

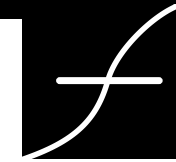
# Annual Report 2009



## FIRST FIDELITY LEASING MODARABA

Managed by  
Fidelity Capital Management (Private) Limited

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## CORPORATE INFORMATION



### Board of Directors

Fidelity Capital Management (Private) Limited.

Chairman	Siyyid Tahir Nawazish
Chief Executive	Mr. Wasim -ul -Haq Osmani
Directors	Sheikh Muhammad Nasim Mr. Shahid Iqbal Chaudhry Mr. Imran Hameed
Company Secretary / CFO	Mr. Mohammed Waheed
Auditors of Modaraba	KPMG Taseer Hadi & Co. Chartered Accountants
Audit Committee	
Chairman	Siyyid Tahir Nawazish
Members	Mr. Shahid Iqbal Chaudhry Mr. Imran Hameed
Secretary	Mr. Muhammad Arshad
Credit Committee	
Chairman	Siyyid Tahir Nawazish
Members	Mr. Wasim -ul -Haq Osmani Sheikh Muhammad Nasim Mr. Muhammad Younis Chaudhry
Legal Advisor	Salim & Baig (Advocates)
Bankers	Samba Bank Limited MCB Bank Limited NIB Bank Limited Faysal Bank Limited
Registered Office	Ground Floor, 90, A-1 Canal Bank Gulberg -II, Lahore Tel: 042 – 32402868 – 72 Fax: 042– 324002873 Email: info@fidelitymodaraba.com
Registrars	Corptec Associates (Pvt.) Ltd. BOP Tower 6th Floor, 10 - B, Block E -2, Gulberg - III Lahore. Tel: 042 - 35783827-9 Fax: 042 - 35875916 Email: corptecassociates@gmail.com





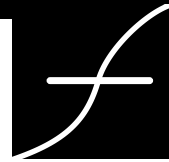
## **Vision**

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.

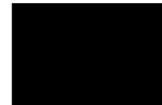




## KEY OPERATING DATA FOR LAST SIX YEARS

(Rupees in Millions)

	June 2009 Rupees	June 2008 Rupees	June 2007 Rupees	June 2006 Rupees	June 2005 Rupees	June 2004 Rupees
Operating results						
Revenues	71.44	118.95	82.61	130.86	142.91	129.95
Operating profit before Profit / (Loss) after taxation and management fee	(2.27)	41.68	33.20	27.83	24.01	25.35
Financial position						
Fixed assets (owned and leased out)	105.76	181.43	158.92	221.39	244.06	258.40
Total assets	457.76	494.24	501.30	577.43	662.07	588.02
Certificateholders equity	326.70	351.54	348.72	315.94	313.41	318.04
Paid up capital	264.13	264.13	264.13	264.13	264.13	206.33
Earning / (Loss) per certificate	(0.09)	1.58	1.26	1.05	0.91	0.89
Profit distribution (%)	-	10.00	10.00	10.00	10.00	10.00
Break-up value per certificate	12.37	13.31	13.20	12.00	11.86	12.14





## **NOTICE OF ANNUAL REVIEW MEETING AND BOOK CLOSURE**

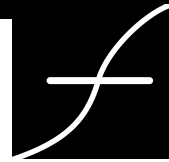
Notice is hereby given that the Annual Review Meeting of Certificate holders of **First Fidelity Leasing Modaraba** to review the performance of Modaraba for the year ended June 30, 2009 will be held on October 31, 2009 at 3:00 P.M. at 6th Floor, M.M. Tower 28-A, Block - K, Gulberg-II, Lahore. The certificate transfer books of the Modaraba will remain closed from October 25, 2009 to October 31, 2009 (both days inclusive) for the determination of names of the certificate holders for attendance of Annual Review Meeting. Certificate holders whose names are entered in the Register of Certificate holders as on October 24, 2009 shall be entitled to attend the meeting.

Lahore

October 09, 2009

**Mohammed Waheed**

(Company Secretary)



## DIRECTORS' REPORT

The Board of Directors of Fidelity Capital Management (Private) Limited is pleased to present the 18<sup>th</sup> Annual Report of First Fidelity Leasing Modaraba together with the audited financial statements and the auditors' report thereon for the year ended June 30, 2009.

### Financial Results

The financial results of the Modaraba are summarized as follows.

	Rupees in '000'	
	2009	2008
Income	71,449	118,948
Expenses	(70,963)	(71,806)
Operating profit before provisions and taxation	486	47,140
(Provision ) / Reversal for doubtful receivables	(3,066)	(830)
Modaraba Company's management fee	-	(4,631)
Profit /(Loss) before taxation	(2,579)	41,679
Taxation	305	-
Profit /(Loss) after tax	(2,274)	41,679

### Appropriations

Appropriated as follows:

Transferred to statutory reserve	-	(12,504)
Profit distribution	-	(26,414)

### Earnings per Certificate

Earnings / (loss) per certificate stood at (Rs. 0.09) (2008: Rs. 1.58).

### Review of Operations

The world has seen unprecedented historical worst economic conditions during the year under review. International banking and financial institutions because of imprudent business practices have been held as main culprit for the situation and they are the ones most hit by the turmoil. Although banks and financial institutions in Pakistan due to tighter controls of regulatory authorities at home were not in a similar situation but were affected due to international business environment. The environment at home too was not supportive for the growth momentum. While many westerner and developing countries gave different growth stimuli plans, in the absence of such plan by Pakistan government, shrinking buying capacity of the people due to inflation failed to trigger demand for goods other than food items. On top of that the State Bank of Pakistan faced with the problems of inflation was not able to reduce the discount rate against the expectations of the business community.

The Pakistan economy grew at 2.0% during the financial year 2008-09. Real GDP of Pakistan's main trading partners contracted by almost 3% on an average, depressing the external demand for Pakistan's exports. The manufacturing sector in particular has contributed to this slowdown which is explainable in the context of acute power shortages, poor law and order situation, war on terror in North Western areas of Pakistan.



## DIRECTORS' REPORT

The performance of the Modaraba sector was also affected under the circumstances and faced liquidity crunch which is evident from scaled down operations and unhealthy business performance during the year. The stock exchange remained dormant for the major part of the financial year 2008-09. In the emerging situation and high interest rate scenario the Modaraba had to abandon its plan of raising capital through Sukuk.

The Modaraba during the year incurred an after tax loss of Rs.2.274 Million as against profit of Rs. 41.679 Million during the last year. Although last year profit included substantial capital gain on account of sale of Membership of Lahore Stock Exchange and room rights in the LSE building, the current year loss contributors are stifled growth, impairment loss on shares of SGML held as investment, reduced brokerage business owing to dormant market during major part of the year, impairment loss on ISP assets. The operations of ISP have been stopped to stem continuing operational loss.

### 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 Modaraba'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.

### Key Operating and Financial Data

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

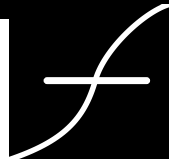
### Trading in Modaraba certificates by Directors etc.

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.

### Board Meetings

During the year under review 5 meetings of the Board of Fidelity Capital Management (Pvt.) Limited were held, which were attended by the directors as follows:





## DIRECTORS' REPORT

Name of Director	Meetings Attended
Siyyid Tahir Nawazish	5
Mr. Wasim-ul-Haq Osmani	5
Mr. S.M. Nasim	5
Mr. Shahid Iqbal Chaudhry	5
Mr. Imran Hameed	5

### Credit Rating

PACRA has maintained Modaraba's long term rating of "A-" and short term of "A2". These ratings denote a low expectation of credit risk and a strong capacity for timely payment of financial commitments. The ratings of the Modaraba reflect its sustained risk absorption capacity, emanating from substantially improved asset quality and adoption of low risk credit expansion with focus on investment strategy based on a low leveraged capital structure.

### Value of Provident Fund and Gratuity Fund Investment

The Modaraba operates a contributory 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.

Modaraba also operates an approved funded gratuity scheme for its management staff who complete the qualifying period of service. Provision in the books of account has been made in accordance with actuarial recommendations. The value of investment of both funds as at June 30, 2009 works out to Rs.4,322,507/-.

### Pattern of Certificateholdings

The pattern of certificateholdings is annexed to this report.

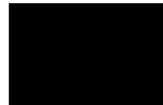
### Auditors

M/s KPMG Taseer Hadi & Co., Chartered Accountants will be retiring at the conclusion of Annual Review Meeting. Keeping in view rotation policy of the Modaraba in accordance with the best practices, the Audit Committee recommended appointment of M/s Riaz Ahmad & Co. Chartered Accountants after completing necessary legal formalities with the approval of the Registrar Modaraba.

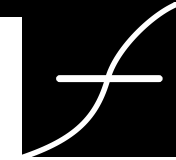
### Future Outlook

It is hoped that the worst year is over. The macro-economic indices have shown slight improvement and if we can overcome the energy crisis, the growth rate of the economy will improve. However, the strategy to overcome power shortage through rental power projects is costly and will only increase cost of doing business.

There is good news too. The activity at stock exchange has picked up lately and foreign investors have again entered in the market which at present is estimated to be below its worth. It is expected that enhanced business activity at the market will improve brokerage business and reduction in impairment loss on the investment held. The liquidity is still short in the second tier of financial markets as large financial institutions are cautious in lending at the moment.



## DIRECTORS' REPORT



However, the Management of the Modaraba is taking stock of the situation and will proceed cautiously keeping in view the still uncertain situation on domestic and international economic fronts.

### **Acknowledgement**

The Board wishes to place on record its appreciation for the continued support, guidance and necessary measures taken by the Registrar Modaraba, Securities and Exchange Commission of Pakistan, Modaraba Association of Pakistan and other Regulators.

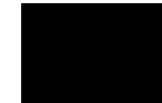
At the same time the Board appreciates the commitment, dedication and hard work put in by the management and staff members of the Modaraba and looks forward to their continued commitment in the coming years.

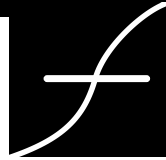
Finally the Board extends its gratitude and appreciation to the certificateholders who remained committed to the Modaraba.

For and on behalf of the Board of Directors

Lahore  
October 09, 2009

**Wasim ul Haq Osmani**  
Chief Executive





## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulations of Stock Exchanges of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Fidelity Capital Management (Private) Limited is the Management Company of First Fidelity Leasing Modaraba and is a private limited company. The Code of Corporate Governance is not applicable to the Management Company. However, First Fidelity Leasing Modaraba is listed at all Stock Exchanges, comes under the ambit of the Code. First Fidelity Leasing Modaraba being a Modaraba does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Modaraba.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. Board presently comprises five directors two of them are executive directors and three are non-executive directors. The Management Company not being a listed company does not have any minority interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFC or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Management Company during the year.
5. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all directors and employees of the Management Company and Modaraba.
6. The Management Company has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba along with the dates on which they were approved or amended has been maintained. The corporate strategy of the Management Company and Modaraba is reviewed and approved by the Board alongwith the annual plan.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by Board. The Term of appointment and determination of remuneration and terms and conditions of employment of the CEO and directors are approved by the Board.
8. The meetings of the Board were presided over by the Chairman or CEO (in case of absence of Chairman) and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working paper were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Management Company arranged orientation course for its directors to apprise them of their duties and responsibilities and to brief them regarding amendments in the Companies Ordinance / Corporate Laws.
10. The Board has approved appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the Chief Executive.



