

*First Equity Modaraba is committed to strive for excellence in all areas of its activities.*

*We view our business objective of providing distinctive financial products and services that promote commerce and industry within the context of our overall objective of contributing to the nation's prosperity.*

## *Contents*

CORPORATE INFORMATION	2
TEN YEARS AT A GLANCE	3
SHARI'AH REVIEW REPORT	4
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	6
REPORT OF THE DIRECTORS	7
REPORT OF THE DIRECTORS (URDU)	12
AUDITORS REVIEW ON STATEMENT OF COMPLIANCE	13
AUDITORS' REPORTS TO THE CERTIFICATE HOLDERS	14
BALANCE SHEET	15
PROFIT AND LOSS ACCOUNT	17
STATEMENT OF OTHER COMPREHENSIVE INCOME	18
CASH FLOW STATEMENT	19
STATEMENT OF CHANGES IN EQUITY	20
NOTES TO THE FINANCIAL STATEMENTS	21
CONSOLIDATED FINANCIAL STATEMENTS	41
NOTICE OF ANNUAL REVIEW MEETING (ENGLISH)	79
NOTICE OF ANNUAL REVIEW MEETING (URDU)	82
PATTERN OF CERTIFICATE HOLDING	83



## FIRST EQUITY MODARABA CORPORATE INFORMATION

### *Modaraba Company*

Premier Financial Services (Private) Limited

#### *Board of Directors*

Zahid Bashir (Non-Executive)  
Qaiser Magoon (Independent)  
Nadeem Maqbool (Non-Executive)  
Adil A. Ghaffar (Executive)

#### *Risk Management Committee*

Zahid Bashir  
Nadeem Maqbool  
Adil A. Ghaffar

#### *Audit Committee*

Qaiser Magoon  
Zahid Bashir  
Nadeem Maqbool

#### *HR Committee*

Zahid Bashir  
Nadeem Maqbool  
Adil A. Ghaffar

### *Registered and Business Office*

Room No. 503 - 504  
5th Floor,  
Pakistan Stock Exchange  
Building, Karachi.  
Tel: 32446020-3  
Fax: 32460766

B-1004, 10th Floor  
Lakson Square Building # 3,  
Sarwar Shaheed Road,  
Karachi  
Tel: 35672815-8  
Fax: 35686116  
E-mail: [info@firstequitymodaraba.com.pk](mailto:info@firstequitymodaraba.com.pk)

#### *Auditors*

Baker Tilly Mehmood Idrees Qamar  
Chartered Accountants  
4th Floor, Central Hotel Building,  
Civil Lines, Mereweather Road,  
Karachi, Pakistan  
Tel: 92-21-35644872-7  
Fax: 92-21-35694573

#### *Bankers*

Bank Al-Habib Ltd.  
Habib Metropolitan Bank Ltd.  
National Bank of Pakistan.  
United Bank Ltd.  
Bank Islami Pakistan Ltd.  
Meezan Bank Ltd.  
MCB Islamic Ltd

#### *Registrar*

THK Associates (Pvt.) Ltd.  
Registrar  
1st Floor, 40-C, Block 6,  
PECHS, Karachi.  
Tel: 111-000-322  
Fax: 92-21-35655595

