

ANNUAL REPORT

2010



FIRST FIDELITY LEASING MODARABA

Managed by:
Fidelity Capital Management (Private) Limited

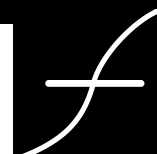
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CORPORATE INFORMATION



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. Abdul Hameed Kiayani

Company Secretary / CFO

Mr. Mohammed Waheed

Auditors of Modaraba

Riaz Ahmad & Company
Chartered Accountants

Audit Committee

Chairman	Siyyid Tahir Nawazish
Members	Mr. Shahid Iqbal Chaudhry Sheikh Muhammad Nasim
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

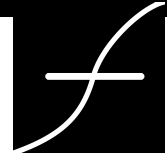
Registered Office

Ground Floor, 90, A-1
Canal Bank Gulberg -II, Lahore
Tel: 0 4 2 – 3 2 4 0 2 8 6 8 – 7 2
Fax: 0 4 2 – 3 2 4 0 2 8 7 3
Email: info@fidelitymodaraba.com

Registrars

Corptec Associates (Pvt.) Ltd.
7/3-G, Mushtaq Ahmed Gurmani Road
Gulberg - II, Lahore.
Tel: 0 4 2 – 3 5 7 8 8 0 9 7 - 8
Fax: 0 4 2 – 3 5 7 5 5 2 1 5
Email: corptecassociates@gmail.com





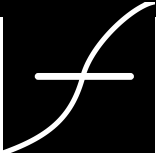
Vision

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 2010 Rupees	June 2009 Rupees	June 2008 Rupees	June 2007 Rupees	June 2006 Rupees	June 2005 Rupees
Operating results						
Revenues	55.88	71.44	118.95	82.61	130.86	142.91
Operating profit before Profit / (Loss) after taxation and management fee	(11.85)	(2.27)	41.68	33.20	27.83	24.01
Financial position						
Fixed assets (owned and leased out)	75.27	105.76	181.43	158.92	221.39	244.06
Total assets	432.87	459.59	494.24	501.30	577.43	662.07
Certificateholders equity	325.20	326.70	351.54	348.72	315.94	313.41
Paid up capital	264.13	264.13	264.13	264.13	264.13	264.13
Earning (Loss) per certificate	(0.45)	(0.09)	1.58	1.26	1.05	0.91
Profit distribution (%)	-	-	10.00	10.00	10.00	10.00
Break-up value per certificate	12.31	12.37	13.31	13.20	12.00	11.86



NOTICE OF ANNUAL REVIEW MEETING AND BOOK CLOSURE

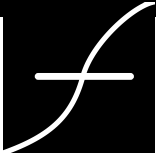


Notice is hereby given that the Annual Review Meeting of Certificate holders of First Fidelity Leasing Modaraba to review the performance of Modaraba for the year ended June 30, 2010 will be held on October 29, 2010 at 3:00 P.M. at 6th Floor, M.M. Tower 28-A, Block - K, Gulberg-II, Lahore. The certificate transfer books of the Modaraba will remain closed from October 23, 2010 to October 29, 2010 (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 22, 2010 shall be entitled to attend the meeting.

Lahore
October 07, 2010

Mohammed Waheed
(Company Secretary)





DIRECTORS' REPORT

The Board of Directors of Fidelity Capital Management (Private) Limited is pleased to present the 19th Annual Report of First Fidelity Leasing Modaraba together with the audited financial statements and the auditors' report thereon for the year ended June 30, 2010.

Financial Results

The financial results of the Modaraba are summarized as follows.

	Rupees in '000'	
	2010	2009
Income	55,884	71,449
Expenses	(61,812)	(70,963)
Operating profit / (loss) before provisions and taxation	(5,928)	486
Provision for doubtful receivables	(5,602)	(3,066)
Modaraba Company's management fee	-	-
Loss before taxation	(11,530)	(2,580)
Taxation	(319)	306
Loss after tax	(11,849)	(2,274)

Appropriations

Appropriated as follows:

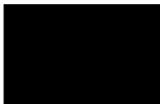
Transferred to statutory reserve	-	-
Profit distribution	-	-

Loss per Certificate

Loss per certificate stood at Rs.	(0.45)	(0.09)
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Review of Operations

The performance of Pakistan's economy in the financial year ended 30th June, 2010 was below expectations. Inflation and liquidity crunch has caused underperformance of many sectors and the Modaraba sector is no exception. Being conscious of depressed economic conditions, the management of the Modaraba adopted a cautious approach by not raising finances to advance new leases and other facilities. Modaraba efforts to dispose of its matured investment properties and to apply these in recurring income generating modes were also not fruitful in view of same depressed conditions. Against this background, contracted revenue of the Modaraba during the year as compared to last year is not hard to understand. The reduction in the revenues of the Modaraba during the year, however is a short term effect but a secured and sound asset portfolio provide a base for Modaraba's future long term profitability. The Modaraba during the year incurred an after tax loss of Rs. 11.849 Million as against loss of Rs. 2.274 Million during the last year. The current year loss contributors are stifled growth, impairment loss on shares of SGML held as investment, non conversion of investment properties, reduced brokerage business owing to uncertain conditions in the market and non-availability of any leverage product in the stock exchanges.



DIRECTORS' REPORT



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.

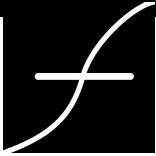
Board Meetings

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:

Name of Director	Meetings Attended
Siyid Tahir Nawazish	5
Mr. Wasim-ul-Haq Osmani	5
Mr. S.M. Nasim	5
Mr. Shahid Iqbal Chaudhry	5
Mr. Imran Hameed	3

Mr. Imran Hameed tendered his resignation which has been accepted with the approval of the SECP. The Board acknowledges his contribution during his tenure as an important member of the Board. In his place, Mr. Abdul Hameed Kiayani an experienced banker with the approval of SECP has been appointed as new Director of the Board.





DIRECTORS' REPORT

Credit Rating

PACRA has revised Modaraba's long term rating from "A-" to "BBB" and short term to "A3" from "A2". The ratings denote low expectation of credit risk and an adequate capacity for timely payment of financial commitments.

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. The value of its investment as at June 30, 2010 works out to Rs. 2,913,243/-

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 its investment as at June 30, 2010 works out to Rs. 2,404,332/-

Pattern of Certificateholdings

The pattern of certificateholdings is annexed to this report.

Auditors

The auditors M/s Riaz Ahmed & Co. Chartered Accountants retire and offer themselves for reappointment for the year 2010-11. The Audit Committee of the Board has recommended the reappointment of the retiring auditors after the approval of the Registrar Modaraba.

Future Outlook and Strategy

The Management of the Modaraba intends to generate requisite funds by disposing of its investment properties at appropriate time and price. The deployment of proceeds of investment properties is expected to turn the Modaraba a profit making entity again. The funds raised by their disposal are planned to be utilised for leasing, morabaha, musharaka, etc. in such respect of such assets and sectors from where recovery is relatively secure even in depressed economic situation.

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

Wasim ul Haq Osmani
Chief Executive

October 7, 2010
Lahore

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE



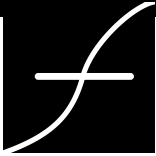
The statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulations of Stock Exchanges of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate 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. A casual vacancy occurred in the Board of Management Company during the year which was filled..
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

Wasim ul Haq Osmani
Chief Executive

October 07, 2010
Lahore



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”) for the year ended 30 June 2010 to comply with the Listing Regulations of the respective 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 Management Company'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 Management Company's personnel and review of various documents prepared by the Modaraba Management Company 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 systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Modaraba Management Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Modaraba Management Company to place before the Board of Directors for their consideration and approval 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 undertaken at arm's length price or not.