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE



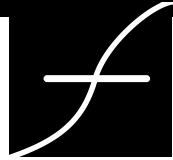
11. The report of the directors of the Management Company on the financial statement of the Modaraba of this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. CEO and CFO duly endorsed the financial statements of the Modaraba before approval of the Board.
13. The directors, chief executive and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificateholdings.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code with respect to Modaraba.
15. The Board has formed an audit committee, it comprises of three members, of whom, one is executive director, who is the Chairman of the Committee and others are non-executive directors.
16. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justifications for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
17. The meetings of the audit committee are held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the Code. The terms of reference of the committee have been formed and advised to the Committee for compliance.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Modaraba had confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all of its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the  
Board of Directors

Lahore  
October 09, 2009

Wasim ul Haq Osmani  
Chief Executive





## REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Fidelity Capital Management (Private) Limited ("the Management Company") in respect of **First Fidelity Leasing Modaraba** ("the Modaraba") to comply with the listing regulations of the stock exchanges where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

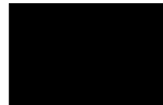
We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention, which causes us to believe that the statement of compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba.

*Lahore:*

October 09, 2009.

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS



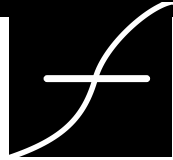
We have audited the annexed balance sheet of **First Fidelity Leasing Modaraba** ("the **Modaraba**") as at 30 June 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial 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-

- (a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by 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 agreement with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba.





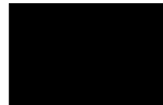
## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

- (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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

*Lahore:*

October 09, 2009

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



## BALANCE SHEET AS AT 30 JUNE 2009



	Note	2009 Rupees	2008 Rupees
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	3	5,468,901	34,160,960
Short term investment	4	2,990,104	10,386,349
Short term morabaha investment - secured	5	49,492,382	48,432,156
Lease rentals receivable	6	3,828,991	3,283,380
Advances, deposits, prepayments and other receivables	7	42,502,012	33,027,936
Current maturity of long term morabaha investment	8	1,149,479	12,108,540
		<u>105,431,869</u>	<u>141,399,321</u>
<b>Non current assets</b>			
Long term morabaha investment - secured	8	9,880,761	7,194,745
Long term musharika investment - secured	9	50,000,000	50,000,000
Long term receivable	10	30,624,999	14,291,666
Investment properties	11	145,427,018	89,398,478
Cards and rooms	12	10,630,000	10,530,000
Fixed assets	13	105,764,619	181,426,449
		<u>352,327,397</u>	<u>352,841,338</u>
<b>Total assets</b>		<u>457,759,266</u>	<u>494,240,659</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Deferred morabaha income	5	4,529,258	4,192,156
Creditors, accrued and other liabilities	14	20,819,028	29,024,339
Finances under musharika arrangements	15	13,000,000	-
Current maturities of non-current liabilities	16	30,897,629	31,756,163
		<u>69,245,915</u>	<u>64,972,658</u>
<b>Long term and deferred liabilities</b>			
Security deposits from lessees	17	25,529,183	32,043,988
Finances under morabaha arrangements	18	33,333,333	43,750,000
Employee benefits	19	1,610,405	1,288,189
Deferred morabaha income	20	1,333,162	641,143
		<u>61,806,083</u>	<u>77,723,320</u>
<b>Total liabilities</b>		<u>131,051,998</u>	<u>142,695,978</u>
<b>Net assets</b>		<u>326,707,268</u>	<u>351,544,681</u>
<b>Financed by</b>			
Certificate capital	21	264,138,040	264,138,040
Reserves	22	62,569,228	87,406,641
<b>Contingencies and commitments</b>	23	-	-
		<u>326,707,268</u>	<u>351,544,681</u>

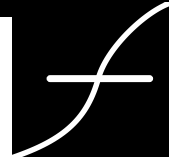
The annexed notes 1 to 36 form an integral part of these financial statements. The parameters used for determination of the value of equity securities held as available for sale and the information about impairment loss and its impact on profit and loss account is disclosed in note 4.3.

**Chief Executive**  
Fidelity Capital Management  
(Private) Limited

**Director**  
Fidelity Capital Management  
(Private) Limited

**Director**  
Fidelity Capital Management  
(Private) Limited





## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
<b>Income</b>			
Lease rentals		44,680,711	48,901,025
Profit on morabaha/musharika finances		26,234,276	27,793,606
Return on investments	24	-	1,562,586
Brokerage commission		1,014,252	5,019,544
Other income	25	459,603	39,416,009
Loss on operations of ISP Division	26	(939,494)	(3,745,263)
		<u>71,449,348</u>	<u>118,947,507</u>
<b>Expenses</b>			
Amortization of assets leased out	13	27,952,238	33,652,376
Administrative and general expenses	27	21,077,538	24,960,308
Stock exchange and CDC charges		515,670	800,467
Impairment on available for sale investments		11,246,842	-
Financial and other charges	28	10,170,566	12,393,730
		<u>70,962,854</u>	<u>71,806,881</u>
<b>Operating profit before provisions and taxation</b>			
Provision for doubtful receivables	33	(3,066,467)	(830,008)
		<u>(2,579,973)</u>	<u>46,310,618</u>
Modaraba Company's management fee		-	4,631,062
<b>Profit before taxation</b>			
Taxation -current		-	-
-prior year		305,767	-
		<u>305,767</u>	<u>-</u>
<b>(Loss)/profit after taxation</b>			
		<u>(2,274,206)</u>	<u>41,679,556</u>
<b>(Loss)/earnings per certificate - basic and diluted</b>			
	29	<u>(0.09)</u>	<u>1.58</u>

The annexed notes 1 to 36 form an integral part of these financial statements. The parameters used for determination of the value of equity securities held as available for sale and the information about impairment loss and its impact on profit and loss account is disclosed in note 4.3.

**Chief Executive**  
Fidelity Capital Management  
(Private) Limited

**Director**  
Fidelity Capital Management  
(Private) Limited

**Director**  
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(Private) Limited



## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009



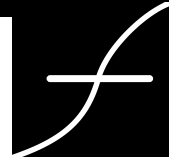
	Note	2009 Rupees	2008 Rupees
<b>Cash flow from operating activities</b>			
Cash used in/ generated from operations	35	(6,697)	8,739,926
Financial charges paid		(6,192,814)	(11,074,840)
Profit received on morabaha/musharika finances		23,258,854	14,718,097
Profit received on TFCs		-	2,750,356
Profit on bank deposits		44,662	193,893
Retirement benefits paid		(684,480)	(454,562)
Income tax paid		(526,654)	(150,796)
<b>Net cash generated from operating activities</b>		<b>15,892,871</b>	<b>14,722,074</b>
<b>Cash flow from investing activities</b>			
Lessees security deposits		(6,514,805)	(9,110,961)
Proceeds from disposal of fixed assts - Leased out		20,343,918	42,194,237
Fixed assets acquired - Leased out		(17,216,090)	(51,998,495)
Investments		-	2,436,753
Proceeds from sale of fixed assets		647,496	695,715
Proceeds from sale of stock exchange card and room		-	46,000,000
Fixed assets acquired - Own use		(1,820,298)	(1,157,300)
Work in progress - property in course of construction		42,485,061	(47,313,750)
Investment properties acquired		(57,913,750)	(16,995,060)
Proceeds from sale of investment properties		-	26,659,659
<b>Net cash used in investing activities</b>		<b>(19,988,468)</b>	<b>(8,589,202)</b>
<b>Cash flow from financing activities</b>			
Finances under musharika arrangements		13,000,000	(30,000,000)
Finances under morabaha arrangement		(10,416,667)	68,750,000
Refinance facility		-	(26,214,437)
Profit distribution		(27,179,795)	(24,936,867)
<b>Net cash used in financing activities</b>		<b>(24,596,462)</b>	<b>(12,401,304)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(28,692,059)</b>	<b>(6,268,432)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>34,160,960</b>	<b>40,429,392</b>
<b>Cash and cash equivalents at the end of the year</b>	3	<b>5,468,901</b>	<b>34,160,960</b>

The annexed notes 1 to 36 form an integral part of these financial statements. The parameters used for determination of the value of equity securities held as available for sale and the information about impairment loss and its impact on profit and loss account is disclosed in note 4.3

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## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

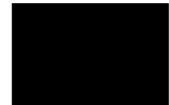
	Certificate capital Rupees	Capital Reserve		Revenue reserve	Total Rupees
		Statutory Rupees	Fair value Rupees	Un-appropriated profit Rupees	
<b>Balance as at 30 June 2007</b>	264,138,040	59,553,483	(1,548,752)	26,581,379	<b>348,724,150</b>
Net profit for the year	-	-	-	41,679,556	<b>41,679,556</b>
Transfer to statutory reserve during the year	-	12,503,867	-	(12,503,867)	-
Profit distribution for year ended 30 June 07 @ 10%	-	-	-	(26,413,804)	<b>(26,413,804)</b>
Unrealized loss on available for sale investment	-	-	(12,445,221)	-	<b>(12,445,221)</b>
<b>Balance as at 30 June 2008</b>	<u>264,138,040</u>	<u>72,057,350</u>	<u>(13,993,973)</u>	<u>29,343,264</u>	<b>351,544,681</b>
Net loss for the year	-	-	-	(2,274,206)	<b>(2,274,206)</b>
Profit distribution @ 10% for the year ended 30 June 08	-	-	-	(26,413,804)	<b>(26,413,804)</b>
Unrealized loss on available for sale investment arising during the year	-	-	(7,396,245)	-	<b>(7,396,245)</b>
Impairment loss recognized in profit and loss account	-	-	11,246,842	-	<b>11,246,842</b>
<b>Balance as at 30 June 2009</b>	<u>264,138,040</u>	<u>72,057,350</u>	<u>(10,143,376)</u>	<u>655,254</u>	<b>326,707,268</b>

The annexed notes 1 to 36 form an integral part of these financial statements. The parameters used for determination of the value of equity securities held as available for sale and the information about impairment loss and its impact on profit and loss account is disclosed in note 4.3.

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(Private) Limited



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



### 1 Legal status and nature of business

First Fidelity Leasing Modaraba ("the Modaraba") was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed there under and is managed by Fidelity Capital Management (Private) Limited. The registered office of the Modaraba is situated at Ground floor 90, A-1 Canal Bank, Gulberg-II, Lahore. The Modaraba commenced its business operations from 5 December 1991. The Modaraba is listed on all the stock exchanges in Pakistan.

The Modaraba is a perpetual, multipurpose and multidimensional modaraba and is primarily engaged in the business of leasing, musharika and morabaha financing, equity investment, brokerage and other related business. The Modaraba is a corporate member of the Islamabad Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited.

### 2 Summary of significant accounting policies

#### 2.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for available for sale investments, which have been recognized at fair value and recognition of certain staff retirement benefits at present value.