#### *General Counsel*

Moshin M. Tayebaly & Co.  
Advocates & Legal Consultants

# TEN YEARS AT A GLANCE

Rs. In '000

BALANCE SHEET	June 2010	June 2011	June 2012	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018	June 2019
Authorized Capital	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Issued, Subscribed & Paid-up-Capital	524,400	524,400	524,400	524,400	524,400	524,400	524,400	524,400	524,400	524,400
Reserves	74,975	75,156	81,834	110,463	115,035	117,529	119,794	130,843	126,650	123,347
Revaluation Reserve on Investments	(51,554)	(36,738)	(43,147)	(7,355)	(13,150)	(20,170)	(25,286)	(30,023)	(37,125)	(53,437)
Deferred liabilities	1,397	(1,607)	1,832	2,092	1,556	2,655	2,934	2,864	4,046	4,252
Creditors, accrued expenses and other liabilities	9,889	21,422	8,784	6,139	11,857	24,657	7,940	62,860	12,283	8,333
Profit Distribution	-	-	-	-	19,665	8,914	6,817	31,464	-	-
Unclaimed Profit Distribution	26,354	26,262	26,082	26,003	25,967	27,618	27,845	28,730	29,642	29,561
Provision for taxation	1,486	1,547	3,773	3,773	-	-	-	-	-	-
	586,947	613,656	603,558	665,515	686,345	685,603	664,444	751,138	659,895	636,456
Tangible Assets	19,051	18,580	19,131	19,234	17,849	17,377	16,361	8,825	7,931	9,125
Intangible Assets	53,051	53,051	53,051	19,000	19,000	19,000	19,000	10,000	-	-
Investments	295,237	292,584	307,017	373,192	431,784	423,890	426,898	499,291	453,889	430,925
Morabaha/Musharakah Receivables	124,755	132,542	137,621	150,039	159,320	153,003	140,333	134,320	136,668	139,583
Advances, deposits, prepayments & other receivables	74,670	59,642	52,954	54,475	48,501	52,048	51,063	57,308	49,780	52,439
Cash and Bank balance	20,183	57,257	33,784	49,575	9,889	20,285	10,789	41,394	11,626	4,384
	586,947	613,656	603,558	665,515	686,345	685,603	664,444	751,138	659,895	636,456
<b>PROFIT &amp; LOSS ACCOUNT</b>										
Income	29,256	18,423	30,393	53,722	46,938	34,684	30,680	82,329	17,246	19,814
Operating expenses	(16,148)	(16,567)	(20,500)	(25,093)	(22,242)	(21,775)	(21,587)	(34,290)	(21,439)	(23,117)
Provision for diminution in value of investments	(6,699)	(1,615)	-	-	-	-	-	-	-	-
Provision for non performing assets	(7,000)	-	-	-	-	-	-	-	-	-
Modaraba Company's management fee	-	-	(989)	-	(3,307)	(1,511)	-	(5,526)	-	-
Taxation	(123)	(60)	(2,226)	-	-	-	-	-	-	-
Profit / (loss) for the year	(714)	181	6,678	28,629	24,696	11,398	9,093	42,513	(4,193)	(3,304)
Cash Distribution	-	-	-	-	3.75%	1.70%	1.30%	6.00%	-	-
Earnings per certificate	(0.014)	0.003	0.127	0.546	0.471	0.217	0.173	0.81	(0.08)	(0.06)
Breakup value	10.45	10.73	10.74	11.97	12.33	12.03	11.93	12.52	11.71	11.33

# ANNUAL SHARI'AH REVIEW REPORT OF FIRST EQUITY MODARABA (FEM) FOR THE YEAR ENDED JUNE 30, 2019

**Mufti Abdul Qadir**

**Shariah Advisor**

Shahadatu Tahfeez-ul-Quran  
Shahadat-ul-Aalamiyyah  
Shahadat-ul-Takhassus fil Fiqh wal Ifta

MA (Islamic Studies), MA (Arabic)  
PGD (Islamic Banking & Finance)  
MIBF (Masters in Islamic Banking & Finance)

Ref: ASRR-06-19

Date: 4-10-19

## Annual Shari'ah Review Report of First Equity Modaraba (FEM) For the year ended June 30, 2019

*In the name of Allah, The Most Beneficent, The Most Merciful, All praise is due to Allah, and Allah's Peace and Blessings be upon His Final Messenger, his pure family, his noble Companions, and all those who follow them with righteousness until the Day of Judgment.*

I have conducted the Shari'ah review of First Equity Modaraba (FEM), managed by Premier Financial Services (Private) Limited, the Modaraba Management Company for the year ended June 30, 2019 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism (SCSAM) for Modarabas and report that except the observations as reported hereunder, in my opinion:

i. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles.

ii. Following were the major developments that took place during the year:

### **Training and Development:**

The key staff of the FEM is fully equipped with Islamic finance tools and industry requirements through training. However no training session has been attended by any staff member during the period.

iii. The agreements entered into by the Modaraba are Shari'ah compliant and the financing / facility agreements have been executed on the formats as approved by the Religious Board and all the related conditions have been met.

iv. To the best of information provided to me and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas.

v. The external auditors of the Modaraba after extensive testing have also not reported any diversion from the Shari'ah guideline.

vi. The earnings that have been realized from the sources or by means of prohibited by Shari'ah have been credited to charity accounts.