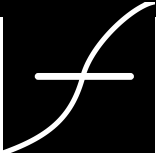
Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended 30 June 2010.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of Engagement Partner
Syed Mustafa Ali

October 07, 2010
LAHORE





AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First Fidelity Leasing Modaraba** (“**the modaraba**”) as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) In our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) In our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied except for the changes as stated in note 2.1(d) with which we concur;



AUDITORS' REPORT TO THE CERTIFICATE HOLDERS



- (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981 in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at 30 June 2010 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

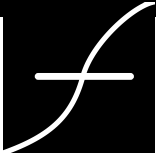
The financial statements of the Modaraba for the year ended 30 June 2009 were audited by another firm of Chartered Accountants who expressed unqualified opinion dated 09 October 2009.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of Engagement partner:
Syed Mustafa Ali

October 07, 2010
Lahore





BALANCE SHEET AS AT 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances	3	13,404,603	5,468,901
Short term investments	4	2,523,512	2,990,104
Short term morabaha investments - secured	5	61,372,038	49,492,382
Ijarah rentals receivable	6	6,995,453	3,870,253
Advances, prepayments and other receivables	7	23,850,197	42,462,443
Current portion of non-current assets	8	91,080,874	2,247,287
		<u>199,226,677</u>	<u>106,531,370</u>
NON-CURRENT ASSETS			
Long term morabaha investments - secured	9	4,574,467	9,011,667
Long term musharika investment - secured	10	-	50,000,000
Long term receivables and deposits	11	1,493,218	32,224,289
Investment properties	12	141,670,539	145,427,018
Cards and rooms	13	10,630,000	10,630,000
Fixed assets	14	75,272,106	105,764,619
		<u>233,640,330</u>	<u>353,057,593</u>
TOTAL ASSETS		<u>432,867,007</u>	<u>459,588,963</u>
LIABILITIES			
CURRENT LIABILITIES			
Deferred morabaha income	5	5,068,914	4,529,258
Creditors, accrued and other liabilities	15	22,704,243	22,648,725
Finances under musharika arrangements	16	5,500,000	13,000,000
Current portion of non-current liabilities	17	53,273,218	31,766,723
		<u>86,546,375</u>	<u>71,944,706</u>
NON-CURRENT LIABILITIES			
Security deposits against ijarah assets	18	13,446,708	25,529,183
Finance under morabaha arrangement	19	5,979,166	33,333,333
Employee benefits	20	1,510,846	1,610,405
Deferred morabaha income	21	181,725	464,068
		<u>21,118,445</u>	<u>60,936,989</u>
TOTAL LIABILITIES		<u>107,664,820</u>	<u>132,881,695</u>
NET ASSETS		<u>325,202,187</u>	<u>326,707,268</u>
FINANCED BY			
Certificate capital	22	264,138,040	264,138,040
Reserves	23	61,064,147	62,569,228
TOTAL EQUITY AND RESERVES		<u>325,202,187</u>	<u>326,707,268</u>
CONTINGENCIES AND COMMITMENTS	24	-	-

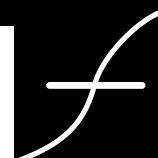
The annexed notes form an integral part of these financial statements.

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 2010



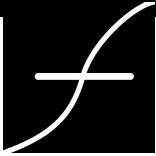
	Note	2010 Rupees	2009 Rupees
INCOME			
Ijarah rentals		25,531,811	33,747,807
Income from investment properties		10,932,904	10,932,904
Profit on morabaha / musharika investments		18,157,185	26,234,276
Brokerage commission		1,080,204	1,014,252
Other income	25	181,535	459,603
Loss on operations of ISP Division	26	-	(939,494)
		<u>55,883,639</u>	<u>71,449,348</u>
EXPENSES			
Depreciation on ijarah assets	14.1	18,665,350	26,067,028
Depreciation on investment properties	12	3,756,479	1,885,210
Administrative and general expenses	27	18,437,706	21,010,038
Stock exchange and CDC charges		672,202	583,170
Impairment on available for sale investments	4.1	10,810,588	11,246,842
Financial charges	28	9,469,311	10,170,566
		<u>61,811,636</u>	<u>70,962,854</u>
OPERATING PROFIT / (LOSS) BEFORE PROVISIONS AND TAXATION		(5,927,997)	486,494
Provision for non performing receivables	29	(5,602,009)	(3,066,467)
		<u>(11,530,006)</u>	<u>(2,579,973)</u>
Modaraba Company's management fee		-	-
LOSS BEFORE TAXATION		<u>(11,530,006)</u>	<u>(2,579,973)</u>
Taxation	30		
-current		(1,080,864)	-
-prior year		761,793	305,767
		<u>(319,071)</u>	<u>305,767</u>
LOSS AFTER TAXATION		<u>(11,849,077)</u>	<u>(2,274,206)</u>
LOSS PER CERTIFICATE - BASIC AND DILUTED	31	<u>(0.45)</u>	<u>(0.09)</u>

The annexed notes form an integral part of these financial statements.

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
LOSS AFTER TAXATION	(11,849,077)	(2,274,206)
OTHER COMPREHENSIVE INCOME		
Surplus / (deficit) on remeasurement of available for sale investments	200,620	(7,396,245)
Impairment loss charged to profit and loss account	10,143,376	11,246,842
Other comprehensive income for the year	10,343,996	3,850,597
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	<u>(1,505,081)</u>	<u>1,576,391</u>

The annexed notes form an integral part of these financial statements.

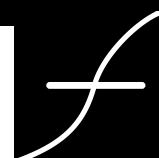
Chief Executive
Fidelity Capital Management
(Private) Limited

Director
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(Private) Limited

Director
Fidelity Capital Management
(Private) Limited



CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010



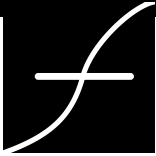
	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	35	18,240,107	(6,697)
Financial charges paid		(7,685,143)	(6,192,814)
Profit received on morabaha / musharika investments		11,333,408	23,258,854
Profit on bank deposits		74,364	44,662
Employee benefits paid		(780,421)	(684,480)
Income tax		3,146,196	(526,654)
Net cash generated from operating activities		<u>24,328,511</u>	<u>15,892,871</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Security deposits against ijarah assets		(9,686,106)	(6,514,805)
Proceeds from disposal of ijarah assets		18,354,254	20,343,918
Ijarah assets acquired		(8,141,800)	(17,216,090)
Proceeds from sale of fixed assets		99,300	647,496
Fixed assets acquired - own use		(337,419)	(1,820,298)
Capital work in progress - property in course of construction		-	42,485,061
Investment properties acquired		-	(57,913,750)
Net cash from / (used in) investing activities		288,229	(19,988,468)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finances under musharika arrangements		(7,500,000)	13,000,000
Finances under morabaha arrangement		(8,239,339)	(10,416,667)
Profit distribution		(941,699)	(27,179,795)
Net cash used in financing activities		<u>(16,681,038)</u>	<u>(24,596,462)</u>
Net increase / (decrease) in cash and cash equivalents		7,935,702	(28,692,059)
Cash and cash equivalents at the beginning of the year		5,468,901	34,160,960
Cash and cash equivalents at the end of the year	3	<u><u>13,404,603</u></u>	<u><u>5,468,901</u></u>

The annexed notes form an integral part of these financial statements.

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	CERTIFICATE CAPITAL	CAPITAL RESERVES			REVENUE RESERVE	TOTAL
		STATUTORY	FAIR VALUE	SUB TOTAL	UNAPPROPRIATED PROFIT / (ACCUMULATED LOSS)	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 30 June 2008	264,138,040	72,057,350	(13,993,973)	58,063,377	29,343,264	351,544,681
Profit distribution for the year ended 30 June 2008 @ Rupee 1 per certificate	-	-	-	-	(26,413,804)	(26,413,804)
Total comprehensive income for the year ended 30 June 2009	-	-	3,850,597	3,850,597	(2,274,206)	1,576,391
Balance as at 30 June 2009	264,138,040	72,057,350	(10,143,376)	61,913,974	655,254	326,707,268
Total comprehensive loss for the year ended 30 June 2010	-	-	10,343,996	10,343,996	(11,849,077)	(1,505,081)
Balance as at 30 June 2010	264,138,040	72,057,350	200,620	72,257,970	(11,193,823)	325,202,187

The annexed notes form an integral part of these financial statements.

Chief Executive
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



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 ijarah (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

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of Preparation

a) Statement of compliance

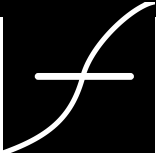
These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas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

The SECP has issued directive (vide SRO 431 (I)/2007 dated 22 May 2007) that Islamic Financial Accounting Standard 2 (IFAS - 2) shall be followed in preparation of the financial statements by Companies and Modarabas while accounting for ijarah (lease) transactions as defined by the said standard. The Modaraba is in compliance with the requirements of the aforesaid Islamic Financial Accounting Standard 2.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for certain financial instruments carried at fair value and recognition of certain staff retirement benefits at present value.





NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying 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:

- a) Useful life and residual value of fixed assets (Note 2.2)
- b) Provisions (Note 2.12)
- c) Defined benefit plans (Note 2.14)
- d) Provisions for taxation (Note 2.17)

d) Changes in accounting policies and disclosures arising from standards and amendments to published approved accounting standards that are effective in the current year

IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Modaraba presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 (Amendment) 'Financial instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2009). This amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IAS 23 (Amendment) 'Borrowing Costs' (effective for annual periods beginning on or after 01 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for its intended use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs has been removed. As there is no qualifying asset acquired, constructed or produced, therefore, this change in accounting policy has no impact in these financial statements.

e) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2009 but are considered not to be relevant or do not have any significant impact on the Modaraba's financial statements and are therefore not detailed in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



f) Standards and amendments to published approved accounting standards that are not yet effective but relevant

Following standards and amendments to existing standards have been published and are mandatory for the Modaraba's accounting periods beginning on or after 01 July 2010 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). IFRS 9 has superseded the IAS 39 'Financial Instruments: Recognition and Measurement'. It requires that all equity investments are to be measured at fair value while eliminating the cost model for unquoted equity investments. Certain categories of financial instruments available under IAS 39 will be eliminated. Moreover, it also amends certain disclosure requirements relating to financial instruments under IFRS 7. The management of the Modaraba is in the process of evaluating impacts of the aforesaid standard on the Modaraba's financial statements.

There are other amendments resulting from annual Improvements projects initiated by International Accounting Standards Board in April 2009 and May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements', IAS 7 'Statement of Cash Flows', IAS 24 'Related Party Disclosures', and IAS 36 'Impairment of Assets' that are considered relevant to the Modaraba's financial statements. These amendments are unlikely to have a significant impact on the Modaraba's financial statements and have therefore not been analyzed in detail.

g) Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2010 but are considered not to be relevant or do not have any significant impact on the Modaraba's financial statements and are therefore not detailed in these financial statements.

2.2 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 rates given in Note 14.1.

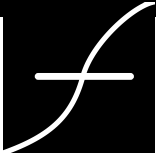
The assets residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

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





NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Ijarah asset and depreciation

Ijarah assets are depreciated on a straight line basis over the shorter of ijarah (lease) term or assets useful life.

In respect of additions and transfers during the year, depreciation is charged proportionately to the period of ijarah (lease).

2.3 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.

2.4 Cards and rooms

These are stated at cost less impairments, if any.

2.5 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 rates given in Note 12.

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.

2.6 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Modaraba assess at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Modaraba applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement'.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



a) Investment at fair value through profit or loss

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

b) Held to maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Modaraba has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) 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 or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date. Gains or losses on available-for-sale investments are recognized in other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account.

2.7 Cash and cash equivalents

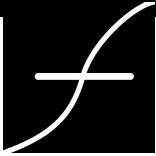
Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and saving accounts and short term placements with financial institutions.

2.8 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, ijarah rentals receivable, musharika investment, morabaha investments, loans and advances, other receivables, cash and bank balances, morabaha finance, musharika finances, accrued mark up and other payables etc. Financial assets and liabilities are recognized when the Modaraba becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Modaraba loses control of the contractual rights that comprise the financial asset. The Modaraba loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Modaraba surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.





NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2.9 Receivables

Receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.10 Payables

Liabilities for other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.11 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.

2.12 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.

2.13 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Modaraba's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are included in the income currently.

2.14 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 2010 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:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



Gratuity

The Modaraba operates an approved funded gratuity scheme for its management staff. Actuarial valuation was carried out on 30 June 2010 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:

	Per annum
Discount rate	12%
Expected rate of return on plan assets	12 %
Expected rate of increase in salary	11 %
Average expected remaining working life of employees	14 years

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 that 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.

2.15 Revenue recognition

- Ijarah rentals are recognized as income when ijarah installment becomes due over the ijarah (lease) period.
- Profit on morabaha and musharika finances is recognized on accrual basis.
- Return on bank deposits 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.

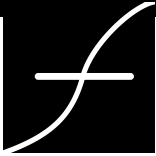
2.16 Borrowing cost

Borrowing costs on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other borrowing costs are recognized in profit and loss account.

2.17 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. Under clause 100 of Part - I of





NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Second Schedule to the Income Tax Ordinance, 2001, the income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders.

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.

2.18 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.

2.19 Ijarah rentals and Musharika Investments

Ijarah rentals and Musharika investments are stated net of provision. Provision is recognized for ijarah rentals and Musharika investments in accordance with the Prudential Regulations for Modarabas' issued by the Securities and Exchange Commission of Pakistan. Bad debts are written off when identified.

2.20 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.

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.

2.21 Profit distribution to certificate holders

Profit distribution to certificate holders is recognized as a liability in the period in which such distribution is announced.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



	2010 Rupees	2009 Rupees
3 CASH AND BANK BALANCES		
Cash in hand	485,431	17,781
Cash at bank		
Current account - State Bank of Pakistan	18,977	9,454
Saving accounts (Note 3.1)	12,900,195	5,441,666
	12,919,172	5,451,120
	13,404,603	5,468,901

3.1 These carry markup at the rate of 5% (2009: 2% to 5%) per annum.

4 SHORT TERM INVESTMENTS

Quoted shares - available for sale (Note 4.1)	2,523,512	2,990,104
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4.1 Particulars of available for sale investments

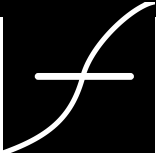
	2010		
	Shares Number	Cost Rupees	Market value Rupees
Hamid Textile Mills Limited	573,200	2,265,252	573,200
Shakarganj Mills Limited	513,240	22,115,070	1,950,312
		24,380,322	
Add: Fair value adjustment recognized through other comprehensive income (Note 4.2)		200,620	
Less: Impairment loss:			
Charged to profit and loss account during the year		10,810,588	
Already charged to profit and loss account		11,246,842	
		2,523,512	2,523,512

	2009		
	Shares Number	Cost Rupees	Market value Rupees
Hamid Textile Mills Limited	573,200	2,265,252	372,580
Shakarganj Mills Limited	513,240	22,115,070	2,617,524
		24,380,322	
Less: Fair value adjustment recognized through other comprehensive income (Note 4.2)		10,143,376	-
Less: Impairment loss charged to profit and loss account during the year		11,246,842	-
		2,990,104	2,990,104

All shares have face value of Rupees 10 each.

4.2 Fair value reserve

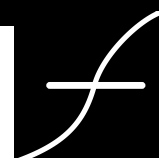
Opening balance as on 01 July	(10,143,376)	(13,993,973)
Fair value adjustment recognized in other comprehensive income during the year	200,620	(7,396,245)
Impairment loss charged in profit and loss account	10,143,376	11,246,842
	10,343,996	3,850,597
Closing balance as on 30 June	200,620	(10,143,376)



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
5 SHORT TERM MORABAHA INVESTMENTS - SECURED		
Considered good	56,303,124	44,963,124
Considered doubtful	204,607,968	202,370,848
	<u>260,911,092</u>	<u>247,333,972</u>
Add: Unearned morabaha income	5,068,914	4,529,258
	<u>265,980,006</u>	<u>251,863,230</u>
Less: Provision for doubtful morabaha investments	204,607,968	202,370,848
	<u>61,372,038</u>	<u>49,492,382</u>
5.1	These represent receivables against morabaha transactions on deferred payment basis at a profit margin rate ranging from 16% to 20% (2009: 16% to 20%) per annum. These are secured against mortgage of properties, pledge and hypothecation of stocks, personal guarantees and demand promissory notes.	
5.2	The Modaraba is carrying provision included in above provision an amount of Rupees 202,857,968 (2009: Rupees 202,217,968) 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.	
6 IJARAH RENTALS RECEIVABLE		
Considered good - Secured	6,995,453	3,870,253
Considered doubtful	33,622,798	32,880,086
Less: Provision for doubtful ijarah rentals receivable (Note 6.1)	33,622,798	32,880,086
	<u>6,995,453</u>	<u>3,870,253</u>
6.1 Provision for doubtful ijarah rentals receivable		
Opening balance	32,880,086	32,368,882
Add: Provision charged during the year	939,093	529,470
Less: Reversals made during the year	196,381	18,266
Net charge	742,712	511,204
Closing balance	<u>33,622,798</u>	<u>32,880,086</u>
7 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Prepayments	307,931	270,684
Profit on morabaha investments	2,787,783	4,130,671
Income tax refundable	900,828	4,366,095
Receivable from clients - Secured (Note 7.1) Hajveri Modaraba Management Company (Private) Limited (Note 7.2)	13,337,139	22,871,584
Miscellaneous receivables - considered good	5,576,032	5,576,032
	940,484	5,247,377
	<u>23,850,197</u>	<u>42,462,443</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



	2010 Rupees	2009 Rupees
7.1 Receivable from clients - Secured		
Considered good	13,337,139	22,871,584
Considered doubtful	7,572,984	4,950,807
Less: Provision against doubtful receivables	7,572,984	4,950,807
	-	-
	13,337,139	22,871,584

7.1.1 These comprise of receivables generated as a consequence of carrying on the business by brokerage division.

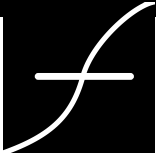
7.2 This represents amount withdrawn by previous management company of First Hajveri Modaraba from time to time during prior years out of Modaraba Fund on account of remuneration in violation of section 18 of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The present management filed civil suit against the company for recovery of the amount which has been returned for want of jurisdiction. The Modaraba has filed an appeal in the Lahore High Court against the decision of the civil court. The appeal has been adjourned with a date in office. The present management 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.