#### 2.2 Statement of compliance and estimates

##### 2.2.1 Statement of compliance

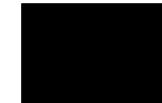
These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations and directives issued by Securities and Exchange Commission of Pakistan (SECP) 'the Modaraba Regulations' together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas under 'the Modaraba Regulations'. Wherever the requirements of 'the Modaraba Regulations' differ from the requirements of these standards, the requirements of 'the Modaraba Regulations' take precedence.

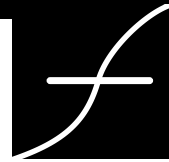
The SECP vide Circular No. 10 of 2004 dated 13 February 2004 has deferred, till further orders, the applicability of the IAS 17 "Leases" with effect from 01 July 2003. Accordingly, this IAS has not been taken into consideration for the purposes of preparation of these financial statements.

##### 2.2.2 Standards, interpretations and amendments to published approved accounting standards

###### *Effective in current year*

IFRS 7 - "Financial Instrument : Disclosures", requires extensive disclosures about the significance of the financial instruments for the financial position and performance of the Modaraba along with the nature and extent of risk arising from such financial instruments to which the Modaraba is exposed during the year and at the end of the reporting period, and how the Modaraba manages those risks. Adoption of this standard has resulted in additional disclosures given in note 34 to the financial statements.





## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

### *Relevant but not yet effective*

IAS 1 "Presentation of Financial Statements" effective for annual periods beginning on or after January 01, 2009 revises the existing IAS 1 and requires, apart from changing the names of certain components of financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in comprehensive Income Statement. Adoption of the above standard will only effect the presentation of financial statements.

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment is not likely to have an effect on Modaraba's financial statements other than certain increased disclosures only.

### **Not relevant and not yet effective**

The following standards, amendments and interpretations to approved accounting standards, effective for accounting periods beginning on or after 1 July 2009 are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain increased disclosures only:

- Revised IAS 23 - Borrowing costs
- IFRS 2 (amendment) - Share based payments
- IFRS 3 (amendment) - Business Combinations
- IFRS 8 - Operating Segments
- IAS 27 - Consolidated and separate financial statements
- IAS 32 (amendment) - Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements
- IFRIC 15 - Agreements for the Construction of Real Estate
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

In addition to above, International Accounting Standards Board made certain amendments to existing standards and interpretations as part of its first and second annual improvements projects. These amendments are unlikely to have impact on the Modaraba's financial statements.

### **2.2.3 Significant estimates**

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 modaraba accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

	Note
a) Useful life and residual value of fixed assets	2.3
b) Provisions	2.1
c) Defined benefit plans	2.11
d) Provisions for taxation	2.14



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



### 2.3 Fixed assets

#### *Assets in own use and depreciation*

These are stated at cost less accumulated depreciation and impairments, if any. Depreciation is charged using "Straight line method" so as to write off the historical cost of an asset over its estimated useful life at the following rates:

	Rate in %
Furniture and fixture	10
Computer and equipment	10 - 20
Motor vehicles	20

The assets residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized and the assets so replaced, if any, are retired.

Fully depreciated assets are being shown at a token value of Re. 1 each.

In respect of acquisition and disposal of an asset during the year, depreciation is charged from the month in which assets are put to use upto the month preceding the month of disposal.

Profit or loss on disposal of operating fixed assets represented by the difference between the sale proceeds and the carrying amount of the asset is included in income.

#### *Asset leased out and amortisation*

All lease arrangements are accounted for as operating lease.

Assets leased out are amortized on a straight line basis over the shorter of lease term or assets useful life.

In respect of additions and transfers during the year, amortization is charged proportionately to the period of lease.

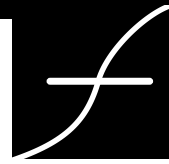
### 2.4 Impairment

The carrying amounts of the Modaraba's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment loss is recognized.

### 2.5 Cards and rooms

These are stated at cost less impairments, if any.





## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

### 2.6 Investment properties

Properties held to earn rentals and for capital appreciation are classified as investment properties. Investment properties are initially measured at cost, being the fair value of the consideration given. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment, if any, except for land, which is stated at cost. Depreciation is charged by using "Straight line method" so as to write off the historical cost of an asset over its estimated useful life at the following rates:

	Rate in %
Building	2.5
Furniture and fixtures	10
Electric installations	2.5

The assets residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Normal repairs and maintenance are charged to income as and when incurred. Major improvements and modifications are capitalized and the assets so replaced, if any, are retired.

In respect of acquisition and disposal of an asset during the year, depreciation is charged from the month in which assets are put to use upto the month preceding the month of disposal.

Profit or loss on disposal of investment properties represented by the difference between the sale proceeds and the carrying amount of the asset is included in income.

### 2.7 Investments

The Modaraba classifies its investments as held to maturity, available for sale or held for trading.

#### ***Held to maturity***

Investments with fixed maturity where management has both the intent and ability to hold till maturity are classified as held to maturity.

#### ***Available for sale***

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices are classified as available for sale.

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in price or dealer's margin are classified as financial assets held for trading.

All "regular way" purchases and sales of listed shares are recognized on the trade date, i.e. the date, Modaraba commits to purchase/sell the asset.

All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, in accordance with the requirements of IAS-39; Financial Instruments: Investments held for trading and available for sale investments for which active market exists, are measured at their market value while held to maturity investments are stated/measured at amortized cost using the effective interest rate method.



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



Any surplus or deficit on revaluation of investments held for trading is charged to income currently, while in case of available for sale investments the resulting surplus/(deficit) is charged to the shareholders' equity. At the time of disposals the respective surplus or deficit is transferred to income currently.

### 2.8 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 cash with banks in current and saving accounts and short term placements with financial institutions.

### 2.9 Financial instruments

#### *Financial assets*

Financial assets are cash and bank balances, placements, investments, financing and other receivables. Finances and receivable from clients are stated at their nominal value as reduced by provision for doubtful finances and receivables, while other financial assets are stated at cost except for investments, which have been revalued as per accounting policy.

#### *Financial liabilities*

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include borrowings, trade and other payables. Mark-up based financial liabilities are recorded at gross proceeds received. Other liabilities are stated at their nominal value.

#### *Recognition and derecognition*

All the financial assets and financial liabilities are recognized at the time when the Modaraba becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Modaraba loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

#### *Offsetting of financial assets and financial liabilities*

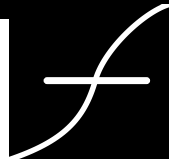
A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Modaraba has legally enforceable right to setoff the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 2.10 Provisions

Provisions are recorded when the Modaraba has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.







## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

### 2.11 Staff retirement benefits

#### *Employees compensated absences*

Employees of Modaraba are entitled to take privileged leave of 30 days every year. Privileged leaves can be accumulated upto a maximum of 90 days. An employee is entitled to encash the accumulated privileged leaves subject to a maximum of 90 days at the time of leaving the service. An employee can encash the unutilized privileged leaves accrued during the year over and above the maximum permissible accumulation at the discretion of the management.

Actuarial valuation was carried out on 30 June 2009 to determine and adjust the liability on the balance sheet date. The actuary, for ascertaining the fair value of liabilities, has adopted the projected unit credit method.

Assumptions used for valuation for the scheme are as under:

	<b>Per annum</b>
Discount rate	12%
Expected rate of increase in salary	11%
Average number of leaves utilized	16 days

#### *Gratuity*

The Modaraba operates an approved funded gratuity scheme for its management staff. Actuarial valuation was carried out on 30 June 2009 to determine and adjust the liability on the balance sheet date. The actuary, for ascertaining the fair value of assets and liabilities, has adopted the projected unit credit method.

Assumptions used for valuation for the scheme are as under:

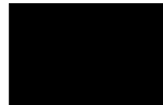
	<b>Per annum</b>
Discount rate	12%
Expected rate of return on plan assets	12%
Expected rate of increase in salary	11%

The Modaraba recognizes its actuarial gains and losses as income and expense if the net cumulative actuarial gains and losses at the end of previous reporting period exceeded the greater of:

- a) 10% of the present value of the defined benefit obligation at the date (before deducting plan assets); and
- b) 10% of the fair value of any plan assets at that date.

#### *Provident fund*

The Modaraba operates a recognized provident fund for all its regular employees. Equal monthly contributions are made to the fund both by the modaraba and the employees at the rate of 10% of the basic salary. The fund is administrated by the Trustees.



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



### 2.12 Revenue recognition

Lease rentals are recognized as income when lease installment becomes due over the lease period.  
Profit on morabaha and musharika finances is recognized on accrual basis.  
Revenue from ISP Division is recognized at the time of sale of internet hours.  
Return on bank deposit and placements are recognized on time proportionate basis.  
Brokerage commission is recognized when such services are provided.  
Dividend income is recognized when the right to receive payment is established.

### 2.13 Borrowing cost

Borrowing costs are recognized as an expense in the period in which they are incurred.

### 2.14 Taxation

#### *Current*

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.

#### *Deferred*

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

In accordance with clause (100) of Part-1 of Second Schedule of the Income Tax Ordinance, 2001, the Modaraba considers itself exempt from income tax application as it distributes 90 percent of its profit to the certificate holders and the management intends to continue to avail the tax exemption. Therefore, no provision is made for current and deferred tax during the year.

### 2.15 Related party transactions

The Modaraba enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

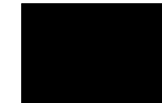
### 2.16 Lease rentals and Musharika Investments

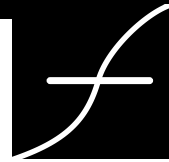
Lease rentals and Musharika finances are stated net of provision. Provision is recognized for lease rentals and Musharika Investments receivables in accordance with the Prudential Regulations for Modaraba's issued by the Security and Exchange Commission of Pakistan. Bad debts are written off when identified.

### 2.17 Morabaha Investments

Morabaha investments are stated net of provision. Provision is recognized for Morabaha Investments in accordance with the Prudential Regulations for Modaraba's issued by the Securities and Exchange Commission of Pakistan. Bad debts are written off when identified.

Morabaha receivable are recorded by the Modaraba at the invoiced amount and disclosed as such in the balance sheet.





## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

Purchase and sales under Morabaha and the resultant profit are accounted for on the culmination of Morabaha transaction.

The profit on that portion of sales revenue not due for payment are deferred by accounting for a debit to "Unearned Morabaha Income" account with the corresponding credit to "Deferred Morabaha Income" account and shown in the balance sheet as a liability.

