaneous	19,400,000	19,400,000
	<u>323,238,866</u>	<u>321,793,514</u>

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

Aging of murabaha and ijarah rentals		2020	2019
		Rupees	Rupees
Not past due		35,560,527	10,100,000
Past due 1 - 180 days		9,459,604	3,200,643
Past due 181 days - 1 year		-	-
Past due 1 - 2 years		-	-
More than 2 years		278,218,735	308,492,871
		<u>323,238,866</u>	<u>321,793,514</u>
Aging of impaired murabaha and ijarah rentals			
Past due 181 - 365 days		1,590,959	-
1 - 2 years		-	-
More than 2 years		248,788,304	247,631,272
		<u>250,379,263</u>	<u>247,631,272</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 organizations of sound financial standing covering various industrial sectors and segments.

Note 28, Financial Risk Management - Continued...

Note 28.2, Credit Risk - Continued...

28.2.4 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	2020	2019
	Short term	Long term		Rupees	Rupees
MCB Bank Limited	A-1+	AAA	PACRA	139,531	141,241
Faysal Bank Limited	A-1+	AA	JCR-VIS	83	83
Samba Bank Limited	A-1	AA	JCR-VIS	2,590	2,590
Meezan Bank Limited	A-1+	AA+	JCR-VIS	716,157	795,298
State Bank of Pakistan				5,840	10,909
Bank Al Habib Limited	A1+	AA+	PACRA	548,667	975,252
				<u>1,412,868</u>	<u>1,925,373</u>

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 diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

Note 28, Financial Risk Management - Continued...

28.3 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.

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, 2020					
Accrued and other liabilities	3,570,941	3,570,941	3,570,941	-	-
Unclaimed profit distribution	16,904,004	16,904,004	16,904,004	-	-
	<u>20,474,945</u>	<u>20,474,945</u>	<u>20,474,945</u>	<u>-</u>	<u>-</u>
June 30, 2019					
Accrued and other liabilities	3,224,947	3,224,947	3,224,947	-	-
Unclaimed profit distribution	16,982,280	16,982,280	16,982,280	-	-
	<u>20,207,227</u>	<u>20,207,227</u>	<u>20,207,227</u>	<u>-</u>	<u>-</u>

Note 27 to the financial statements summarizes the maturity profile of the Modaraba's assets and liabilities.

28.4 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.

Fair value estimation

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.

Note 28, Financial Risk Management - Continued...

28.5 Financial instruments by categories

Financial assets as at June 30, 2020

	At fair value through OCI	Amortized cost	Assets at fair value through profit or loss	Total
-----Rupees-----				
Cash and bank balances	-	1,426,007	-	1,426,007
Short term finances under murabahah arrangements	-	63,399,999	-	63,399,999
Ijarah rentals receivable	-	7,160,527	-	7,160,527
Profit receivable on murabahah arrangements	-	2,299,077	-	2,299,077
Other receivables	-	13,555,254	-	13,555,254
	<u>-</u>	<u>87,840,864</u>	<u>-</u>	<u>87,840,864</u>

Financial assets as at June 30, 2019

	At fair value through OCI	Amortized cost	Assets at fair value through profit or loss	Total
-----Rupees-----				
Cash and bank balances	-	3,416,953	-	3,416,953
Short term finances under murabahah arrangements	-	69,100,000	-	69,100,000
Ijarah rentals receivable	-	2,697,017	-	2,697,017
Profit receivable on murabahah arrangements	-	503,626	-	503,626
Other receivables	-	12,764,693	-	12,764,693
	<u>-</u>	<u>88,482,289</u>	<u>-</u>	<u>88,482,289</u>

Financial liabilities at amortized cost

	2020	2019
	Rupees	Rupees
Accrued and other liabilities	3,570,941	3,224,947
Unclaimed profit distribution	16,904,004	16,982,280
	<u>20,474,945</u>	<u>20,207,227</u>



Note 28, Financial Risk Management - Continued...

28.6 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.

28.7 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 requirement.

Note 29

Segment Reporting

29.1 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 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 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 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 (2019: Nil).