8 CURRENT PORTION OF NON-CURRENT ASSETS

Long term morabaha investments (Note 9.1)	2,013,870	2,018,573
Long term musharika investment (Note 10)	50,000,000	-
Long term receivables and deposits (Note 11)	39,067,004	228,714
	91,080,874	2,247,287

9 LONG TERM MORABAHA INVESTMENTS - SECURED

Balance receivable	5,392,741	9,547,599
Add: Unearned morabaha income	1,195,596	1,482,641
	6,588,337	11,030,240
Less: Current portion of long term morabaha investments (Note 9.1)	2,013,870	2,018,573
	4,574,467	9,011,667



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
9.1 Current portion of long term morabaha investments		
Morabaha investment	1,000,000	1,000,000
Unearned morabaha income	1,013,870	1,018,573
	<u>2,013,870</u>	<u>2,018,573</u>
9.2 These represent receivables against morabaha transactions on deferred payment basis at a specified profit margin. These are secured against mortgage of properties, personal guarantees and demand promissory notes.		
10 LONG TERM MUSHARIKA INVESTMENT - SECURED		
Enplan (Private) Limited (Note 10.1)	50,000,000	50,000,000
Less: Current portion of long term musharika investment (Note 8)	50,000,000	-
	<u>-</u>	<u>50,000,000</u>
10.1 This represents receivable against musharika transaction. This is 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) (Rupees 50 million each). The Modaraba is acting as an security agent on behalf of TIBL. This carries profit margin of 32.67% per annum (2009: 32.67% per annum).		
11 LONG TERM RECEIVABLES AND DEPOSITS		
Long term musharika profit receivable (Note 11.1)	38,791,664	30,624,999
Long term loans to employees (Note 11.2)	719,263	529,139
Securities and deposits	1,049,295	1,298,865
	<u>40,560,222</u>	<u>32,453,003</u>
Less: Current portion of long term receivables and deposits (Note 11.3)	39,067,004	228,714
	<u>1,493,218</u>	<u>32,224,289</u>
11.1 This represents receivable from Enplan (Private) Limited in respect of minimum guaranteed project @3.5% of the project sale value, which is receivable at the time of execution of sale.		
11.2 The maximum aggregate amount due from staff at the end of any month during the year was Rupees 735,220 (2009: Rupees 638,009).		
11.3 Current portion of long term receivables and deposits		
Musharika profit receivable	38,791,664	-
Loans to employees	275,340	228,714
	<u>39,067,004</u>	<u>228,714</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



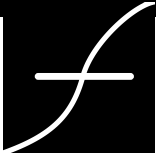
12 INVESTMENT PROPERTIES

	Cost			Depreciation			Book value as at 30 June 2010	Annual rate of depreciation (%)
	As at 01 July 2009	Additions	(Deletion)	As at 30 June 2010	For the year	As at 30 June 2010		
Land	39,312,250	-	-	39,312,250	-	-	39,312,250	-
Building	102,603,818	-	-	102,603,818	6,336,852	2,565,096	93,701,870	2.5
Furniture and fixtures	7,913,750	-	-	7,913,750	65,948	791,383	7,056,419	10
Electrical installation	4,000,000	-	-	4,000,000	2,000,000	400,000	1,600,000	10
	153,829,818	-	-	153,829,818	8,402,800	3,756,479	141,670,539	

Rupees

	Cost			Depreciation			Book value as at 30 June 2009	Annual rate of depreciation (%)
	As at 01 July 2008	Additions	(Deletion)	As at 30 June 2009	For the year	As at 30 June 2009		
Land	39,312,250	-	-	39,312,250	-	-	39,312,250	-
Building	52,603,818	50,000,000	-	102,603,818	4,917,590	1,419,262	96,266,966	2.5
Furniture and fixtures	-	7,913,750	-	7,913,750	-	65,948	7,847,802	10
Electrical installation	4,000,000	-	-	4,000,000	1,600,000	400,000	2,000,000	10
	95,916,068	57,913,750	-	153,829,818	6,517,590	1,885,210	145,427,018	

Rupees



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12.1 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 square feet alongwith land right of 17 marlas at a total cost of Rupees 76,161,318. Modaraba has rented out this property to Telenor Pakistan (Private) Limited for 15 years at a monthly rent of Rupees 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 19.

12.2 Land includes a plot of land measuring 11 kanals and 11 marlas at main canal road near Jallo at cost of Rupees 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.

12.3 Building includes a commercial property comprising a hall measuring 2,550 square feet alongwith proportionate share of land situated at first floor Ghalib Center, 17/BI and 17/BI/II, Ghalib Market, Gulberg III, Lahore at cost of Rupees 5,442,500.

12.4 Building includes a commercial property amounts to Rupees 50,000,000 comprising of sixth floor having a covered area aggregating 6,475 square feet situated in M.M Towers, Gulberg II, Lahore. Amount of Rupees 7,913,750 million represents furniture and fixtures purchased for M.M Tower sixth floor.

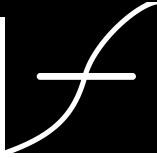
12.5 The market value of investment properties is estimated at Rupees 216.151 million (2009: Rupees 229.796 million). The valuation has been carried out by independent valuers.

	2010	2009
	Rupees	Rupees
13 Cards and rooms		
Corporate membership of Islamabad Stock Exchange	5,750,000	5,750,000
Membership of National Commodity Exchange Limited	1,010,000	1,010,000
Rooms	3,870,000	3,870,000
	<u>10,630,000</u>	<u>10,630,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



	2010		2009	
	RUPEES		RUPEES	
14 FIXED ASSETS				
Operating assets (Note 14.1)				
Assets in own use				
Ijarah assets				
Furniture and fixtures				
Computers and equipment				
Vehicles				
Total				
Plant and machinery				
Office equipment				
Household equipment				
Vehicles				
Total				
Capital work in progress - property in course of construction (Note 14.2)				
14.1 OPERATING ASSETS				
At 01 July 2008				
Cost	1,318,201	14,825,489	5,666,250	21,809,940
Accumulated depreciation	(790,961)	(8,496,782)	(3,515,221)	(12,802,964)
Net book value	527,240	6,328,707	2,151,029	9,006,976
Year ended 30 June 2009				
Opening net book value	527,240	6,328,707	2,151,029	9,006,976
Additions	232,398	98,000	1,489,900	1,820,298
Disposals:				
Cost	(800,629)	(493,146)	(709,800)	(2,003,575)
Accumulated depreciation	560,723	363,935	684,550	1,609,208
Depreciation charge	(239,906)	(129,211)	(25,250)	(394,367)
Impairment	(129,143)	(1,435,870)	(898,361)	(2,463,374)
Closing net book value	319,869	1,987,876	2,717,318	5,025,063
At 30 June 2009				
Cost	749,970	14,430,343	6,446,350	21,626,663
Accumulated depreciation	(359,381)	(9,568,717)	(3,729,032)	(13,657,130)
Net book value	319,869	1,987,876	2,717,318	5,025,063
Year ended 30 June 2010				
Opening net book value	319,869	1,987,876	2,717,318	5,025,063
Additions	215,431	121,988	-	337,419
Transfer from capital work in progress	-	2,953,689	-	2,953,689
Disposals:				
Cost	(130,341)	(187,920)	-	(318,261)
Accumulated impairment	2,772	23,760	-	26,532
Accumulated depreciation	(33,239)	(159,987)	-	(254,317)
Depreciation charge	(79,669)	(4,173)	-	(37,412)
Closing net book value	422,392	(957,902)	(877,145)	(1,914,716)
At 30 June 2010				
Cost	835,060	17,318,100	6,446,350	24,599,510
Accumulated depreciation	(344,720)	(10,366,632)	(4,606,177)	(15,317,529)
Accumulated impairment	(67,948)	(2,849,990)	-	(2,917,938)
Net book value	422,392	4,101,478	1,840,173	6,364,043
Annual rate of depreciation (%)	10	10-20	20	20 - 50
			25 - 33	33 - 50
			20 - 50	20 - 50