	Note	2009 Rupees	2008 Rupees
<b>3 Cash and bank balances</b>			
Cash in hand		17,781	70,147
Cash at bank			
Current account - State Bank of Pakistan		9,454	10,133
Saving accounts	3.1	5,441,666	34,080,680
		5,451,120	34,090,813
		<u>5,468,901</u>	<u>34,160,960</u>

3.1 These carry markup at the rate ranging from 2% to 5% (2008: 2% to 5%) per annum.

### 4 Short term investment

Quoted shares - available for sale	4.1	<u>2,990,104</u>	<u>10,386,349</u>
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#### 4.1 Particulars of shares available for sale

		2009		
		Shares Number	Cost Rupees	Market value Rupees
Hamid Textile Mills Limited		573,200	2,265,252	372,580
Shakarganj Sugar Mills Limited		513,240	22,115,070	2,617,524
Fair value adjustment recognized in equity	4.2		(10,143,376)	-
Impairment charged directly to P&L			<u>(11,246,842)</u>	
			<u>2,990,104</u>	<u>2,990,104</u>

		2008		
		Shares Number	Cost Rupees	Market value Rupees
Hamid Textile Mills Limited		573,200	2,265,252	573,200
Shakarganj Sugar Mills Limited		513,240	22,115,070	9,813,149
Fair value reserve			(13,993,973)	-
			<u>10,386,349</u>	<u>10,386,349</u>

All shares have face value of Rs. 10 each.

#### 4.2 Fair value reserve

Opening balance	(13,993,973)	(1,548,752)
Fair value adjustment during the year	<u>(7,396,245)</u>	<u>(12,445,221)</u>
Impairment loss recognized under P&L	11,246,842	-
Closing balance	<u>(10,143,376)</u>	<u>(13,993,973)</u>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



4.3 The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities have been valued at prices quoted on the KSE on 31 December 2008.

The Securities and Exchange Commission of Pakistan ("SECP") vide notification SRO 150 (1)/2009 dated 13 February 2009 has allowed that the impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements is to be taken to Profit and Loss Account on quarterly basis during the year ending 31 December 2009. The amount taken to equity at 31 December 2008 was to be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

The impairment loss based on market values as at 31 December 2008 was determined at Rs 20.286 Million.

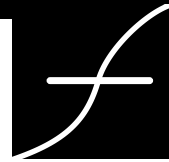
The recognition of impairment loss based on market values as at 30 June 2009 would have had the following effect on these condensed interim financial information:

	<b>2009 (Rupees)</b>
Effect of Impairment Loss in Profit and Loss Account	<b>10,143,376</b>
Effect on Tax charge for the year	<b>Nil</b>
Decrease in profit for the year	<b>10,143,376</b>
Increase in deficit on revaluation of Available for Sale securities	<b>10,143,376</b>
Decrease in Un-appropriated profit	<b>10,143,376</b>
Decrease in earning per share	<b>0.38</b>

	<b>2009 Rupees</b>	2008 Rupees
<b>5 Short term morabaha investment - secured</b>		
Considered good	<b>44,963,124</b>	41,080,000
Considered doubtful	<b>202,370,848</b>	205,708,968
	<b>247,333,972</b>	246,788,968
Add: Unearned morabaha income	<b>4,529,258</b>	4,192,156
	<b>251,863,230</b>	250,981,124
Less: Provision for doubtful finances	<b>202,370,848</b>	202,548,968
	<b>49,492,382</b>	48,432,156

These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin. These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes.

Modaraba is carrying provision included in above provision an amount of Rs. 201,705,968 in respect of classified facilities of Erstwhile First Hajveri Modaraba. Certain recovery suits in this respect are pending adjudication in the Lahore High Court and Banking Court, which are likely to be decided in Modaraba's favour, however, due to inadequate securities, chances of any substantial recovery are slim.



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
<b>6. Lease rentals receivable</b>			
Secured, considered good		3,828,991	3,283,380
Considered doubtful		32,880,086	32,368,882
Less: Provision for doubtful debts	6.1	32,880,086	32,368,882
		-	-
		<u>3,828,991</u>	<u>3,283,380</u>
<b>6.1 Provision for doubtful lease rentals receivable</b>			
Opening balance		32,368,882	32,381,874
Charge for the year		529,470	-
Less: Reversals		(18,266)	(12,992)
Net charge/(reversal)		511,204	(12,992)
<b>Closing balance</b>		<u>32,880,086</u>	<u>32,368,882</u>
<b>7. Advances, deposits, prepayments and other receivables</b>			
Advances to employees-considered good	7.1	529,139	647,125
Securities and deposits		1,298,865	2,077,614
Prepayments		270,684	581,631
Profit on morabaha finances		4,130,671	1,155,249
Income tax refundable		4,366,095	4,145,100
Receivable from clients	7.2	21,041,887	13,898,478
Hajveri Modaraba Management Company (Private) Limited	7.3	5,576,032	5,576,032
Miscellaneous receivables - considered good		5,288,639	4,946,707
		<u>42,502,012</u>	<u>33,027,936</u>
<b>7.1</b>	The maximum aggregate amount due from staff at the end of any month during the year was Rs. 638,009 (2008: Rs. 705,650).		
<b>7.2 Receivable from clients - secured</b>			
Considered good		21,041,887	13,898,478
Considered doubtful		4,950,807	2,217,424
Less: Provision against doubtful receivables		4,950,807	2,217,424
		-	-
		<u>21,041,887</u>	<u>13,898,478</u>
	These comprise of receivables generated as a consequence of carrying on the business by brokerage division.		
<b>7.3</b>	This represents amount withdrawn by previous management company of First Hajveri Modaraba from time to time during prior years out of Modaraba Fund on account of remuneration in violation of section 17 and 18 of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The present management has filed civil suit against the company for recovery of the amount which is pending adjudication. The Court has framed issues and has recorded evidence of Modaraba. Case has now been fixed for evidence of defendant company through Court appointed commission. The present management came in possession of 2,053,200 certificates of erstwhile First Hajveri Modaraba subsequently converted into 578,041 certificates of First Fidelity Leasing Modaraba consequent to amalgamation. The present management has prayed to the Court that these certificates be attached and sold for adjustment of claim of the Modaraba. In view of this no provision has been made in these financial statements against this receivable.		

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



	Note	2009 Rupees	2008 Rupees
<b>8 Long term morabaha investment - secured</b>			
Balance receivable		<u>9,547,599</u>	<u>17,654,129</u>
Add: Unearned morabaha income		<u>1,482,641</u>	<u>1,649,156</u>
		<u>11,030,240</u>	<u>19,303,285</u>
Less: Current portion of long term morabaha investment	8.1	<u>1,149,479</u>	<u>12,108,540</u>
		<u><u>9,880,761</u></u>	<u><u>7,194,745</u></u>
<b>8.1 Current portion of long term morabaha investment</b>			
Morabaha investment		<u>1,000,000</u>	<u>10,459,384</u>
Unearned morabaha income		<u>149,479</u>	<u>1,649,156</u>
		<u><u>1,149,479</u></u>	<u><u>12,108,540</u></u>
<b>8.2</b>	These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin. These are secured against mortgage of properties, hypothecation and pledge of stocks, personal guarantees and demand promissory notes.		
<b>9 Long term musharika investment - secured</b>			
Enplan (Private) Limited	9.1	<u>50,000,000</u>	<u>50,000,000</u>
<b>9.1</b>	These represent receivable against musharika transaction. These are secured against mortgage of property, personal guarantee of directors and demand promissory note. This arrangement is jointly financed by the Modaraba and Trust Investment Bank Limited - TIBL (Rs. 50 million each). The Modaraba is acting as an agent on behalf of TIBL.		
<b>10 Long term receivable</b>			
Long term receivable	10.1	<u>30,624,999</u>	<u>14,291,666</u>
<b>10.1</b>	This represents receivable from Enplan (Private) Limited in respect of minimum guaranteed project @3.5% of the project sale value. This will be received at the time of execution of sale. The term of agreement with Enplan (Private) Limited is 3 years.		

## 11 Investment properties

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

	Cost				Depreciation		value as at	
	As at 01 July 2008	Additions	(Deletion)	As at 30 June 2009	For the year	As at 30 June 2009	30 June 2009	Market value
	Rupees							
Land	39,312,250	-	-	39,312,250	-	-	39,312,250	113,518,390
Building	52,603,818	50,000,000	-	102,603,818	1,419,262	6,336,852	96,266,966	101,186,231
Furniture and Fixture	-	7,913,750	-	7,913,750	65,948	65,948	7,847,802	7,000,000
Electrical installation	4,000,000	-	-	4,000,000	400,000	2,000,000	2,000,000	8,090,879
<b>2008</b>	<b>95,916,068</b>	<b>57,913,750</b>	<b>-</b>	<b>153,829,818</b>	<b>1,885,210</b>	<b>8,402,800</b>	<b>145,427,018</b>	<b>229,795,500</b>

	Cost				Depreciation		value as at	
	As at 01 July 2007	Additions	(Deletion)	As at 30 June 2008	For the year	As at 30 June 2008	30 June 2008	Market value
	Rupees							
Land	44,517,480	15,355,060	(20,560,290)	39,312,250	-	-	39,312,250	113,518,390
Building	51,936,318	1,640,000	(972,500)	52,603,818	3,656,474	1,295,627	4,917,590	47,686,228
Electrical installation	4,000,000	-	-	4,000,000	400,000	1,600,000	2,400,000	8,090,879
<b>2008</b>	<b>100,453,798</b>	<b>16,995,060</b>	<b>(21,532,790)</b>	<b>95,916,068</b>	<b>4,856,474</b>	<b>1,695,627</b>	<b>89,398,478</b>	<b>222,795,500</b>

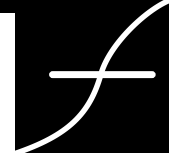
**11.1** Building includes a commercial property comprising basement, lower ground and second to sixth floors in Shafi Mansion, Montgomery Road, Lahore having covered area aggregating 27,073 sq.fts alongwith land right of 17 marlas at a total cost of Rs. 76,161,318. Modaraba has rented out this property to Telenor Pakistan (Private) Limited for 15 years at a monthly rent of Rs. 911,075 with 12% increase after every three years. This property has been mortgaged by Modaraba with Faysal Bank Limited against a morabaha finance facility referred to in note 16.

**11.2** Land includes a plot of land measuring 11 kanals and 11 marlas at main canal road near Jailo at cost of Rs. 14,312,250 acquired for development of physical infrastructural project. In October 2004 the owner of an adjacent land filed a Pre-emption (Haq Shufa) suit in the Civil Court on the ground that she wanted to build houses on her 19 kanals land and the land purchased by the Modaraba, for her son and daughters. The plaintiff has shown interest in buying the land at the price the Modaraba had paid for it. The case is malafide and has been filed with the intention to capitalize the increase in prices in the area. By virtue of the suit the plaintiff has got stay on the property. Modaraba is defending the suit and management is hopeful that it will be decided in Modaraba's favour.

**11.3** Building includes a commercial property comprising a hall measuring 2,550 sq.fts along with proportionate share of land situated at first floor Ghalib Center, 17/B, BII, Ghalib Market, Gulberg III Lahore at cost of Rs.5,442,500.