29.2 Segment analysis

The segment information for the reportable segments for the year ended June 30, 2020 is as follows:

	June 30, 2020			June 30, 2019		
	Murabaha Finances	Ijarah Finances	Total	Murabaha Finances	Ijarah Finances	Total
-----Rupees-----						
Segment revenues / profits						
Gross revenue from external customers	1,795,451	18,388,602	20,184,053	1,476,715	22,252,259	23,728,974
Other income	3,066,682	1,006,760	4,073,442	-	76,395	76,395
Net revenue	4,862,133	19,395,362	24,257,495	1,476,715	22,328,654	23,805,369
Depreciation	-	(11,478,485)	(11,478,485)	-	(12,425,837)	(12,425,837)
Provision for doubtful receivables	-	(1,590,959)	(1,590,959)	-	246,422	246,422
Reportable segment profit	4,862,133	6,325,918	11,188,051	1,476,715	10,149,239	11,625,954
Reportable segment assets	65,699,076	67,347,637	377,988,629	69,603,626	66,713,096	382,251,776
Reportable segment liabilities	-	20,847,756	41,638,369	-	20,789,321	41,248,515
Additions to non-current assets	-	22,824,979	22,824,979	-	16,441,500	16,441,500

Note 29, Segment Reporting - Continued...

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

	2020	2019
-----Rupees-----		
Revenues		
Total revenues for reportable segments	24,257,495	23,805,369
Other revenues	144,222	3,487,183
Modaraba's revenues	<u>24,401,717</u>	<u>27,292,552</u>
Profit		
Total profit for reportable segments	11,188,051	11,625,954
Other income	144,222	3,487,183
Administrative and general expenses	(15,528,622)	(13,153,355)
Fair value loss on Hajveri Modaraba shares	(456,652)	(419,906)
Modaraba Management Company's fee	-	(153,988)
Taxation	-	(235,601)
	<u>(4,653,001)</u>	<u>1,150,287</u>
Assets		
Total assets for reportable segments	133,046,713	136,316,722
Corporate assets unallocated:		
Other receivables	13,555,254	12,764,693
Advance income tax	818,586	901,799
Current portion of long term advances and deposits	250,484	214,022
Long term advances and deposits	1,059,014	739,468
Membership assets	3,510,000	3,510,000
Property and equipment	224,322,571	224,388,119
	243,515,909	242,518,101
Cash and bank balances	1,426,007	3,416,953
Total assets as per the balance sheet	<u>377,988,629</u>	<u>382,251,776</u>
Liabilities		
Total liabilities for reportable segments	20,847,756	20,789,321
Corporate liabilities unallocated:		
Accrued and other liabilities	3,570,941	3,224,947
Unclaimed profit distribution	16,904,004	16,982,280
Post employment benefits	315,668	251,967
Total liabilities as per the balance sheet	<u>41,638,369</u>	<u>41,248,515</u>



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.

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.

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

Note 30

Number of Employees

	2020	2019
Total Number of employees as at June 30,	14	14
Average number of employees during the year	14	14

Note 31

Provident Fund

	2020	2019
	<i>Rupees</i> (Un-audited)	<i>Rupees</i> (Un-audited)
Size of the fund	452,393	464,695
Percentage of investments made	1.11%	1.08%
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:

	2020		2019	
	Investment Rupees	Investment as a % of Size of funds	Investment Rupees	Investment as a % of Size of funds
Investment in mutual funds	5,000	1.11%	5,000	1.08%
Cash at bank	952	0.21%	952	0.20%
	<u>5,952</u>		<u>5,952</u>	

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 32

Impact of COVID-19 on the Financial Statements

The outbreak of COVID-19 pandemic and the lockdown situation in the country have impacted businesses to varying degrees, having implications on their operations, financial position, profitability, liquidity and in certain cases, the going concern status. The management has evaluated the impacts of COVID-19 on the Financial Statements of the Modaraba and has concluded as follows:

- The Modaraba has rescheduled some of its contracts with its customers on the request of the customers which had no material impact on the carrying amounts of assets and liabilities or items of income and expenses as required under the relevant accounting and reporting standards, that require specific disclosure in the financial statements.
- The management has evaluated the impacts of COVID-19 on going concern status of the Modaraba and has concluded that the Modaraba is not exposed to any going concern risk.