*Mufti Abdul Qadir*

B-41 Block N, North Nazimabad Karachi, Near Sakhi Hassan Post Office 74700, Pakistan  
Cell Number: 0321-2103451, Email Address: abdulqadirh\_22@yahoo.com, abdulqadirh\_22@hotmail.com

Page 5

**ANNUAL SHARI'AH REVIEW REPORT OF  
FIRST EQUITY MODARABA (FEM)  
FOR THE YEAR ENDED JUNE 30, 2019**

**Charity:**

An amount of Rs. 6,875/- was collected in charity account but no payment made on account of charity during the period.

**Observations:**

I have pointed out some issues to be settled in view of SECP Circular No. 8 of 2012 dated 03-02-2012, whereby Shari'ah Compliance and Audit Mechanism (SCSAM) was introduced.

With reference to the settlement of the issues:

1. As regard to the investment in shares and securities, it has been confirmed that First Equity Modaraba has only Shari'ah Compliant Shares in its portfolio except the shares of the companies turned non Shari'ah compliant as per their last accounts due to non-compliance with screening criteria. On my query, the management has confirmed that such non Shari'ah compliant shares have been disposed of on the reporting date except the shares of JOV & Co. whose trading is still suspended.
2. It has been observed that the Modaraba has placed his funds with Islamic Banking institutions or in Islamic Windows of Conventional Banks and has succeeded to close all saving accounts at conventional banks and shifted the funds in their Islamic windows during the period.
3. As regards, Musharakah agreements, they are on the formats as approved by the Religious Board. It is noticed that no any Musharakah investment agreement is matured during the year.

**Recommendations:**

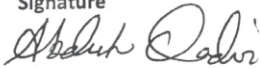
1. The Non Shari'ah Compliant suspended shares should be disposed of at the earliest.
2. The charity amount should be fully distributed to the approved charitable organizations within the ideal time frame as specified in SCSAM.
3. The management should continue its endeavor to comply with the rulings of Shari'ah in its business operation and future transactions.

**Conclusion:**

Based on the above mentioned facts, I am of the view that the business operations of First Equity Modaraba are Shari'ah compliant, to the best of my knowledge.

May Allah make us successful in this world and hereafter and forgive our mistakes.

Signature



Mufti Abdul Qadir  
Shari'ah Advisor

Dated: October 04, 2019



# STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Modaraba: FIRST EQUITY MODARABA  
Year ending: JUNE 30, 2019

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

1. The total number of directors are 4 as per the following:

Male	4
Female	0

2. The composition of board is as follows:

Independent Directors	1
Other Non-executive Director	2
Executive Directors	1

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board with the management has arranged Directors' Training program. Following Directors have completed the training  
Mr Zahid Bashir  
Mr Adil A Ghaffar  
Mr Nadeem Maqbool
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

Audit Committee	
Mr Qaiser Ahmed Magoon	Chairman
Mr Zahid Bashir	Member
Mr Nadeem Maqbool	Member
HR and Remuneration Committee	
Mr Zahid Bashir	Chairman
Mr Adil A Ghaffar	Member
Mr Nadeem Maqbool	Member
Risk Management Committee	
Mr Nadeem Maqbool	Chairman
Mr Adil A Ghaffar	Member
Mr Zahid Bashir	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. Quarterly the Audit Committee meetings is held, whereas one meeting of HR and Remuneration Committee and Risk Management Committee is held.
15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants guidelines on code of ethics as adopted by the ICAP
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board

October 04, 2019  
Karachi

Adil A Ghaffar  
Chief Executive Officer

# REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

Page 7

The Directors of the Premier Financial Services (Private) Limited, the management company of the FIRST EQUITY MODARABA (FEM), are pleased to present their report and audited financial statements of the Modaraba together with the consolidated financial statements of the Modaraba and its wholly owned subsidiaries Equity Textiles Limited, Capital Financial Services (Pvt) Ltd and Apex Financial Services (Pvt) Ltd for the year ended June 30, 2019.