**11.4** Building includes a commercial property amounts to Rs. 50 million comprising of sixth floor having a covered area aggregating 6,475 sq. fts situated in M.M Towers, Gulberg II, Lahore. Amount of Rs. 7.9 million represents furniture and fixtures purchased for M.M Tower sixth floor.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



**12 Cards and rooms**  
Corporate membership of Islamabad Stock Exchange  
Membership of National Commodity Exchange Limited  
Rooms

	Rupees	Rupees
	5,750,000	5,750,000
	1,010,000	1,010,000
	3,870,000	3,770,000
	<b>10,630,000</b>	<b>10,530,000</b>

**13 Fixed assets**  
Assets leased out  
Assets in own use  
Work-in-progress - property in course of construction

	13.1	102,105,723
	13.2	9,006,976
	77,935,930	111,112,699
	27,828,689	70,313,750
	<b>105,764,619</b>	<b>181,426,449</b>

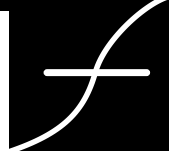
**13.1 Assets leased out**

	Cost		Depreciation		Book value as at 30 June 2009
	As at 01 July 2008	As at 30 June 2009	As at 01 July 2008	For the year/(on deletions)	
Plant and machinery	34,891,200	30,084,800	11,440,410	6,627,596	19,779,090
Vehicles	113,809,144	91,366,592	36,050,886	(7,762,296)	52,647,045
Office equipments	1,753,400	1,454,550	781,366	(16,290,823)	465,724
Household equipments	150,000	150,000	225,359	(224,380)	19,008
<b>2009</b>	150,603,744	123,055,942	48,498,021	26,067,028	72,910,867
	(44,763,892)		(24,419,974)		

	Cost		Depreciation		Book value as at 30 June 2008
	As at 01 July 2007	As at 30 June 2008	As at 01 July 2007	For the year/(on deletions)	
Plant and machinery	51,059,200	34,891,200	26,144,462	5,784,197	23,450,790
Vehicles	146,095,651	113,809,144	48,823,661	(20,488,249)	77,758,258
Office equipments	3,871,731	1,753,400	2,092,146	(38,211,577)	972,034
Household equipments	485,800	150,000	195,860	(1,850,844)	(75,359)
<b>2008</b>	201,512,382	150,603,744	77,256,129	31,954,791	102,105,723
	(102,907,133)		(60,712,896)		

**13.1.1** Transfers represent the assets disposed through negotiation after expiry/termination of leases. However, in view of large number of disposals, detail of each disposal has not been given.





## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

### 13.2 Assets in own use

	Cost		As at 01 July 2008		As at 30 June 2009		Depreciation For the year/(on deletions)		Impairment		As at 30 June 2009		Book value as at 30 June 2009
	As at 01 July 2008	As at 30 June 2009	As at 01 July 2008	As at 30 June 2009	As at 01 July 2008	As at 30 June 2009	For the year/(on deletions)	For the year/(on deletions)	As at 30 June 2009	As at 30 June 2009	As at 30 June 2009	As at 30 June 2009	as at 30 June 2009
Vehicles	5,666,250	1,489,900	6,446,350	3,515,221	898,361	3,729,032	898,361	(684,550)			3,729,032	2,717,318	
Computer and equipments	14,825,489	98,000	14,430,343	8,496,782	1,435,870	9,568,717	1,435,870	(363,935)	(2,873,750)		9,568,717	1,987,876	
Furniture and fixtures	1,318,201	232,398	749,970	790,961	129,143	359,381	129,143	(560,723)	(70,720)		359,381	319,869	
<b>2009</b>	<b>21,809,940</b>	<b>1,820,298</b>	<b>21,626,663</b>	<b>12,802,964</b>	<b>2,463,374</b>	<b>13,657,130</b>	<b>2,463,374</b>	<b>(1,609,208)</b>	<b>(2,944,470)</b>		<b>13,657,130</b>	<b>5,025,063</b>	

	Cost		As at 30 June 2008		As at 01 July 2007		Depreciation For the year/(on deletions)		As at 30 June 2008		Book value as at 30 June 2008
	As at 01 July 2007	As at 30 June 2008	As at 01 July 2007	As at 30 June 2008	As at 01 July 2007	As at 30 June 2008	For the year/(on deletions)	For the year/(on deletions)	As at 30 June 2008	As at 30 June 2008	
Vehicles	6,136,950	4,300	5,666,250	2,457,673	1,184,215	3,515,221	1,184,215	(126,667)	3,515,221	2,151,029	
Computer and equipments	13,931,414	1,153,000	14,825,489	6,979,916	1,747,222	8,496,782	1,747,222	(230,356)	8,496,782	6,328,707	
Furniture and fixtures	1,946,352	-	1,318,201	905,775	194,524	790,961	194,524	(309,338)	790,961	527,240	
<b>2008</b>	<b>22,014,716</b>	<b>1,157,300</b>	<b>21,809,940</b>	<b>10,343,364</b>	<b>3,125,961</b>	<b>12,802,964</b>	<b>3,125,961</b>	<b>(666,361)</b>	<b>12,802,964</b>	<b>9,006,976</b>	

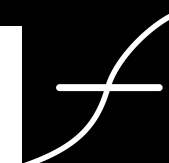
13.2.1 Detail of operating fixed assets disposed off during the year are as follows:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss)	Mode of disposal	Sold/transferred to
<b>Vehicles</b>							
Honda city	650,000	633,750	16,250	16,250	-	As per policy	M.Younus Chahudary
Honda CD 70	54,000	45,000	9,000	25,300	16,300	Auction	Mr.Naseer Ahmed
Furniture & Fixture	577,700	394,908	182,792	-	(182,792)	Auction	Mr.Naseer Ahmed
Computers and equipments	493,146	363,935	129,211	9,000	(120,211)	Auction	M/s TW Computers

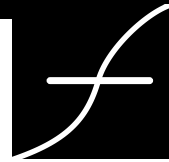
Other deletions represents assets with cost of Rs.228,729

13.3 This includes advance paid to Rehman Construction Company under a Memorandum of Understanding ( MOU) for construction of four villas in a project known as "Murree Holiday Resorts" at a value of Rs. 5 million each. The project been put on hold due to current economic meltdown.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

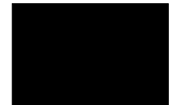


	Note	2009 Rupees	2008 Rupees
<b>14 Creditors, accrued and other liabilities</b>			
Accrued financial charges		5,326,231	1,348,479
Lease rentals received in advance		131,070	648,162
Management fee payable		-	131,062
Due to customers		458,366	9,708,608
Accrued and other payables		1,516,749	2,729,766
Provision for Income Tax		-	305,659
Unclaimed profit distribution		13,386,612	14,152,603
		<u>20,819,028</u>	<u>29,024,339</u>
<b>15 Finances under musharika arrangements</b>			
Kohinoor Energy Limited	15.1	10,000,000	-
Gulf Rental Power limited	15.2	3,000,000	-
		<u>13,000,000</u>	<u>-</u>
<b>15.1</b>	This represents finance obtained under musharika arrangement from Kohinoor Energy limited amounting to Rs. 10 million. The agreement is for 6 months period commencing from 15 January 2009 and carry markup at the rate of 16%.		
<b>15.2</b>	This represents finance obtained under musharika arrangement from Gulf Rental Power Limited amounting to Rs. 3 million. The agreement is for 3 months period commencing from 04 April 2009 and carry markup at the rate of 14%.		
<b>16 Current maturities of non-current liabilities</b>			
Security deposits from lessees	17	5,748,150	5,748,150
Finances under morabaha arrangements	18	25,000,000	25,000,000
Deferred morabaha income	20	149,479	1,008,013
		<u>30,897,629</u>	<u>31,756,163</u>
<b>17 Security deposits from lessees</b>			
Long term security deposits from lessees		31,277,333	37,792,138
Less: Current portion	16	5,748,150	5,748,150
		<u>25,529,183</u>	<u>32,043,988</u>
<b>18 Finances under morabaha arrangements</b>			
Finances under morabaha arrangements-secured		58,333,333	68,750,000
Less: Current maturity	16	25,000,000	25,000,000
		<u>33,333,333</u>	<u>43,750,000</u>
	This represents secured finance facility of Rs. 75 million obtained from a financial institution, under morabaha arrangement. The first principal repayment amounting to Rs. 10.5 million shall be made on 30 August 2009 and remaining in 8 quarterly installments over a period of two years commencing 29 December 2009. The estimated share of profit payable on this finance is 6 months average ask KIBOR plus 2.25% per annum to be paid quarterly and will be resettled bi-annually. The loan is secured against property as referred in Note 11.1.		
<b>19 Employee benefits</b>			
Staff gratuity	19.1	717,009	672,220
Leave encashment	19.2	893,396	615,969
		<u>1,610,405</u>	<u>1,288,189</u>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 Rupees	2008 Rupees
<b>19.1 Staff gratuity-net</b>		
The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligation	2,507,715	2,151,058
Fair value of plan assets	(1,776,397)	(1,098,907)
Unrecognized actuarial gains/ (losses)	72,767	(205,779)
Past service cost to recognized in later periods	(87,076)	(174,152)
	<u>717,009</u>	<u>672,220</u>
<b>a) Change in present value of net staff gratuity</b>		
Liability as at 01 July	672,220	234,203
Charge for the year	717,009	672,220
Contributions during the period	(672,220)	(234,203)
<b>Liability as at 30 June</b>	<u>717,009</u>	<u>672,220</u>
<b>b) Movement in liability for defined benefit obligation</b>		
Present value of defined benefit obligation as at 01 July	2,151,058	1,110,981
Current service cost	503,675	395,794
Interest cost	258,127	111,098
Vested past service liability of new members	-	243,180
Non vested past service liability of new members	-	174,152
Actuarial (gain)/loss on present value of defined benefit obligation	(405,145)	115,853
<b>Present value of defined benefit obligation as at 30 June</b>	<u>2,507,715</u>	<u>2,151,058</u>
<b>c) Movement in fair value of plan assets</b>		
Fair value of plan assets as at 01 July	1,098,907	778,520
Expected return on plan assets	131,869	77,852
Contributions during the year	672,220	234,203
Actuarial (loss)/ gain on plan assets	(126,599)	8,332
<b>Fair value of plan assets as at 30 June</b>	<u>1,776,397</u>	<u>1,098,907</u>
<b>d) Actual return on plan assets</b>	<u>5,270</u>	<u>86,184</u>
<b>e) Plan assets consist of the following:</b>		
Debt instruments	1,571,126	300,000
Cash at Bank	205,271	798,907
	<u>1,776,397</u>	<u>1,098,907</u>
<b>f) Movement in actuarial losses</b>		
Un recognised actuarial losses as at 01 July	(205,779)	(98,258)
Actuarial gain/ (losses) arising during the year	278,546	(107,521)
<b>Un recognised actuarial gain / (losses) as 30 June</b>	<u>72,767</u>	<u>(205,779)</u>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



	2009 Rupees	2008 Rupees
<b>g) Charge for the year</b>		
Current service cost	503,675	395,794
Interest cost	258,127	111,098
Loss on PVDBO due to settlements	-	243,180
Past service charge cost	87,076	-
Expected return on plan assets	<u>(131,869)</u>	<u>(77,852)</u>
	<u>717,009</u>	<u>672,220</u>

	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees
<b>h) Historical Information</b>					
Present value of defined benefit obligation	2,507,715	2,151,058	1,110,981	825,782	723,485
Present value of defined benefit assets	<u>(1,776,397)</u>	<u>(1,098,907)</u>	<u>(778,520)</u>	<u>(415,214)</u>	<u>(575,491)</u>
<b>Deficit in the plan</b>	<b>731,318</b>	1,052,151	332,461	410,568	147,994
Experience adjustment arising on plan liabilities	(249,910)	115,853	13,627	7,064	46,478
Experience adjustment arising on plan assets	(126,599)	8,332	(29,687)	(46,893)	(21,395)

**i)** Assumptions used for valuation of the defined benefit schemes for management and non-management staff are as under:

	Per annum	
	2009	2008
Discount rate	12%	12%
Expected rate of increase in salary	11%	11%
Average expected remaining working life time of employee	15 years	15 years

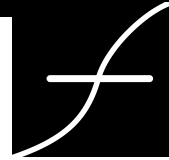
**j)** The Modaraba expects to pay Rs. 383,906 in contributions to defined benefit plan in 2010.