Note 33

Authorization of Financial Statements

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



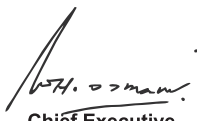
Note 34

Corresponding Figures

Corresponding figures have been re-arranged, wherever necessary, to facilitate comparison. Following re-arrangements have been made during the year for better presentation:

Nature	From	To	2019
			Amount (Rupees)
Advance ijara rentals	Other liabilities (Note 14)	Advance ijara rentals (Note 14)	510,488
Leave encashment	Leave encashment (Note 21)	Salaries, allowances and other benefits (Note 21)	192,515
Fees to share registrar	Rent, rate and taxes (Note 21)	Fees and subscription (Note 21)	218,425
Profit distribution	Cash flows from operating activities	Cash flows from financing activities	10,839,186

**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)] Summary
Pattern of Shareholding

PART - I**Form - 34**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, 2020

2.2

No. of Shareholders	Shareholding		Total Shares held
	From	To	
3,338	1	100	134,742
2,167	101	500	521,237
812	501	1,000	620,473
874	1,001	5,000	1,739,464
92	5,001	10,000	667,821
39	10,001	15,000	456,862
19	15,001	20,000	333,976
17	20,001	25,000	378,323
5	25,001	30,000	144,603
9	30,001	35,000	301,200
5	35,001	40,000	187,829
4	40,001	45,000	170,440
2	45,001	50,000	93,500
2	50,001	55,000	108,362
1	55,001	60,000	56,427
1	65,001	70,000	69,500
2	70,001	75,000	144,200
2	75,001	80,000	155,296
1	85,001	90,000	88,100
1	90,001	95,000	93,991
3	95,001	100,000	300,000
2	105,001	110,000	212,348
1	125,001	130,000	130,000
1	130,001	135,000	131,651
1	165,001	170,000	170,000
1	190,001	195,000	191,230
1	200,001	205,000	200,153
1	265,001	270,000	266,792
1	280,001	285,000	281,500
1	350,001	355,000	350,804
1	440,001	445,000	445,000
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	910,001	915,000	911,000
1	1,000,001	1,005,000	1,005,000
1	1,030,001	1,035,000	1,034,931
1	1,315,001	1,320,000	1,317,000
1	2,295,001	2,300,000	2,300,000
1	2,450,001	2,455,000	2,450,146
1	2,640,001	2,645,000	2,641,380
1	3,225,001	3,230,000	3,228,234
7,419			26,413,804

**CATEGORIES OF CERTIFICATE HOLDING**

As On: June 30, 2020

First Fidelity Leasing Modaraba

As On: June 30, 2020

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>	12	31,417	2,472	33,889	0.13
<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	417	700	1,137	0.00
<u>2.3.8 - A. General Public (Local)</u>	7,358	3,063,452	15,101,464	18,164,916	68.77
<u>2.3.8 - B. General Public (Foreigner)</u>	2	-	1,664	1,664	0.01
<u>2.3.9 - A. Other Companies (Local)</u>	35	85,613	144,349	229,942	0.87
	7,419	3,758,980	22,654,824	26,413,804	100.00

Shareholders More Than 5.00%			
Mr. Muhammad Iqbal	2	4,750,116	17.98
FIDELITY CAPITAL MANAGEMENT (PVT.) LTD	3	6,447,655	24.41



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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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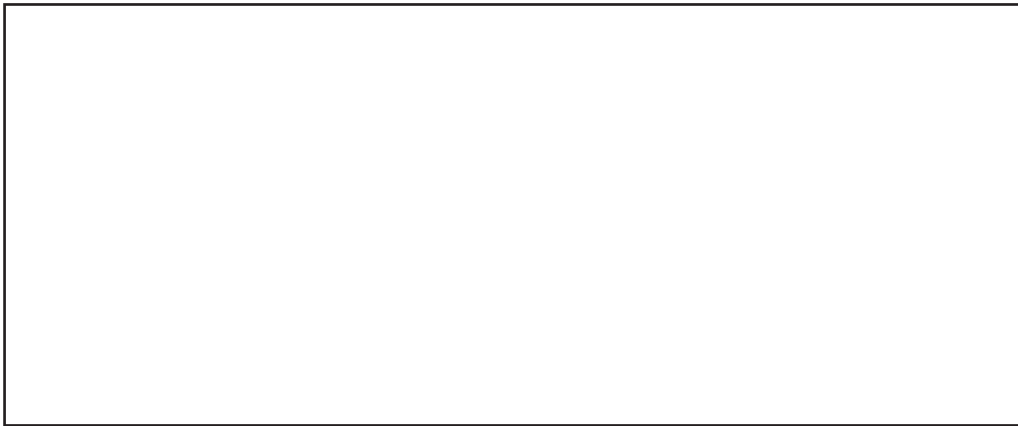
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