## Financial Results

FEM (loss) for the year amounted to Rs. (3,304) million as compared to Rs (4,193) million for the last year translated in a loss per certificate of Rs. (0.06) as compared to Rs. (0.08) last year. Break-up value per certificate amounted to Rs. 11.33 against Rs. 11.71 last year.

	<i>Rupees</i>
Income	18,206,510
Expenses	
Operating Expenses	(23,103,654)
Bank Charges	(13,724)
	(23,117,378)
Operating loss	(4,910,868)
Other Income	1,607,096
Loss for the year	(3,303,772)
Earning per Certificate	(0.06)

## Dividend Distribution

Since the Modaraba sustained loss during the year, consequently there would be no announcement of profit distribution. However, to meet the regulations, date of book closure would be from December 12, 2019 to December 23, 2019 (other days inclusive)

## Auditors Qualification

Auditors qualified their opinion based on non-compliance of International Financial Reporting Standard relating to adjusting cost to fair value of marketable securities and any profit / loss should be taken / charge to profit and loss account for the year amounting to Rs 16.8 million (2018: RS 6.40 million). Our principal stand for not accepting auditors' qualification was based on the fact that, firstly, we do not foresee that these impairments are of permanent nature. Secondly, our Industry was established on the concept to distribute what it earns on yearly basis. Our regulators made it mandatory that to claim income tax exemption modarabas have to distribute 90% of profit for the year in the form of cash dividend to certificate holders. Therefore, adjusting cost to fair value would tantamount to distribution of either unrealized capital gain or recovery of cost.

## Our Performance and Future Prospects

KSE 100 index crossed all time high of 53,000 points on 24 May 2017 but could not sustain its upward trend despite of its inclusion in Morgan Stanley Capital International Inc. ("MSCI") benchmark for Emerging-Market (EM) with effective from June 01, 2017. Major reason being political uncertainty and unfavorable Budget of 2018-19, where no concrete steps were taken for reducing cost of doing business neither any sweetener for ease of doing business.

The continuously weakening of Rupee also played a negative and huge selling was witness by foreign funds.

The unrealised loss on remeasurement of investments do not contain gain arising on PSX shares that frozen due to certain Regulatory conditions. Hence, accounted for at book value rather than market value. Had these shares were booked at market value the unrealised loss on remeasurement of investments would have been Rs 50.6 million rather than Rs 53.9 million as reported in the financial statements.

ETL is planning to increase its production by injecting back process machinery which is part of BMR, as a result production and sale will increase. The cotton crop is not expected better during th next crop year but world crop is expected to be higher, as a result ETL have to import raw cotton to meet the requirements. ETL shows profit of Rs 5.85 million as compare to profit of Rs 6.59 million last year with earning per shares as Rs 0.23 as compare to profit per share of Rs 0.26 for the last year. However, ETL's book value increase from Rs. 29.22 June 30, 2018 to Rs. 29.35 in 2019.

The Registrar Modaraba granted permission for formation of two wholly owned subsidiaries for brokerage related business. Two wholly owned subsidiaries are formed and required assets have been transfer. The requisite information and documents for transfer of TREC have been submitted to PSX and is under process due to certain legal requirement.

As required under SCSAM, FEM's financial transactions were duly vetted and audited by the independent Shariah Advisor and his report is annexed.

## Board of Directors & Committees

The composition of board is as follows:

a)	Independent Directors	1
b)	Non-executive Director	2
c)	Executive Directors	1
d)	Female	0



# REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

During the year under review, four board meeting were held and attend by the Directors as follows:-

	Name of Board Members		
1.	Mr. Zahid Bashir	Non-executive Director	4 out of 4
2.	Mr. Nadeem Maqbool	Non-executive Director	3 out of 4
3.	Mr. Qaiser Ahmed Magoon	Independent Director	4 out of 4
4.	Mr. Adil A. Ghaffar	Executive Director	4 out of 4

The Audit committee comprises of an Independent Director as Chairman and two Non- Executive Director

The Board has also established Board Human Resource & Remuneration Committee and Risk Management Committee. During the year one meeting of committees was held.