### 19.2 Leave encashment

Opening balance	615,969	364,941
Expenses recognized	289,687	259,725
Liability due to new members joined with past service	-	202,386
Payments made	<u>(12,260)</u>	<u>(211,083)</u>
	893,396	615,969
Payable within one year	-	-
Closing balance	<u>893,396</u>	<u>615,969</u>

#### **a) Movement in liability for defined benefit obligation**

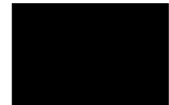
Present value of defined benefit obligation as at 01 July	615,969	364,941
Current service cost	81,389	53,722
Interest cost	73,916	36,494
Liability due to new members joined with past service	-	202,386
Benefits paid during the period	(12,260)	(211,083)
Payable within one year	134,382	-
Actuarial loss on present value of defined benefit obligation	-	169,509
<b>Present value of defined benefit obligation as at 30 June</b>	<u>893,396</u>	<u>615,969</u>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 Rupees	2008 Rupees			
<b>b) Charge for the year</b>					
Current service cost	81,389	53,722			
Interest cost	73,916	36,494			
Actuarial losses charge	<u>134,382</u>	<u>169,509</u>			
	<u><b>300,000</b></u>	<u><b>259,725</b></u>			
<b>c) Historical information</b>					
	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees
Present value of defined benefit obligation	<u>893,396</u>	<u>615,969</u>	<u>364,941</u>	<u>207,344</u>	<u>207,344</u>
Experience adjustment arising on plan liabilities	<u>134,382</u>	<u>169,509</u>	<u>92,691</u>	<u>6,732</u>	<u>37,087</u>
			<b>Per annum</b>		
			2009	2008	
Discount rate			12%	12%	
Expected rate of increase in salary			11%	11%	
Average Number of Leaves Utilized per annum			16 days	16 days	
<b>Deferred morabaha income</b>					
<b>20</b> Long term deferred morabaha income			1,482,641	1,649,156	
Less: Current maturity of deferred morabaha income		16	<u>(149,479)</u>	<u>(1,008,013)</u>	
			<u><b>1,333,162</b></u>	<u><b>641,143</b></u>	
<b>Certificate capital</b>					
<b>21 Authorized certificate capital</b>					
62,500,000 modaraba certificates of Rs.10 each.			<u>625,000,000</u>	<u>625,000,000</u>	
<b>Issued, subscribed and paid-up certificate capital</b>					
16,656,491 modaraba certificates of Rs 10 each fully paid up in cash			166,564,910	166,564,910	
3,976,908 modaraba certificates of Rs 10 each issued as fully paid bonus certificates			39,769,080	39,769,080	
5,780,405 modaraba certificates of Rs 10 each issued to certificate holders of First Hajveri Modaraba in accordance with the Scheme of Amalgamation			<u>57,804,050</u>	<u>57,804,050</u>	
			<u><b>264,138,040</b></u>	<u><b>264,138,040</b></u>	

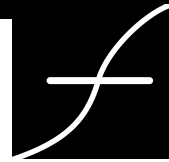
Fidelity Capital Management (Private) Limited, management company, holds 5,869,614 (2008: 5,869,614) modaraba certificates in the Modaraba.



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



	Note	2009 Rupees	2008 Rupees
<b>22 Reserves</b>			
<b>Capital reserve</b>			
Statutory reserve	22.1	72,057,350	72,057,350
Fair value reserve		(10,143,376)	(13,993,973)
<b>Revenue reserve</b>			
Unappropriated profits		655,254	29,343,264
		<u>62,569,228</u>	<u>87,406,641</u>
22.1	This represents special reserve created in compliance with the Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan.		
<b>23 Contingencies and commitments</b>			
<b>Contingencies</b>			
23.1	There were no reportable contingencies and commitments as at 30 June 2009. (2008: Rs.305,767)		
<b>24 Return on investments</b>			
Return on term finance certificates		-	1,562,586
<b>25 Other income</b>			
Return on bank deposits		44,662	109,833
Fees, commission and other charges		127,817	897,555
Return on advances to employees		33,995	29,702
Gain on sale of fixed assets		253,129	-
Gain on sale of stock exchange cards and rooms		-	33,252,050
Gain on sale of investment properties		-	5,126,869
		<u>459,603</u>	<u>39,416,009</u>
<b>26 Loss on operation of ISP division</b>			
Net sales		150,134	2,452,155
Direct costs		(743,979)	(4,907,542)
<b>Gross loss</b>		<u>(593,845)</u>	<u>(2,455,387)</u>
Operating expenses		(345,649)	(1,292,817)
<b>Operating loss</b>		<u>(939,494)</u>	<u>(3,748,204)</u>
Other income		-	2,941
<b>Loss for the year</b>		<u>(939,494)</u>	<u>(3,745,263)</u>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
<b>27 Administrative and general expenses</b>			
Salaries, wages and other benefits	27.1	8,893,973	11,938,843
Legal and professional		353,000	1,198,720
Printing and stationery		417,082	931,558
Travelling, conveyance and vehicles' running		1,241,051	881,152
Insurance		435,731	497,871
Fee, subscription and taxes		468,027	726,922
Auditors' remuneration	27.2	294,200	293,000
Rent and taxes		1,009,913	1,343,849
Repair and maintenance		606,347	357,779
Electricity, water and gas		459,506	231,159
Entertainment		217,635	323,611
Zakat		-	3,653
Advertisement		119,150	125,150
Telephone and postage		822,881	1,548,074
Bad Debts		-	695,312
Depreciation on fixed assets	13.2	2,463,374	3,125,962
Impairment of fixed assets		2,944,470	-
Loss on sale of fixed assets		-	273,267
Miscellaneous		331,198	464,426
		<b>21,077,538</b>	<b>24,960,308</b>
<b>27.1</b>	Salaries and other benefits include Rs. 717,000 (2008: Rs. 672,220) in respect of gratuity and Rs. 488,959 (2008: Rs. 525,698) on account of provident fund contribution.		
<b>27.2 Auditors' remuneration</b>			
Audit fee		145,200	132,000
Review of half yearly accounts		95,000	85,000
Certifications		33,000	70,000
Out of pocket expenses		21,000	6,000
		<b>294,200</b>	<b>293,000</b>
<b>28 Financial and other charges</b>			
Return on morabaha/musharika finances		10,115,338	10,118,406
Discount on premature redemption of TFC's		-	1,975,895
Bank and other charges		55,228	299,429
		<b>10,170,566</b>	<b>12,393,730</b>
<b>29 (Loss)/ earnings per certificate-basic and diluted</b>			
(Loss)/ profit for the year after taxation	<b>Rupees</b>	<b>(2,274,206)</b>	41,679,556
Weighted average number of ordinary certificates	<b>Numbers</b>	<b>26,413,804</b>	26,413,804
(Loss)/ earnings per certificate	<b>Rupees</b>	<b>(0.09)</b>	1.58
<b>29.1</b>	There is no dilution in earning per certificate as the Modaraba has not issued any instrument which would have an impact on its earnings per certificate.		

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



### 30 Future lease rental receivable

Aggregate amount of future lease rentals receivable on the basis of agreements executed upto 30 June 2009, approximate to Rs.52,298,396 (2008: Rs. 159,646,905). The amount of future lease rentals receivable and period during which they fall due are:

	2009 Rupees	2008 Rupees
Upto one year	25,655,490	46,714,213
Above one year and upto five years	26,642,906	112,932,692

### 31 Transactions with related parties

The related parties and associated undertakings comprise of associated companies, Modaraba Company, directors and key management personnel and retirement benefits. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment and staff retirement benefits as disclosed in note 32 & 19 respectively are as follows:

#### Associated companies

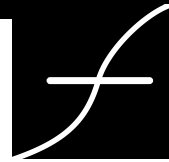
##### Transactions during the year

Modaraba Company's management fee	-	4,643,132
Settlement of outstanding from CSIBL	-	4,500,000
Shares of Shakarganj Mills Limited on settlement of outstanding amount with CSIBL	-	22,115,070

### 32 Remuneration of officers and other employees

	2009		
	Officers Rupees	Other Rupees	Total Rupees
Remuneration	5,158,209	754,416	5,912,625
House rent	1,289,552	188,604	1,478,156
Gratuity	860,127	-	860,127
Provident fund contribution	391,871	91,225	483,096
Other allowances	303,000	10,400	313,400
	<u>8,002,759</u>	<u>1,044,645</u>	<u>9,047,404</u>
Number of employees at the year end	<u>18</u>	<u>10</u>	<u>28</u>
	2008		
	Officers Rupees	Other Rupees	Total Rupees
Remuneration	6,515,810	679,962	7,195,772
House rent	1,564,964	155,643	1,720,607
Gratuity	672,220	-	672,220
Provident fund contribution	485,306	40,392	525,698
Other allowances	1,698,451	103,762	1,802,213
	<u>10,936,751</u>	<u>979,759</u>	<u>11,916,510</u>
Number of employees at the year end	<u>17</u>	<u>10</u>	<u>27</u>





## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
<b>33 Statement of particulars of provision against non-performing receivables</b>			
Opening balance		237,135,274	236,305,266
Charge for the year		3,414,733	843,000
Reversed during the year		(348,266)	(12,992)
Net (reversal)/charge for the year		3,066,467	830,008
		<u>240,201,741</u>	<u>237,135,274</u>
<b>33.1 Break up of balance</b>			
Provision for classified morabaha facilities	5	202,370,848	202,548,968
Provision against doubtful receivables	7.2	4,950,807	2,217,424
Provision against doubtful rentals	6.1	32,880,086	32,368,882
		<u>240,201,741</u>	<u>237,135,274</u>

### 34 Financial instruments

The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors of the management company has overall responsibility for the establishment and oversight of Modaraba's risk management framework.

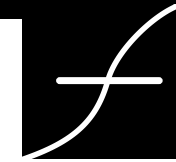
#### 34.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Modaraba by failing to discharge an obligation. The risk is generally limited to principal amounts and accrued profit thereon, if any. The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations. The carrying amount of the following financial assets represents the maximum credit exposure at the reporting date:

Cash and bank balances	5,468,901	34,160,960
Investments	2,990,104	10,386,349
Musharika investment	50,000,000	50,000,000
Morabaha investment	60,522,622	67,735,441
Advances, deposits and other receivables	42,231,328	32,446,305
	<u>161,212,955</u>	<u>194,729,055</u>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



### 34.1.1 Description of collateral held

The Modaraba's Ijarah leases are secured against assets leased out. In a few leases additional collateral is also obtained in the form of mortgaged property.

