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FIRST EQUITY MODARABA  
 PROFIT AND LOSS ACCOUNT (STANDALONE)  
 FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
Income	30,364,140	34,252,047
<b>Expenditure</b>		
Operating expenses	(21,362,914)	(21,538,416)
Financial charges	(38,641)	(2,688)
	(21,401,555)	(21,541,104)
Operating profit	8,962,585	12,710,943
Other income	315,518	431,953
	9,278,103	13,142,896
Management remuneration	-	(1,314,288)
Service Sales Tax on management remuneration	-	(197,143)
	9,278,103	11,631,465
Worker Welfare Fund	(185,562)	(232,629)
Profit before taxation	9,092,541	11,398,836
Taxation	-	-
- current	-	-
Profit for the year	9,092,541	11,398,836
Earnings per certificate - basic and diluted	0.173	0.217



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FIRST EQUITY MODARABA  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
Income	57,470,852	200,762,263
<b>Expenditures</b>		
Operating expenses	(49,809,175)	(45,050,873)
Distribution and selling expenses	(16,414,303)	(16,940,059)
	(66,223,478)	(61,990,932)
Operating profit	(8,752,626)	138,771,331
Financial charges	(61,931,470)	(71,492,500)
	(70,684,096)	67,278,831
Other income	2,865,406	1,951,525
	(67,818,690)	69,230,356
Other charges	(442,097)	(5,761,443)
Management fee	-	(1,314,288)
Service Sales Tax on management remuneration	-	(197,143)
Impairment in associated company	-	(10,685,020)
Share of profit / (loss) in associated company	(4,051,212)	3,073,446
Profit before taxation	(72,311,999)	54,345,908
<b>Taxation</b>		
- current	(15,987,970)	(15,905,952)
- prior	(3,321,627)	(285,243.0)
- deferred	6,212,164	30,422,755
	(13,097,433)	14,231,560
<b>(Loss) / Profit for the year</b>	<b>(85,409,432)</b>	<b>68,577,468</b>
 loaa) / earnings per certificate - basic and diluted	 (1.63)	 1.31





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**BAKER TILLY**  
**MEHMOOD IDREES**  
**QAMAR**  
CHARTERED ACCOUNTANTS

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**AUDITORS' REPORT TO THE CERTIFICATE HOLDERS**

We have audited the annexed balance sheet of **FIRST EQUITY MODARABA** (the Modaraba) as at June 30, 2016 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 (*here in after 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 [Premier Financial Services (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) Management of the Modaraba in the financial statements for the year ended June 30, 2013, had assigned values to Trading Rights Entitlement Certificates (TREC) of Karachi Stock Exchange Limited (KSE) and Islamabad Stock Exchange Limited (ISE) of Rs. 15 million and Rs. 4 million respectively that were based on the value assigned by KSE and ISE for base minimum capital requirement purposes applicable to the brokers of the stock exchange and had recognised 4,007,383 shares of KSE and 3,034,603 shares of ISE at their face values of Rs. 10/- each on exchange of membership card thereby the Modaraba recognized gain of Rs. 36.369 million which, in our opinion, was not in accordance with International Accounting Standards and technical opinion of The Institute of Chartered Accountants of Pakistan (ICAP) issued in this respect;

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CHARTERED ACCOUNTANTS

- b) Modaraba has charged unrealised loss of Rs. 5.2 million, in respect of investment classified as financial asset at fair value through profit and loss, in other comprehensive income instead of profit and loss account as required under IAS 39.

Had the Modaraba recognized the intangible asset and shares of KSE and ISE in accordance with the Technical Opinion of ICAP, its equity, intangible asset and long term investments would have been lower by Rs. 36.369 million, Rs. 7.7 million and Rs. 28.6 million respectively and had the Modaraba charged the unrealized loss to the profit and loss account, Its profit for the year would have been lower by Rs. 5.2 million;

- c) Except for the matter discussed in paragraph (a) and (b) above, 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;

- d) Except for the matter discussed in paragraph (a) and (b) above, in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were accordance with the objects, terms and conditions of the Modaraba.

- e) Except for the matter discussed in paragraph (a) and (b) above, 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 confirm with the approved accounting standards as applicable in Pakistan and give the information required by the Modabara 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 Modaraba's affairs as at June 30, 2016 and of its profit, its total comprehensive Income, its cash flows and changes in equity for the year then ended;

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**BAKER TILLY**  
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- f) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

*blm*

**Engagement Partner: Muhammad Aqeel Ashraf Tabani**

*Karachi.*

*Date:*