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

FIXED ASSET	COST	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT	BOOK VALUE	SALE PROCEEDS	GAIN / (LOSS)	MODE OF DISPOSAL	SOLD TO
-----Rupees-----								
FURNITURE AND FIXTURES								
Wooden Filing Cabinet	4,000	2,560	1,440	-	3,000	3,000	Negotiations	Chand Household Equipments
Steel Almirah	3,700	2,368	1,332	-	3,000	3,000	Negotiations	Chand Household Equipments
Staff Tables	4,336	4,157	-	179	700	521	Negotiations	M Asif House Holder Traders
Sofa	3,613	3,462	-	151	500	349	Negotiations	M Asif House Holder Traders
Computer Tables	12,000	11,100	-	900	9,500	8,600	Negotiations	M Asif House Holder Traders
Revolving Chair	3,253	2,792	-	461	500	39	Negotiations	M Asif House Holder Traders
Side Racks	4,744	4,071	-	673	500	(173)	Negotiations	M Asif House Holder Traders
Air Conditioner (Mitsubishi)	40,000	31,818	-	8,182	16,000	7,818	Negotiations	Chand Household Equipments
Air Conditioner (Mitsubishi Split)	38,600	26,698	-	11,902	15,600	3,698	Negotiations	Chand Household Equipments
Carpet	16,095	5,304	-	10,791	1,000	(9,791)	Negotiations	M Asif House Holder Traders
COMPUTER AND EQUIPMENT								
Laptop	84,870	84,870	-	-	20,000	20,000	Negotiations	Mr. Younis Chaudhry
Mobile Phone	13,800	9,627	-	4,173	1,500	(2,673)	Negotiations	Mr. Muhammad Waheed
UPS	60,000	38,400	21,600	-	12,000	12,000	Negotiations	Chand Household Equipments
Microwave Oven	8,300	8,300	-	-	2,000	2,000	Negotiations	M Asif House Holder Traders
Refrigerator	14,950	14,950	-	-	7,500	7,500	Negotiations	M Asif House Holder Traders
Refrigerator	6,000	3,840	2,160	-	6,000	6,000	Negotiations	Chand Household Equipments
	<u>318,261</u>	<u>254,317</u>	<u>26,532</u>	<u>37,412</u>	<u>99,300</u>	<u>61,888</u>		

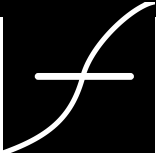
14.1.2 The cost of the assets as on 30 June 2010 includes fully depreciated assets of Rupees 16,712,488 (2009: Rupees 9,102,894) which are still in use of the Modaraba.

14.2 This includes advance paid to Rehman Construction Company under two Memoranda of Understanding (MOUs) for a project known as "Murree Holiday Resorts" for construction of four villas at a value of Rupees 5 million each and two villas at a value of Rupees 2.5 million each. The project has been put on hold due to current economic meltdown.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



	2010 Rupees	2009 Rupees
15 CREDITORS, ACCRUED AND OTHER LIABILITIES		
Accrued financial charges	7,110,399	5,326,231
Ijarah rentals received in advance	120,313	131,070
Due to customers	1,260,344	2,288,063
Accrued and other payables	1,768,274	1,516,749
Unclaimed profit distribution	12,444,913	13,386,612
	<u>22,704,243</u>	<u>22,648,725</u>
16 FINANCES UNDER MUSHARIKA ARRANGEMENTS		
Kohinoor Energy Limited - Employees Gratuity Fund (Note 16.1)	2,500,000	10,000,000
Gulf Rental Power (Private) Limited (Note 16.2)	3,000,000	3,000,000
	<u>5,500,000</u>	<u>13,000,000</u>
16.1 This represents finance obtained under musharika arrangement from Kohinoor Energy Limited Employees - Gratuity Fund. This musharika arrangement is for one year and carries markup at the rate of 16% per annum.		
16.2 This represents finance obtained under musharika arrangement from Gulf Rental Power (Private) Limited. This musharika arrangement is for one year and carries markup at the rate of 14% per annum.		
17 CURRENT PORTION OF NON-CURRENT LIABILITIES		
Security deposits against ijarah assets (Note 18)	8,144,519	5,748,150
Finance under morabaha arrangement (Note 19)	44,114,828	25,000,000
Deferred morabaha income (Note 21)	1,013,871	1,018,573
	<u>53,273,218</u>	<u>31,766,723</u>
18 SECURITY DEPOSITS AGAINST IJARAH ASSETS		
Long term security deposits against ijarah assets	21,591,227	31,277,333
Less: Current portion (Note 17)	8,144,519	5,748,150
	<u>13,446,708</u>	<u>25,529,183</u>
19 FINANCE UNDER MORABAHA ARRANGEMENT		
Finance under morabaha arrangement - secured	50,093,994	58,333,333
Less: Current portion (Note 17)	44,114,828	25,000,000
	<u>5,979,166</u>	<u>33,333,333</u>
19.1 This represents secured finance facility of Rupees 58.333 million (2009: Rupees 75 million) obtained from a financial institution, under morabaha arrangement. 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 facility is secured against property as referred in Note 12.1.		
20 EMPLOYEE BENEFITS		
Staff gratuity (Note 20.1)	703,238	717,009
Leave encashment (Note 20.2)	807,608	893,396
	<u>1,510,846</u>	<u>1,610,405</u>
20.1 Staff gratuity		
The amounts recognized in the balance sheet are as follows:		
Present value of defined benefit obligation	3,009,253	2,507,715
Fair value of plan assets	(2,404,332)	(1,776,397)
Unrecognized actuarial gains	98,317	72,767
Past service cost to be recognized in later periods	-	(87,076)
	<u>703,238</u>	<u>717,009</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 Rupees	2009 Rupees
a) Change in present value of net staff gratuity		
Liability as at 01 July	717,009	672,220
Charge for the year	703,238	717,009
Contributions during the period	(717,009)	(672,220)
Liability as at 30 June	<u>703,238</u>	<u>717,009</u>
b) Movement in liability for defined benefit obligation		
Present value of defined benefit obligation as at 01 July	2,507,715	2,151,058
Current service cost	528,404	503,675
Interest cost	300,926	258,127
Benefits paid during the year	(87,251)	-
Actuarial gain on present value of defined benefit obligation	(240,541)	(405,145)
Present value of defined benefit obligation as at 30 June	<u>3,009,253</u>	<u>2,507,715</u>
c) Movement in fair value of plan assets		
Fair value of plan assets as at 01 July	1,776,397	1,098,907
Expected return on plan assets	213,168	131,869
Contributions during the year	717,009	672,220
Benefits paid during the year	(87,251)	-
Actuarial loss on plan assets	(214,991)	(126,599)
Fair value of plan assets as at 30 June	<u>2,404,332</u>	<u>1,776,397</u>
d) Actual return on plan assets	<u>(1,823)</u>	<u>5,270</u>
e) Plan assets consist of the following:		
Debt instruments	1,483,875	1,571,126
Cash at bank	920,457	205,271
	<u>2,404,332</u>	<u>1,776,397</u>
f) Movement in actuarial gains / (losses)		
Un recognized actuarial gains / (losses) as at 01 July	72,767	(205,779)
Actuarial gains arising during the year	25,550	278,546
Un recognized actuarial gains as at 30 June	<u>98,317</u>	<u>72,767</u>
g) Charge for the year		
Current service cost	528,404	503,675
Interest cost	300,926	258,127
Past service cost	87,076	87,076
Expected return on plan assets	(213,168)	(131,869)
	<u>703,238</u>	<u>717,009</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



h) Historical Information

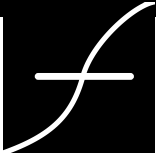
	2010	2009	2008	2007	2006
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligation	3,009,253	2,507,715	2,151,058	1,110,981	825,782
Present value of defined benefit assets	(2,404,332)	(1,776,397)	(1,098,907)	(778,520)	(415,214)
Deficit in the plan	604,921	731,318	1,052,151	332,461	410,568
Experience adjustment arising on plan liabilities	(240,541)	(405,145)	115,853	13,627	7,064
Experience adjustment arising on plan assets	(214,991)	(126,599)	8,332	(29,687)	(46,893)

i) Assumptions used for valuation of the defined benefit scheme are as under:

	Per annum	
	2010	2009
Discount rate	12%	12%
Expected rate of increase in salary	11%	11%
Expected rate of return on plan assets	12%	12%
Average expected remaining working life time of employee	14 years	15 years

j) The Modaraba expects to pay Rupees 665,930 in contributions to defined benefit plan in 2011.