## Code of Corporate Governance

As stated in previous years Report that the Board has decided to adopt the code of corporate governance as issued by the Securities and Exchange Commission of Pakistan and made part of listing regulation

All activities are conducted as per the listing regulations /Rule Book of the stock exchanges. Vision & Mission statements, Core values, Statement of Ethics and Business Practices and Code of Conduct have been prepared and approved by the Board and have been communicated to the employees. Significant policies as required under the Code of Corporate Governance have been framed and are periodically reviewed by the Board.

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 result of its operations, cash flows and changes in equity;
- b. Proper books of accounts 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 Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed in the Annual Report.
- e. The system of internal control is consistently applied though out the year and has been effectively implemented and monitored with ongoing efforts to improve it further;
- f. A sound monitoring and control system for Anti Money Laundering and Risk Management Policy as elaborate in the guidelines have been implemented to identify, manage and report different types of risks associated within the Modaraba;
- g. There is no doubt about the Modaraba's ability to continue as a going concern. There is no risks and uncertainties is facing by FEM;
- h. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2019, except for those disclosed in financial statements; and
- i. There has been no material departure from the best practice of corporate governance as detailed in the listing regulation /Rule Book of the Stock Exchange and Regulations framed.

## Pattern of Shareholding - annexed

Pattern of certificate holding as at 30th June 2019 is annexed with the annual report 2019. No trade in the certificates of the Modaraba was carried out by the Directors, executives and their spouses and minor children

## Key Operating and Financial Data - annexed

## Staff Retirement Benefits

The Modaraba's service rules provide an unfunded gratuity scheme for the permanent employees.

## Auditors

As suggested by the audit committee and the consent given by the present auditors M/s BakerTilly Mehmood Idrees Qamar, Chartered Accountants, the Board has decided to recommend their name for the approval to the Registrar Modaraba.

## Acknowledgement

We acknowledge hard work with full dedication of our employees and are thankful to our business associates, clients and financial institutions for their confidence and support. We also appreciate the guidance and cooperation received from our regulators. They have our full support and good wishes in their efforts at reforms.

On behalf of the Board

October 4, 2019  
Karachi

Adil A Ghaffar  
Chief Executive Officer

# ڈائریکٹرز رپورٹ برائے مضارب کمپنی

- ☆ مضاربہ کی صلاحیت کی بارے میں اس میں کوئی شک نہیں کہ اس کا کار بار جاری و ساری ہے؛ اور
- ☆ اینٹی منی لانڈرنگ اور سکینجمنٹ پالیسی کے حوالے سے ایک مربوط انضباطی اور نگرانی کا نظام وضع کیا گیا ہے تاکہ مضاربہ کو ممکنہ طور پر درپیش مختلف قسم کے خطرات کی نشاندہی کی جاسکے، ان کا انتظام و انصرام کیا جاسکے اور رپورٹ کی جاسکے۔
- ☆ ٹیکس، ڈیوٹیز و چارجز وغیرہ کی مد میں کوئی قانونی ادائیگی 30 جون 2019 تک واجب الادا نہیں ہے ماسوائے اس کے جسے اس کے مالیاتی گوشواروں میں ظاہر کیا گیا ہو؛ اور
- ☆ اسٹاک ایکسچینج کے مندرجہ ضوابط میں تفصیلات کے مطابق کارپوریٹ گورننس کی بہترین عملدآمدی کے سلسلے میں کوئی بنیادی انحراف نہیں کیا گیا ہے۔

## حصص داری کا خاکہ:

30 جون 2019 تک سرٹیفکیٹس کا خاکہ سالانہ رپورٹ 2019 کے ساتھ منسلک ہے۔ مضاربہ کی جانب سے اس کے ڈائریکٹرز، ایگزیکٹو اور ان کے ازواج اور چھوٹے بچوں نے اس طرح کے سرٹیفکیٹس میں کوئی کاروبار نہیں کیا ہے۔