Morabaha investments are secured by way of personal guarantees of the Directors, pledge of stocks, mortgage of properties and charge on the assets varying from case to case

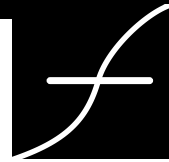
Musharika investments are secured by way of personal guarantees and mortgage of properties.

### 34.1.2 Aging analysis of Morabaha receivable

<u>Past due</u>	2009			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	-	-	-	-
1 day - 89 days	3,988,668	3,988,668	-	-
90 days - 179 days	121,672	121,672	-	-
180 days - 364 days	20,331	20,331	648,493	648,493
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	-	-	-	-
<b>Total</b>	<b>4,130,671</b>	<b>4,130,671</b>	<b>648,493</b>	<b>648,493</b>

<u>Past due</u>	2008			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	-	-	-	-
1 day - 89 days	155,971	155,971	199,333	199,333
90 days - 179 days	250,414	250,414	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	748,864	748,864	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	-	-	-	-
<b>Total</b>	<b>1,155,249</b>	<b>1,155,249</b>	<b>199,333</b>	<b>199,333</b>

Suspension is recognised by the Modaraba on the basis of Prudential Regulations for Modaraba



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

Aging analysis of Morabaha investment

<u>Past due</u>	2009			
	Carrying Amount	Amount on which no provision recognised	Amount on which provision recognised	Provision recognised
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	14,385,537	14,385,537	152,880	152,880
180 days- 364 days	38,510,209	38,510,209	-	-
1 year - less than 2 year	7,034,974	7,034,974	-	-
2 year - less than 3 year	591,902	591,902	-	-
3 year or more	-	-	202,217,968	202,217,968
<b>Total</b>	<b>60,522,622</b>	<b>60,522,622</b>	<b>202,370,848</b>	<b>202,370,848</b>

<u>Past due</u>	2008			
	Carrying Amount	Amount on which no provision recognised	Amount on which provision recognised	Provision recognised
	-----Rupees-----			
0 days	-	-	-	-
1 day-179 days	11,500,000	11,500,000	-	-
180 days - 364 days	28,408,013	28,408,013	-	-
1 year - less than 2 year	26,547,428	26,547,428	-	-
2 year - less than 3 year	-	-	-	-
3 year and above	1,280,000	1,280,000	202,548,968	202,548,968
<b>Total</b>	<b>67,735,441</b>	<b>67,735,441</b>	<b>202,548,968</b>	<b>202,548,968</b>

Provision is recognized by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modaraba and subjective evaluation carried out on an ongoing basis.

### 34.1.3 Aging analysis of lease receivable

<u>Past due</u>	2009			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	1,022,220	1,022,220	43,193	43,193
180 days - 364 days	87,332	87,332	31,459	31,459
1 year - less than 2 year	272,032	272,032	216,645	216,645
2 year - less than 3 years	-	-	214,577	214,577
3 year or more	2,447,407	2,447,407	32,374,212	32,374,212
<b>Total</b>	<b>3,828,991</b>	<b>3,828,991</b>	<b>32,880,086</b>	<b>32,880,086</b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



<u>Past due</u>	2008			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	-	-	-	-
1 day -179 days	247,447	247,447	-	-
180 days - 364 days	329,253	329,253	123,491	123,491
1 year - less than 2 year	-	-	-	-
2 year - less than 3 years	-	-	-	-
3 year or more	2,706,680	2,706,680	32,245,391	32,245,391
<b>Total</b>	<b>3,283,380</b>	<b>3,283,380</b>	<b>32,368,882</b>	<b>32,368,882</b>

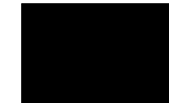
Suspension is recognised by the Modaraba on the basis of Prudential Regulations for Modaraba

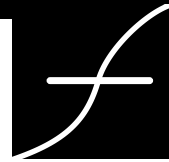
### 34.1.4 Aging analysis of Musharika receivable

<u>Past due</u>	2009			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	30,624,999	30,624,999	-	-
1 day -89 days	-	-	-	-
90 days - 179 days	-	-	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	-	-	-	-
<b>Total</b>	<b>30,624,999</b>	<b>30,624,999</b>	<b>-</b>	<b>-</b>

<u>Past due</u>	2008			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	14,291,666	14,291,666	-	-
1 day -89 days	-	-	-	-
90 days - 179 days	-	-	-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 year	-	-	-	-
3 year or more	-	-	-	-
<b>Total</b>	<b>14,291,666</b>	<b>14,291,666</b>	<b>-</b>	<b>-</b>

Suspension is recognised by the Modaraba on the basis of Prudential Regulations for Modaraba





## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

### 34.1.5 Aging analysis of Musharika investment

<u>Past due</u>	2009			
	Carrying Amount	Amount on which no provision recognised	Amount on which provision recognised	Provision recognised
	-----Rupees-----			
0 days	50,000,000	50,000,000	-	-
1 day -179 days			-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 years	-	-	-	-
3 year or more	-	-	-	-
<b>Total</b>	<b>50,000,000</b>	<b>50,000,000</b>	<b>-</b>	<b>-</b>

<u>Past due</u>	2008			
	Carrying Amount	Amount on which no suspension recognised	Amount on which suspension recognised	Suspension recognised
	-----Rupees-----			
0 days	50,000,000	50,000,000	-	-
1 day -179 days			-	-
180 days - 364 days	-	-	-	-
1 year - less than 2 year	-	-	-	-
2 year - less than 3 years	-	-	-	-
3 year or more	-	-	-	-
<b>Total</b>	<b>50,000,000</b>	<b>50,000,000</b>	<b>-</b>	<b>-</b>

Provision is recognised by the Modaraba on the basis of provision requirements given under Prudential Regulations for Modaraba and subjective evaluation carried out on an ongoing basis.

**34.1.6** The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors.

Break down of credit risk exposure by class of business as at 30 June 2009 is as follows:



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



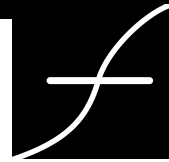
Break down of credit risk exposure by class of business as at 30 June 2009 is as follows:

	Assets leased out	Morabaha investment	Musharika investment	2009 Total	% age
-----Rupees-----					
Energy, oil and gas	2,102,741	-	-	<b>2,102,741</b>	1.15
Engineering and engineering goods	3,619,798	-	-	<b>3,619,798</b>	1.97
Transport and communications	949,682	-	-	<b>949,682</b>	0.52
Textiles	8,631,345	1,280,000	-	<b>9,911,345</b>	5.40
Banks and financial institutions	-	-	-	-	0.00
Chemical and pharmaceutical	-	-	-	-	0.00
Legal and professional	-	-	-	-	0.00
Food and beverages	2,873,521	2,500,000	-	<b>5,373,521</b>	2.93
Computers and IT services	-	-	-	-	0.00
Construction	5,344,660	6,660,822	50,000,000	<b>62,005,482</b>	33.80
Individuals	41,218,456	50,081,800	-	<b>91,300,256</b>	49.77
Miscellaneous	8,170,664	-	-	<b>8,170,664</b>	4.45
	<b>72,910,867</b>	<b>60,522,622</b>	<b>50,000,000</b>	<b>183,433,489</b>	100.00

Break down of credit risk exposure by class of business as at 30 June 2008 is as follows:

	Assets leased out	Morabaha finance	Musharika finance	2008 Total	% age
-----Rupees-----					
Energy, oil and gas	4,483,113	-	-	4,483,113	2.09
Engineering and engineering goods	-	-	-	-	-
Transport and communications	1,686,691	-	-	1,686,691	0.79
Textiles	16,196,426	6,160,000	-	22,356,426	10.45
Banks and financial institutions	-	-	-	-	(0.01)
Chemical and pharmaceutical	-	-	-	-	-
Legal and professional	-	-	-	-	-
Food and beverages	2,618,750	11,500,000	-	14,118,750	6.60
Computers and IT services	-	-	-	-	-
Construction	-	-	50,000,000	50,000,000	23.36
Individuals	-	-	-	-	-
Miscellaneous	77,120,743	44,234,129	-	121,354,872	56.71
	<b>102,105,723</b>	<b>61,894,129</b>	<b>50,000,000</b>	<b>213,999,852</b>	100.00





## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

### 34.2 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. 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. The following are the contractual maturities of financial liabilities, including interest payments:

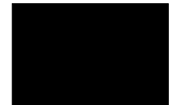
	2009					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
-----R u p e e s-----						
<b>Financial liabilities</b>						
Morabaha finance	58,333,333	68,046,441	20,229,070	14,779,582	33,037,789	-
Security deposit against lease	31,277,333	31,277,333	4,135,286	6,227,291	7,061,338	13,853,418
Musharika finance	13,000,000	13,874,380	10,525,380	3,350,000	-	-
Deferred morabaha income	6,011,899	6,011,899	1,343,648	3,185,610	1,482,641	-
Markup accrued on morabaha and musharika finance	5,326,231	5,326,231	5,326,231	-	-	-
Other payable	15,461,597	15,461,597	1,832,943	614,177	-	13,386,612
	<b>129,410,393</b>	<b>139,997,881</b>	<b>43,392,558</b>	<b>28,156,660</b>	<b>41,581,768</b>	<b>27,240,030</b>

	2008					
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years
-----R u p e e s-----						
<b>Financial liabilities</b>						
Morabaha finance	68,750,000	84,054,274	-	-	-	-
Security deposit against lease	37,792,138	37,792,138	2,869,307	2,878,843	10,884,167	21,159,821
Musharika finance	-	-	-	-	-	-
Deferred morabaha income	5,841,312	5,841,312	1,939,427	3,658,714	58,149	185,021
Markup accrued on morabaha and musharika finance	1,348,479	1,348,479	1,348,479	-	-	-
Other payable	27,675,860	27,675,860	1,826,205	11,697,052	-	14,152,603
	<b>141,407,789</b>	<b>156,712,063</b>	<b>7,983,418</b>	<b>18,234,609</b>	<b>10,942,316</b>	<b>35,497,445</b>

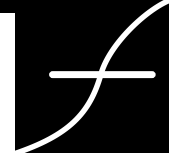
34.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at year end (and includes both principal and profit payable thereon).

### 34.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Modaraba's income or the value of its holdings of financial instruments.