	2010	2009
	Rupees	Rupees
20.2 Leave encashment		
Opening balance	893,396	615,969
Amount recognized during the year	(22,376)	289,687
Payments made	(63,412)	(12,260)
	807,608	893,396
Payable within one year	-	-
Closing balance	807,608	893,396
a) Movement in liability for defined benefit obligation		
Present value of defined benefit obligation as at 01 July	893,396	615,969
Current service cost	77,500	81,389
Interest cost	107,208	73,916
Benefits paid during the year	(63,412)	(12,260)
Payable within one year	-	-
Actuarial (gain) / loss on present value of defined benefit obligation	(207,084)	134,382
Present value of defined benefit obligation as at 30 June	807,608	893,396
b) Charge for the year		
Current service cost	77,500	81,389
Interest cost	107,208	73,916
Actuarial (gains) / losses charged	(207,084)	134,382
	(22,376)	289,687



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

c) Historical information

	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees
Present value of defined benefit obligation	807,608	893,396	615,969	364,941	207,344
Experience adjustment arising on plan liabilities	(207,084)	134,382	169,509	92,691	6,732
				Per annum	
				2010	2009
Discount rate				12%	12%
Expected rate of increase in salary				11%	11%
Average number of leaves utilized per annum				16 days	16 days
				2010	2009
				Rupees	Rupees
21 DEFERRED MORABAHA INCOME					
Long term deferred morabaha income				1,195,596	1,482,641
Less: Current maturity of deferred morabaha income (Note 17)				1,013,871	1,018,573
				181,725	464,068
22 CERTIFICATE CAPITAL					
Authorized certificate capital					
62,500,000 (2009: 62,500,000) modaraba certificates of Rupees10 each.				625,000,000	625,000,000
Issued, subscribed and paid-up certificate capital					
16,656,491 (2009:16,656,491) modaraba certificates of Rupees 10 each fully paid up in cash				166,564,910	166,564,910
3,976,908 (2009: 3,976,908) modaraba certificates of Rupees 10 each issued as fully paid bonus certificates				39,769,080	39,769,080
5,780,405 (2009: 5,780,405) modaraba certificates of Rupees 10 each issued to certificate holders of First Hajveri Modaraba in accordance with the scheme of Amalgamation				57,804,050	57,804,050
				264,138,040	264,138,040
22.1 Fidelity Capital Management (Private) Limited, management company, holds 5,869,614 (2009: 5,869,614) modaraba certificates in the Modaraba.					
23 RESERVES					
Capital reserves					
Statutory reserve (Note 23.1)				72,057,350	72,057,350
Fair value reserve (Note 23.2)				200,620	(10,143,376)
Revenue reserve					
Unappropriated profits / (Accumulated loss)				(11,193,823)	655,254
				61,064,147	62,569,228

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



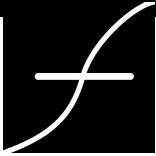
23.1 This represents special reserve created in compliance with the Prudential Regulations for Modarabas issued by Securities and Exchange Commission of Pakistan.

23.2 This represents the unrealized gain on re-measurement of available for sale equity investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization.

24 CONTINGENCIES AND COMMITMENTS

There were no reportable contingencies and commitments as at 30 June 2010 (2009: Nil).

	2010 Rupees	2009 Rupees
25 OTHER INCOME		
Return on bank deposits	74,364	44,662
Fees, commission and other charges	15,823	127,817
Return on loans to employees	29,460	33,995
Gain on sale of fixed assets	61,888	253,129
	<u>181,535</u>	<u>459,603</u>
26 LOSS ON OPERATIONS OF ISP DIVISION		
Net sales	-	150,134
Direct costs	-	(743,979)
Gross loss	-	(593,845)
Operating expenses	-	(345,649)
Operating loss	-	(939,494)
Other income	-	-
Loss for the year	<u>-</u>	<u>(939,494)</u>
27 ADMINISTRATIVE AND GENERAL EXPENSES		
Salaries and other benefits (Note 27.1)	9,136,653	8,893,973
Legal and professional	1,127,415	353,000
Printing and stationery	542,721	417,082
Travelling, conveyance and vehicles' running	1,308,507	1,241,051
Insurance	438,779	435,731
Fee, subscription and taxes	598,131	400,527
Auditors' remuneration (Note 27.2)	417,600	294,200
Rent and taxes	827,280	1,009,913
Repair and maintenance	306,158	606,347
Electricity, water and gas	471,916	459,506
Entertainment	248,850	217,635
Advertisement	71,740	119,150
Telephone and postage	673,981	822,881
Depreciation on assets in own use (Note 14.1)	1,914,716	2,463,374
Impairment of fixed assets	-	2,944,470
Miscellaneous	353,259	331,198
	<u>18,437,706</u>	<u>21,010,038</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

27.1 Salaries and other benefits include Rupees 703,238 (2009: Rupees 717,009) in respect of gratuity and Rupees 478,640 (2009: Rupees 483,096) on account of provident fund contribution.

	2010 Rupees	2009 Rupees
27.2 Auditors' remuneration		
Audit fee	250,000	145,200
Review of half yearly accounts	95,000	95,000
Certifications	50,000	33,000
Out of pocket expenses	22,600	21,000
	<u>417,600</u>	<u>294,200</u>
28 FINANCIAL CHARGES		
Return on morabaha / musharika finances	9,431,346	10,115,338
Bank and other charges	37,965	55,228
	<u>9,469,311</u>	<u>10,170,566</u>
29 PROVISION AGAINST NON-PERFORMING RECEIVABLES		
Opening balance	240,201,741	237,135,274
Add: Charged during the year	5,798,390	3,414,733
Less: Reversed during the year	196,381	348,266
Net charged during the year	5,602,009	3,066,467
	<u>245,803,750</u>	<u>240,201,741</u>
29.1 Break up of balance		
Provision for classified morabaha facilities (Note 5)	204,607,968	202,370,848
Provision against doubtful ijarah rentals (Note 6.1)	33,622,798	32,880,086
Provision against receivables from clients (Note 7.1)	7,572,984	4,950,807
	<u>245,803,750</u>	<u>240,201,741</u>
30 PROVISION FOR TAXATION		
Provision for current income tax represents final tax on income from property under section 169 and minimum tax against brokerage commission under section 233 A of the Income Tax Ordinance, 2001. As the Modaraba has carried forwardable tax losses of Rupees 28.043 million (2009: Rupees 22.945 million), therefore, it is impracticable to prepare the tax charge reconciliation for the years presented.		
31 LOSS PER CERTIFICATE - BASIC AND DILUTED		
Loss attributable to ordinary certificates	Rupees (11,849,077)	(2,274,206)
Weighted average number of ordinary certificates	Numbers 26,413,804	26,413,804
Loss per certificate	Rupees (0.45)	(0.09)
31.1 There is no dilution in loss per certificate as the Modaraba has not issued any instrument which would have an impact on its loss per certificate.		
32 FUTURE IJARAH RENTALS RECEIVABLE		
Aggregate amount of future ijarah rentals receivable on the basis of agreements executed upto 30 June 2010 approximate to Rupees 156,312,615 (2009: Rupees 192,689,504). The amount of future ijarah rentals receivable and period during which they fall due are:		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



	2010 Rupees	2009 Rupees
Not later than one year	29,786,400	38,148,360
Later than one year but not later than five years	80,994,972	95,295,671
Later than five years	45,531,243	59,245,473

33 REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2010		
	Officers	Other	Total
	Rupees	Rupees	Rupees
Remuneration	5,579,078	793,250	6,372,328
House rent	1,394,769	198,313	1,593,082
Gratuity and leave encashment	680,862	-	680,862
Provident fund contribution	427,914	50,726	478,640
Other allowances	7,629	4,112	11,741
	<u>8,090,252</u>	<u>1,046,401</u>	<u>9,136,653</u>
Number of employees at the year end	<u>15</u>	<u>13</u>	<u>28</u>

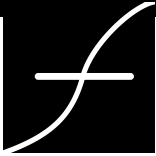
	2009		
	Officers	Other	Total
	Rupees	Rupees	Rupees
Remuneration	5,158,209	754,416	5,912,625
House rent	1,289,552	188,604	1,478,156
Gratuity and leave encashment	1,006,696	-	1,006,696
Provident fund contribution	391,871	91,225	483,096
Other allowances	3,000	10,400	13,400
	<u>7,849,328</u>	<u>1,044,645</u>	<u>8,893,973</u>
Number of employees at the year end	<u>18</u>	<u>10</u>	<u>28</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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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:

	2010 Rupees	2009 Rupees
Bank balances	12,919,172	5,451,120
Short term investments	2,523,512	2,990,104
Ijarah rentals receivables	6,995,453	3,870,253
Musharika investment	50,000,000	50,000,000
Morabaha investments	61,695,865	54,510,723
Advances and other receivables	22,641,438	37,825,664
Long term receivables and deposits	39,510,927	31,154,138
	196,286,367	185,802,002

34.1.1 Credit quality of banks

The credit quality of the Modaraba's bank balances can be assessed with reference to external credit ratings as follows:

	Rating			2010 Rupees	2009 Rupees
	Short term	Long term	Agency		
NIB Bank Limited	A1+	AA-	PACRA	16,726	510
Samba Bank Limited	A-1	A	JCR-VIS	4,309,656	5,128,123
MCB Bank Limited	A1+	AA+	PACRA	8,573,813	285,539
Faysal Bank Limited	A1+	AA	PACRA	-	27,494
				12,900,195	5,441,666

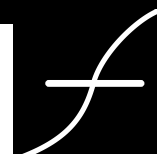
34.1.2 Description of collateral held

The Modaraba's ijarah (leases) are secured against ijarah assets. In a few ijarah arrangements additional collateral is also obtained in the form of mortgaged property.