## کلیدی عمل کاری اور مالی اعداد و شمار۔ منسلک

### عملہ کی سبکدوشی پر فائدے

مضاربہ کے خدمتی ضابطے اپنے مستقل ملازمین کیلئے بے سرمایہ وظیفہ اسکیم فراہم کرتے ہیں۔

## محاسبیت کار

موجودہ محاسبیت کار میسرز بیکر ٹلی محمود ادریس قمر، چارٹرڈ اکاؤنٹنٹ نے دوبارہ تقرری کیلئے اپنی مرضی کا اظہار کیا ہے۔ مجلس منتظمہ نے ان کے ناموں کی رجسٹر ارمضاربہ کی جانب سے منظوری کیلئے تجویز کی ہے۔

## تسلیمات:

ہم، اپنے ملازمین کی تندہی کے ساتھ کی گئی انتہک محنت کو تسلیم کرتے ہیں اور اپنے کاروباری قرابت داروں، گاہکوں اور مالی اداروں کی جانب سے بھروسے اور حمایت کے شکر گزار ہیں۔ مزید ہم اپنے گردش کاروں کی جانب سے رہنمائی اور معاونت کو بھی سراہتے ہیں جنہوں نے ہماری بھرپور حمایت کی اور ان کی جانب سے کی گئی اصلاحی کوششوں سے اچھی امید کے خواہاں ہیں۔

بورڈ کی جانب سے

کراچی، اکتوبر 04، 2019

عادل اے غفار

چیف ایگزیکٹو آفیسر



# ڈائریکٹرز رپورٹ برائے مضارب کمپنی

زیر غور سال کے دوران، منتظمین کی جانب سے چار انتظامی اجلاس منعقد کیے گئے جو کہ درج ذیل ہیں:-

سلسلہ نمبر	نام اراکین مجلس	اجلاسوں میں حاضری
1	جناب زاہد بشیر	4 میں سے 4
2	جناب ندیم مقبول	4 میں سے 3
3	جناب قیصر احمد گون	4 میں سے 4
4	جناب عادل اے غفار	4 میں سے 4

آڈٹ کمیٹی ایک آزاد ڈائریکٹر بحیثیت چیئر مین اور دونوں ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔

بورڈ نے مزید بورڈ ہیومن ریسورس اینڈ ریمونیریشن کمیٹی اور رسک مینجمنٹ کمیٹی بھی تشکیل دی ہے۔ اس سال کے دوران اس طرح کی کمیٹیوں کی ایک میٹنگ منعقد ہوئی۔

## کارپوریٹ گورننس کے ضابطے:

جیسا کہ پچھلے سالوں کی رپورٹ میں بیان کیا گیا ہے کہ بورڈ نے سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان کی جانب سے جاری کردہ ہدایات کے مطابق کارپوریٹ گورننس کو اختیار کرنے کا فیصلہ کیا ہے اور اسے مندرجہ ضابطوں کا حصہ بنایا ہے۔

تمام تر سرگرمیاں اسٹاک ایکسچینج کے مندرجہ ضوابطوں کے مطابق سرانجام دی گئیں۔ نظریاتی اور مقاصدی بیانیے، بنیادی اقدار اور ضابطہ طرز عمل مجلس منظمہ کی جانب سے تیار و منظور کیے گئے ہیں اور ملازمین کے ساتھ تبادلہ خیال کیے گئے ہیں۔ اہم پالیسیاں جو کہ کارپوریٹ گورننس کے ضابطوں کے تحت درکار تھیں، مرتب کی گئیں اور مجلس منظمہ کی جانب سے درجہ وار نظر ثانی کی گئیں۔ جیسا کہ کارپوریٹ گورننس کے ضابطے کے تحت درکار ہے، منتظمین انتہائی مسرت کے ساتھ مطلع کرتے ہیں کہ:-

☆ کمپنی کی انتظامیہ کی جانب سے تیار کیے گئے مالی بیانیے، شفافیت کے ساتھ، کمپنی کی موجودہ حالت، عملیاتی نتائج، نقدی کا بہاؤ اور ادارتی تبدیلیاں پیش کرتے ہیں۔