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

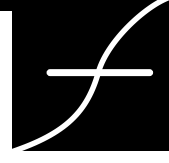


### 34.3.1 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield. The Modaraba has adopted appropriate policies to minimise its exposure to this risk. At the reporting date the interest rate profile of the Modaraba's significant interest bearing financial instruments and the periods in which the mature is as follows:

	Rupees							
	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years	Non profit bearing	2009 Total
<b>Financial assets</b>								
Investments	-	-	-	-	-	-	2,990,104	2,990,104
Long term deposit	-	-	-	-	-	-	-	-
Musharika investment	-	5,700,479	50,000,000	-	-	-	-	50,000,000
Morabaha investment	54,822,143	-	-	-	-	-	-	60,522,622
Advances, deposits and other receivables	22,520,044	-	-	-	-	-	48,389,348	70,909,392
Lease rental receivables	3,828,991	-	-	-	-	-	-	3,828,991
Cash and bank balances	-	-	-	-	-	-	9,468,900	9,468,900
	<b>81,171,178</b>	<b>5,700,479</b>	<b>50,000,000</b>	-	-	-	<b>60,848,352</b>	<b>197,720,009</b>
<b>Financial liabilities</b>								
Morabaha finances	28,437,501	23,916,668	5,979,167	-	-	-	-	58,333,336
Security deposits against leases	-	-	-	-	-	-	31,277,333	31,277,333
Musharika finances	13,000,000	-	-	-	-	-	-	13,000,000
Deferred Morabaha Income	-	-	-	-	-	-	6,011,899	6,011,899
Unclaimed profit distribution	-	-	-	-	-	-	13,386,612	13,386,612
Trade and other payable	-	-	-	-	-	-	7,773,353	7,773,353
	<b>41,437,501</b>	<b>23,916,668</b>	<b>5,979,167</b>	-	-	-	<b>58,449,197</b>	<b>129,782,533</b>
<b>Profit rate sensitivity gap</b>	<b>39,733,677</b>	<b>(18,216,189)</b>	<b>44,020,833</b>	-	-	-	<b>2,399,155</b>	<b>67,937,476</b>
<b>Cumulative profit rate sensitivity gap</b>	<b>39,733,677</b>	<b>(18,216,189)</b>	<b>44,020,833</b>	-	-	-	<b>2,399,155</b>	<b>67,937,476</b>
<b>Effective profit rates</b>	<b>2 0 0 9</b>							
<b>Financial assets</b>								
Bank balances	2 to 5% per annum							
Finances under musharika arrangements	32.67 % per annum							
Finances under morabaha arrangements	16 to 20% per annum							
<b>Financial liabilities</b>								
Finances under musharika arrangements	14 to 16% annum							
Finances under morabaha arrangements	KIBOR plus 2.25% per annum							

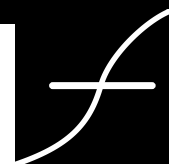




## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years	Non profit bearing	2008 Total
<b>R u p e e s</b>								
<b>Financial assets</b>								
Investments		-	-	-	-	-	10,386,349	10,386,349
Musharika investment			50,000,000				-	50,000,000
Morabaha investment	60,540,696	7,194,745						67,735,441
Advances, deposits and other receivables	13,898,478						33,421,124	47,319,602
Lease rental receivable	3,283,380							3,283,380
Cash and bank balances							34,160,960	34,160,960
	77,722,554	7,194,745	50,000,000				77,988,433	212,885,732
<b>Financial liabilities</b>								
Morabaha finances	25,000,000	25,000,000	18,750,000					68,750,000
Security deposits against leases							37,792,138	37,792,138
Deferred Morabaha Income							4,833,229	4,833,229
Unclaimed profit distribution							14,152,603	14,152,603
Trade and other payables							14,871,736	14,871,736
	25,000,000	25,000,000	18,750,000				71,649,706	140,399,706
<b>Profit rate sensitivity gap</b>	52,722,554	(17,805,255)	31,250,000				6,318,727	72,486,026
<b>Cumulative profit rate sensitivity gap</b>	52,722,554	(17,805,255)	31,250,000				6,318,727	72,486,026
<b>Effective profit rates</b>								
<b>2008</b>								
<b>Financial assets</b>								
Bank balances								2 to 5% per annum
Finances under musharika arrangements								33% per annum
Finances under morabaha arrangements								16 to 20% per annum
<b>Financial liabilities</b>								
Finances under morabaha arrangements								KIBOR plus 2.25% per annum

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit and loss 100 bps	Increase	Decrease
<b>As at 30 June 2009</b>			
Cash flow sensitivity- Variable rate financial assets			
Cash flow sensitivity- Variable rate financial liabilities	(541,584)		541,584
Net effect			
<b>As at 30 June 2008</b>			
Cash flow sensitivity- Variable rate financial assets			
Cash flow sensitivity- Variable rate financial liabilities	(1,016,952)		1,016,952
Net effect			

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.

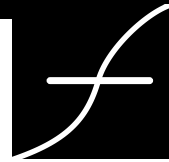
### 34.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The Modaraba is managing the credit risk by reviewing the movement in share price of securities in which investment is held

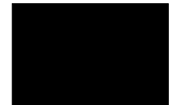
The Modarab's equity price risk for securities in which investment is currently held is managed by following the internal guidelines established by the management.

The Modaraba has no plan to make any further investment in equity securities.

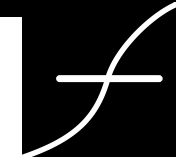


## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
<b>35 Cash generated from operations</b>			
(Loss)/ profit before taxation		(2,579,973)	41,679,556
Adjustment for non cash items:			
Provision charged for doubtful debts and receivables		3,066,467	830,008
Depreciation/amortization		30,415,612	36,778,338
Financial charges		10,170,566	12,393,730
Profit on morabaha/musharika finances		(26,234,276)	(27,793,606)
Return on term finance certificates		-	(1,562,586)
Impairment on available for sale investment		11,246,842	-
Return on bank deposits		(44,662)	(109,833)
Increase in long term receivable		(16,333,333)	-
Impairment of fixed assets		2,944,470	-
Gain on sale of fixed assets		(253,129)	-
Gain on sale of investment properties		-	(5,126,869)
Profit on sale of stock exchange room & card		-	(33,252,050)
Provision for retirement benefits	18	1,006,696	931,945
Working capital changes	35.1	(13,411,977)	(16,028,707)
		<u>(6,697)</u>	<u>8,739,926</u>
<b>35.1 Working capital changes</b>			
<b>(Increase)/decrease in operating assets</b>			
Finances under musharika arrangements		-	(5,000,000)
Finances under morabaha arrangements		7,561,526	11,432,371
Lease rental receivables		(1,056,815)	2,165,683
Advances, deposits, prepayments and other receivables		(8,805,275)	(2,196,572)
		<u>(2,300,564)</u>	<u>6,401,482</u>
<b>Increase/(decrease) in operating liabilities</b>			
Creditors, accrued and other liabilities		(11,111,413)	(22,430,189)
		<u>(13,411,977)</u>	<u>(16,028,707)</u>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009



### 36 General

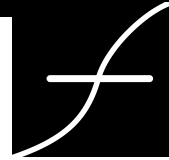
- The financial statements of Modaraba were approved by the directors of Modaraba Management Company and authorized for issue on 09 October, 2009.
- Figures have been rounded off to the nearest rupee.
- Profit on musharika previously classified under the head Advances, deposits, prepayment and other receivables has now been shown as long term receivable at an amount of Rs. 30,624,999 (2008:14,291,666) under the head non-current assets..

**Chief Executive**  
Fidelity Capital Management  
(Private) Limited

**Director**  
Fidelity Capital Management  
(Private) Limited

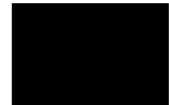
**Director**  
Fidelity Capital Management  
(Private) Limited



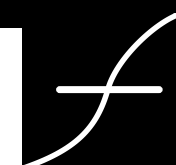


## PATTERN OF CERTIFICATE HOLDING FOR THE YEAR ENDED 30 JUNE 2009

No. of Shareholders	Shareholding	Total Shares held	
3,639	1	100	148,512
2,724	101	500	676,935
1,038	501	1,000	807,875
1,239	1,001	5,000	2,511,068
183	5,001	10,000	1,335,935
84	10,001	15,000	1,016,022
39	15,001	20,000	696,965
29	20,001	25,000	642,533
9	25,001	30,000	247,815
11	30,001	35,000	362,951
7	35,001	40,000	261,081
6	40,001	45,000	252,205
5	45,001	50,000	239,300
5	50,001	55,000	261,862
3	55,001	60,000	172,619
3	60,001	65,000	188,773
2	65,001	70,000	135,000
1	75,001	80,000	78,500
2	80,001	85,000	164,005
2	85,001	90,000	173,631
3	90,001	95,000	276,000
4	95,001	100,000	396,500
1	100,001	105,000	101,090
2	115,001	120,000	235,500
1	125,001	130,000	126,000
1	140,001	145,000	143,500
1	145,001	150,000	150,000
1	150,001	155,000	151,000
1	200,001	205,000	200,153
1	205,001	210,000	207,000
1	235,001	240,000	237,000
1	245,001	250,000	250,000
1	255,001	260,000	260,000
2	350,001	355,000	702,304
1	465,001	470,000	469,000
1	575,001	580,000	578,041
1	1,025,001	1,030,000	1,028,078
1	1,030,001	1,035,000	1,034,931
1	1,055,001	1,060,000	1,059,006
1	1,095,001	1,100,000	1,099,500
1	1,465,001	1,470,000	1,466,000
1	5,865,001	5,870,000	5,869,614
<b>9,060</b>	<b>TOTAL</b>		<b>26,413,804</b>



## CATEGORIES OF CERTIFICATEHOLDING FOR THE YEAR ENDED 30 JUNE 2009



Categories of Shareholder	Shares Held	% age
<b>5.1 - Directors, Chief Executive Officer, Their Spouse and Children</b>		
<b>Directors</b>		
Siygid Tahir Nawazish (CDC)	54,552	0.21
	<b>54,552</b>	<b>0.21</b>
<b>5.2 - Associated Companies, Undertakings &amp; Related Parties</b>		
Fidelity Capital Management (Pvt) Limited (CDC)	5,869,614	22.22
	<b>5,869,614</b>	<b>22.22</b>
<b>5.3 - NIT &amp; ICP (Name Wise Detail)</b>		
National Bank of Pakistan, Trustee Deptt. (CDC)	1,028,078	3.89
	<b>1,028,078</b>	<b>3.89</b>
<b>5.4 - Banks, DFI's, NBFi's</b>		
Banks, DFI's, NBFi's	12,242	0.05
Banks, DFI's, NBFi's (CDC)	1,142,747	4.33
	<b>1,154,989</b>	<b>4.37</b>
<b>5.5 - Insurance Companies</b>		
Insurance Companies	40	0.00
Insurance Companies (CDC)	1,055,679	4.00
	<b>1,055,719</b>	<b>4.00</b>
<b>5.6 - Modaraba and Mutual Funds</b>		
Modaraba and Mutual Funds	358	0.00
Modaraba and Mutual Funds (CDC)	1	0.00
	<b>359</b>	<b>0.00</b>
<b>5.7 - Other Companies</b>		
Other Companies	659,828	2.50
Other Companies (CDC)	406,168	1.54
	<b>1,065,996</b>	<b>4.04</b>
<b>5.9 - General Public</b>		
A. Local	3,747,497	14.19
A. Local (CDC)	12,437,000	47.09
	<b>16,184,497</b>	<b>61.27</b>
	<b>26,413,804</b>	<b>100.00</b>
<b>Shareholders More Than 10.00%</b>		
Fidelity Capital Management (Pvt) Limited (CDC)	3,228,234	12.22