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

Musharika investment is secured by way of personal guarantees, demand promissory note and mortgage of properties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



34.1.3 Age analysis of Morabaha profit receivable

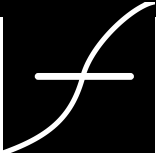
Past due	2010				
	Gross Amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	Carrying Amount
	-----Rupees-----				
0 days	1,242,095	1,242,095	-	-	1,242,095
1 day - 89 days	1,545,688	1,545,688	-	-	1,545,688
90 days - 179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	-	-	-	-	-
2 year - less than 3 year	940,835	-	940,835	940,835	-
3 year or more	-	-	-	-	-
Total	3,728,618	2,787,783	940,835	940,835	2,787,783

Past due	2009				
	Gross Amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	Carrying Amount
	-----Rupees-----				
0 days	-	-	-	-	-
1 day -89 days	4,130,671	4,130,671	-	-	4,130,671
90 days - 179 days	-	-	-	-	-
180 days - 364 days	433,663	-	433,663	433,663	-
1 year - less than 2 year	497,015	-	497,015	497,015	-
2 year - less than 3 year	-	-	-	-	-
3 year or more	-	-	-	-	-
Total	5,061,349	4,130,671	930,678	930,678	4,130,671

Suspension of morabaha income is made by the Modaraba on the basis of Prudential Regulations for Modaraba.

34.1.4 Age analysis of Morabaha investment

Past due	2010				
	Gross Amount	Amount on which no provision required	Amount on which provision required	Provision recognized under Prudential Regulations	Carrying Amount
	-----Rupees-----				
0 days	59,805,865	59,805,865	-	-	59,805,865
1 day -179 days	-	-	-	-	-
180 days- 364 days	-	-	-	-	-
1 year - less than 2 year	-	-	-	-	-
2 year - less than 3 year	3,000,000	-	3,000,000	1,750,000	1,250,000
3 year or more	203,497,968	-	203,497,968	202,857,968	640,000
Total	266,303,833	59,805,865	206,497,968	204,607,968	61,695,865



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

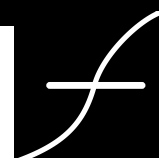
Past due	2009				Carrying Amount
	Gross Amount	Amount on which no provision required	Amount on which provision required	Provision recognized under Prudential Regulations	
	-----Rupees-----				
0 days	1,000,000	1,000,000	-	-	1,000,000
1 day-179 days	49,383,603	49,383,603	-	-	49,383,603
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	3,000,000	-	3,000,000	152,880	2,847,120
2 year - less than 3 year	-	-	-	-	-
3 year and above	203,497,968	-	203,497,968	202,217,968	1,280,000
Total	256,881,571	50,383,603	206,497,968	202,370,848	54,510,723

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.

34.1.5 Age analysis of ijarah rentals receivable

Past due	2010				Carrying Amount
	Gross Amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	
	-----Rupees-----				
0 days	-	-	-	-	-
1 day -89 days	6,995,453	6,995,453	-	-	6,995,453
90 days -179 days	-	-	-	-	-
180 days - 364 days	163,683	-	163,683	163,683	-
1 year - less than 2 year	551,422	-	551,422	551,422	-
2 year - less than 3 years	328,721	-	328,721	328,721	-
3 year or more	32,578,972	-	32,578,972	32,578,972	-
Total	40,618,251	6,995,453	33,622,798	33,622,798	6,995,453

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



Past due	2009				Carrying Amount
	Gross Amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	
	-----Rupees-----				
0 days	-	-	-	-	-
1 day -89 days	3,870,253	3,870,253	-	-	3,870,253
90 days -179 days	43,193	-	43,193	43,193	-
180 days - 364 days	31,459	-	31,459	31,459	-
1 year - less than 2 year	216,645	-	216,645	216,645	-
2 year - less than 3 years	214,577	-	214,577	214,577	-
3 year or more	32,374,212	-	32,374,212	32,374,212	-
Total	36,750,339	3,870,253	32,880,086	32,880,086	3,870,253

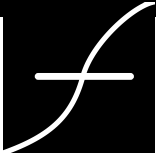
Suspension of ijarah rentals is made by the Modaraba on the basis of Prudential Regulations for Modaraba.

34.1.6 Age analysis of Musharika profit receivable

Past due	2010				Carrying Amount
	Gross Amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	
	-----Rupees-----				
0 days	38,791,664	38,791,664	-	-	38,791,664
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	-	-	-	-	-
Total	38,791,664	38,791,664	-	-	38,791,664

Past due	2009				Carrying Amount
	Gross Amount	Amount on which no suspension required	Amount on which suspension required	Suspension made under Prudential Regulations	
	-----Rupees-----				
0 days	30,624,999	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	-	-	-	-	-
Total	30,624,999	30,624,999	-	-	30,624,999

Suspension is recognized by the Modaraba on the basis of Prudential Regulations for Modaraba.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

34.1.7 Aging analysis of Musharika investment

Past due	2010				Carrying Amount
	Gross Amount	Amount on which no provision required	Amount on which provision required	Provision recognized under Prudential Regulations	
	-----Rupees-----				
0 days	50,000,000	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	-	-	-	-	-
Total	50,000,000	50,000,000	-	-	50,000,000

Past due	2009				Carrying Amount
	Gross Amount	Amount on which no provision required	Amount on which provision required	Provision recognized under Prudential Regulations	
	-----Rupees-----				
0 days	50,000,000	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	-	-	-	-	-
Total	50,000,000	50,000,000	-	-	50,000,000

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.

34.1.8 Concentration of credit risk

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

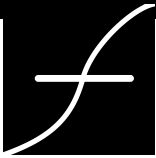


Break down of credit risk exposure by class of business as at 30 June 2010 is as follows:

	Ijarah assets	Morabaha investment	Musharika investment	Total	% age
-----Rupees-----					
Energy, oil and gas	2,558,730	-	-	2,558,730	1.64
Transport and communications	493,821	-	-	493,821	0.32
Textiles	5,757,217	640,000	-	6,397,217	4.10
Legal and professional	2,161,846	-	-	2,161,846	1.38
Food and beverages	400,005	-	-	400,005	0.26
Construction	3,051,543	-	50,000,000	53,051,543	33.98
Individuals	29,984,901	61,055,865	-	91,040,766	58.32
Total	44,408,063	61,695,865	50,000,000	156,103,928	100.00

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

	Ijarah assets	Morabaha investment	Musharika investment	Total	% age
-----Rupees-----					
Energy, oil and gas	2,102,741	-	-	2,102,741	1.19
Engineering and engineering goods	3,619,798	-	-	3,619,798	2.04
Transport and communications	949,682	-	-	949,682	0.54
Textiles	8,631,345	1,280,000	-	9,911,345	5.59
Legal and professional	3,923,956	-	-	3,923,956	2.21
Food and beverages	2,873,521	2,500,000	-	5,373,521	3.03
Construction	5,344,660	6,000,000	50,000,000	61,344,660	34.58
Individuals	44,547,214	44,730,723	-	89,277,937	50.31
Miscellaneous	917,950	-	-	917,950	0.51
Total	72,910,867	54,510,723	50,000,000	177,421,590	100.00



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 damage to the Modaraba's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

2010					
Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years

-----Rupees-----

Financial liabilities

Morabaha finance	50,093,994	54,145,148	34,885,023	13,059,719	6,200,406	-
Musharika finance	5,500,000	5,732,821	2,515,342	3,217,479	-	-
Markup accrued on morabaha and musharika finance	7,110,399	7,110,399	7,110,399	-	-	-
Other payable	15,473,531	15,473,531	15,473,531	-	-	-
Total	78,177,924	82,461,899	59,984,295	16,277,198	6,200,406	-

2009					
Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years

-----Rupees-----

Financial liabilities

Morabaha finance	58,333,333	68,046,441	20,229,070	14,779,582	33,037,789	-
Musharika finance	13,000,000	13,874,380	10,524,380	3,350,000	-	-
Markup accrued on morabaha and musharika finance	5,326,231	5,326,231	5,326,231	-	-	-
Other payable	17,191,424	17,191,424	17,191,424	-	-	-
Total	93,850,988	104,438,476	53,271,105	18,129,582	33,037,789	-

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.