☆ مضاربہ کی باضابطہ حسابی کتب برقرار رکھی گئی ہیں؛

☆ مالی بیانیوں کی تیاری میں مناسب محاسبی پالیسیاں تسلسل کے ساتھ لاگو کی جاتی رہی ہیں جبکہ محاسبی تخمینہ کاری معقول اور دانشمندانہ فیصلوں پر مبنی ہوتی ہیں۔

☆ مالی بیانیوں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیارات (IFRS) کی پیروی کی گئی ہیں اور اس سے کسی انحراف کو سالانہ رپورٹ میں معقول انداز میں بیان کیا گیا ہے۔

☆ جملہ سال اندرونی نظم و نسق کا نظام موثر طرز سے ترتیب دیا گیا ہے اور مزید اصلاح کیلئے اس پر موثر انداز میں عملدرآمد و نگرانی جاری

ہے۔

# ڈائریکٹرز رپورٹ برائے مضارب کمپنی

ٹیکس اسٹینڈنٹ کلیم کرنے کیلئے مضاربہ اپنے سرٹیفکیٹ رکھنے والوں کو نقد ڈونڈ کی صورت میں سال کیلئے نفع کا 90 فیصد تقسیم کرے گی۔ لہذا، فیئر ویلیو کو لاگت میں لگانا یا تو ممکنہ سرمایہ کاری کے نفع کے مساوی ہوگا یا پھر لاگت کو وصول کرنے کے برابر ہوگا۔

ہماری کارکردگی اور مستقبل کے امکانات:

کراچی اسٹاک ایکسچینج 100 انڈکس مورخہ 24 مئی 2017 پر 53000 پوائنٹ زیادہ رہا مگر مورخہ یکم جون 2017 سے مورگن اسٹینڈیٹ کیپٹل انٹرنیشنل انکارپوریٹڈ ("MSCI") جو کہ امریکن مارکیٹ (ای ایم) کیلئے ایک اہم سنگ میل ہے، میں اس کی شمولیت کے باوجود بلندی کی جانب گامزن نہ ہو سکا۔ اس کی بنیادی وجہ غیر یقینی سیاسی صورتحال اور 2018-19 کا ناسازگار بجٹ تھا، جس میں کاروباری لاگت میں کمی کرنے کیلئے کوئی ٹھوس اقدامات نہ کئے گئے اور نہ ہی کاروباری سہل یا بی کیلئے کوئی پرکشش پیشکش کی گئی۔

پاکستانی روپے کی قدر میں مسلسل کمی نے بھی منفی کردار ادا کیا جس کی شاہد غیر ملکی فنڈز سے بھاری فروخت کاری ہے۔

سرمایہ کاری کی محاسبہ نو پر ممکنہ نقصان میں PSX حصص جو کہ بعض ریگولیٹری شرائط کی وجہ سے منجمد ہیں، پر اضافہ ہونے والا نفع شامل نہیں ہے۔ چنانچہ، ان کا محاسبہ کتابی قدر پر کیا گیا ہے کہ ناکہ بازاری قدر پر۔ اگر یہ حصص بازاری قدر پر مختص کیے جاتے تو محاسبہ نو پر ممکنہ نقصان مبلغ 50.6 ملین روپے ہوتا نہ کہ 53.9 ملین جیسا کہ مالی بیانیوں میں اندراج کیا گیا ہے۔

ETL منصوبہ بندی کر رہی ہے کہ واپس مشینی عمل کو شامل کر کے اس کی پیداوار کو بڑھایا جائے جو کہ BMR کا حصہ ہے، جس کے نتیجے میں پیداوار اور فروخت کی حجم میں اضافہ ہوگا۔ آئندہ سال کپاس کی فصل میں بہتری متوقع نہیں مگر بین الاقوامی فصل میں اضافے کی توقع ہے؛ جس کے نتیجے میں ETL کو خام کپاس درآمد کرنی ہوگی تاکہ ضروریات کو پورا کیا جاسکے۔ ETL نے پچھلے سال منافع 6.59 ملین کے مقابلے میں اس سال مبلغ 5.85 ملین روپے منافع ظاہر کیا ہے، اسی طرح پچھلے سال منافع فی شیئر 0.26 روپے کے مقابلے میں اس سال کمائی 0.23 روپے ظاہر کی ہے۔ تاہم، ETL کی بک ویلیو 30 جون 2018 تک مبلغ 29.22 روپے سے بڑھ کر 2019 تک 29.35 روپے ہو گئی ہے۔