34.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables exist due to transactions in foreign currencies. Currently, the Modaraba do not have any receivables or payables that exist due to transactions in foreign currencies which expose it to currency risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



34.3.2 Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Modaraba's interest rate risk arises from long term morabaha finance and bank balances in saving accounts. Long term morabaha finance obtained and balances in saving accounts at variable rates expose the Modaraba to cash flow interest rate risk. Musharika finances obtained, musharika and morabaha investments made at fixed rate expose the Modaraba to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Modaraba's interest bearing financial instruments was:

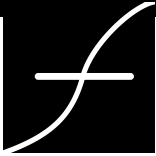
	2010 Rupees	2009 Rupees
Fixed rate instruments		
Financial liabilities		
Musharika finances	5,500,000	13,000,000
Financial assets		
Musharika investment	50,000,000	50,000,000
Morabaha investment	61,695,865	54,510,723
Floating rate instruments		
Financial liabilities		
Morabaha finance	50,093,994	58,333,333
Financial asset		
Bank balances	12,900,195	5,441,666

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 loss 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.

	100 bps	
	Increase	Decrease
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial assets	129,002	(129,002)
Cash flow sensitivity-Variable rate financial liabilities	(500,940)	500,940
Net effect	<u>(371,938)</u>	<u>371,938</u>
As at 30 June 2009		
Cash flow sensitivity-Variable rate financial assets	54,417	(54,417)
Cash flow sensitivity-Variable rate financial liabilities	(583,333)	583,333
Net effect	<u>(528,916)</u>	<u>528,916</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Modaraba. This analysis is prepared assuming the amounts of liabilities and assets outstanding at balance sheet dates were outstanding for the whole year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

34.3.3 Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is not exposed to commodity price risk.

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Modaraba's loss after taxation for the year and on other comprehensive income. The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Modaraba's equity instruments moved according to the historical correlation with the index:

Index	Impact on loss after taxation		Statement of other comprehensive income / equity (Fair value reserve)	
	2010	2009	2010	2009
	-----Rupees-----			
KSE 100 (5% increase)		78,610	126,176	70,895
KSE 100 (5% decrease)	(97,516)	(78,610)	(28,660)	(70,895)

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as available for sale.

34.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
As at 30 June 2010				
Assets				
Available for sale financial assets	2,523,512	-	-	2,523,512
As at 30 June 2009				
Assets				
Available for sale financial assets	2,990,104	-	-	2,990,104

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Modaraba is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The modaraba has no level 2 and level 3 financial instruments as on 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

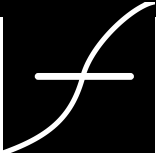


	2010	2009
	Rupees	Rupees
35 CASH GENERATED FROM / (USED IN) OPERATIONS		
Loss before taxation	(11,530,006)	(2,579,973)
Adjustment for non cash charges and other items:		
Provision charged for doubtful debts and receivables	5,602,009	3,066,467
Depreciation	24,336,545	30,415,612
Financial charges	9,469,311	10,170,566
Profit on morabaha / musharika investments	(18,157,185)	(26,234,276)
Impairment on available for sale investment	10,810,588	11,246,842
Return on bank deposits	(74,364)	(44,662)
Impairment of fixed assets	-	2,944,470
Gain on sale of fixed assets	(61,888)	(253,129)
Provision for retirement benefits (Note 20)	680,862	1,006,696
Working capital changes (Note 35.1)	<u>(2,835,765)</u>	<u>(29,745,310)</u>
	<u>18,240,107</u>	<u>(6,697)</u>
35.1 Working capital changes		
(Increase) / decrease in operating assets		
Morabaha investment	(9,422,262)	7,561,526
Ijarah rentals receivable	(3,867,912)	(1,056,815)
Advances, deposits, prepayments and other receivables	<u>11,241,360</u>	<u>(25,138,608)</u>
	<u>(2,048,814)</u>	<u>(18,633,897)</u>
Decrease in operating liabilities		
Creditors, accrued and other liabilities	<u>(786,951)</u>	<u>(11,111,413)</u>
	<u>(2,835,765)</u>	<u>(29,745,310)</u>
36 TRANSACTIONS WITH RELATED PARTIES		
The related parties and associated undertakings comprise of associated companies, Modaraba Management 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 33 and 20 respectively are as follows:		
Associated companies	Nil	Nil
Modaraba Management Company	Nil	Nil
37 CORRESPONDING FIGURES		
Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant reclassification has been made.		
38 EVENTS AFTER THE REPORTING PERIOD		
The Board of Directors of the Modaraba Management Company have not proposed any appropriation in their meeting held on October 07, 2010.		
39 GENERAL		
- The financial statements of Modaraba were approved by the directors of Modaraba Management Company and authorized for issue on October 07, 2010.		
- Figures have been rounded off to the nearest rupee.		

Chief Executive
Fidelity Capital Management
(Private) Limited

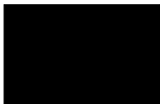
Director
Fidelity Capital Management
(Private) Limited

Director
Fidelity Capital Management
(Private) Limited

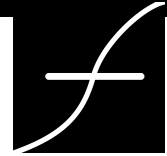


PATTERN OF CERTIFICATE HOLDING FOR THE YEAR ENDED 30 JUNE 2010

No. of Certificate Holders	Certificate Holding		Total Certificates Held
	From	To	
3,603	1	100	146,014
2,604	101	500	639,507
1,007	501	1,000	784,014
1,186	1,001	5,000	2,408,183
190	5,001	10,000	1,377,096
78	10,001	15,000	934,207
36	15,001	20,000	639,989
30	20,001	25,000	667,162
10	25,001	30,000	274,918
12	30,001	35,000	394,951
10	35,001	40,000	376,532
6	40,001	45,000	252,205
7	45,001	50,000	331,265
5	50,001	55,000	261,862
3	55,001	60,000	172,619
3	60,001	65,000	187,139
2	65,001	70,000	135,218
1	70,001	75,000	75,000
1	75,001	80,000	78,500
2	80,001	85,000	164,005
2	85,001	90,000	174,616
1	90,001	95,000	91,000
5	95,001	100,000	496,500
1	100,001	105,000	101,090
1	110,001	115,000	115,000
2	125,001	130,000	252,000
3	145,001	150,000	446,700
1	200,001	205,000	200,153
1	205,001	210,000	207,000
1	215,001	220,000	219,987
1	220,001	225,000	224,654
1	255,001	260,000	260,000
1	300,001	305,000	304,792
1	350,001	355,000	350,804
1	465,001	470,000	469,000
1	550,001	555,000	552,189
1	575,001	580,000	578,041
1	620,001	625,000	621,769
1	1,025,001	1,030,000	1,028,078
1	1,030,001	1,035,000	1,034,931
1	1,045,001	1,050,000	1,049,500
1	1,465,001	1,470,000	1,466,000
1	2,640,001	2,645,000	2,641,380
1	3,225,001	3,230,000	3,228,234
8,828	Total		26,413,804



CATEGORIES OF CERTIFICATE HOLDING FOR THE YEAR ENDED 30 JUNE 2010



Categories of Certificate holders	Physical	CDC	Total	% age
Directors, Chief Executive Officer, Their Spouse and Children				
Directors				
Siyyid Tahir Nawazish	-	54,552	54,552	0.21
Associated Companies, Undertakings & Related Parties				
Fidelity Capital Management (Pvt.) Limited	-	5,869,614	5,869,614	22.22
NIT & ICP (Name Wise Detail)				
Investment Corporation of Pakistan	18,295	-	18,295	0.07
National Investment Trust Limited	-	26,475	26,475	0.10
National Bank of Pakistan, Trustee Deptt. NI (U) T Fund	-	1,028,078	1,028,078	3.89
	18,295	1,054,553	1,072,848	4.06
Banks, DFI's, NBFI's				
Banks, DFI's, NBFI's	12,242	967,210	979,452	3.71
Insurance Companies				
Insurance Companies	40	1,055,679	1,055,719	4.00
Modaraba and Mutual Funds				
	358	-	358	0.00
Other Companies				
	639,070	1,118,153	1,757,223	6.65
General Public				
A. Local	3,726,290	11,897,748	15,624,038	59.15
Grand Total	4,396,295	22,017,509	26,413,804	100.00
Certificate holding 10 % or more				
Fidelity Capital Management (Pvt.) Limited	-	5,869,614	5,869,614	22.22

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