مضاربہ کے رجسٹرار نے بروکریج سے متعلقہ کاروبار کیلئے 2 کل ملکیتی ذیلی اداروں کے قیام کی اجازت عنایت کی ہے۔ دو کل ملکیتی ذیلی ادارے قائم کیے گئے ہیں اور درکار اثاثہ جات منتقل کیے گئے ہیں۔ TREC کے ٹرانسفر کیلئے ضروری معلومات اور کاغذات PSX کو جمع کرائے جاسکے ہیں اور متعلقہ قانونی عوامل کی وجہ سے زیر عمل ہیں۔

SCSAM کے تحت درکار، FEM کی مالی لین دین باضابطہ نگہداشت کی جا چکی ہیں اور خود مختار شرعیہ ایڈوائزر کے ذریعے محاسبہ

کی گئی ہیں جس کی رپورٹ منسلک ہے۔

بورڈ آف ڈائریکٹرز اور کمیٹیاں:

بورڈ درج ذیل پر مشتمل ہے:

- |   |                            |
|---|----------------------------|
| 1 | (الف) آزاد ڈائریکٹرز       |
| 2 | (ب) نان ایگزیکٹو ڈائریکٹرز |
| 1 | (ج) ایگزیکٹو ڈائریکٹرز     |
| 0 | (د) عورتیں                 |

# ڈائریکٹرز رپورٹ برائے مضارب کمپنی

فرسٹ ایکویٹی مضاربہ کی انتظامی کمپنی پریمر فنانشل سروسز (پرائیوٹ) لمیٹڈ کے ڈائریکٹرز اپنی رپورٹ اور مضاربہ کے آڈٹ شدہ مالیاتی بیانیے مع مضاربہ اور اس کی مکمل ملکیتی ادارے ایکویٹی ٹیکسٹائل لمیٹڈ، کیپٹل فنانشل سروسز (پرائیوٹ) لمیٹڈ اور ایکسیس فنانشل سروسز (پرائیوٹ) لمیٹڈ کے مجموعہ مالیاتی بیانیے برائے سال اختتام پذیر 30 جون، 2019 پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

## مالیاتی نتائج:

گذشتہ سال نقصان مبلغ (4.193) ملین روپے کے مقابلے میں اس سال (نقصان) مبلغ (3.304) ملین درپیش ہوا، جس کی تشریح کی جائے تو پچھلے سال فی حص خسارہ مبلغ (0.08) روپے کے مقابلے میں اس سال فی حص خسارہ مبلغ (0.06) روپے بنتی ہے۔ مجموعہ خالص قدر فی حص پچھلے سال مبلغ 11.71 کے مقابلے میں اس سال مبلغ 11.33 روپے رہی۔

روپے میں

18,206,510

آمدن:

اخراجات:

(23,103,654)

عملیاتی اخراجات

(13,724)

بینک چارجز

(23,117,378)

(4,910,868)

عملیاتی خسارہ:

1,607,096

دیگر آمدن

(3,303,772)

خسارہ برائے سال

(0.06)

فی حص آمدن

منقسمہ/ڈیویڈنڈ کی تقسیم:

جیسا کہ مضاربہ نے اس سال نقصان کا سامنا کیا ہے لہذا نفع کی تقسیم کیلئے کوئی اعلان نہیں کیا۔ تاہم ضوابط کے تحت کتاب مورخہ 12 دسمبر 2019 سے 23 دسمبر 2019 تک (بشمول دیگر ایام) بند رہے گی۔

آڈیٹرز کا تبصرہ:

آڈیٹرز نے رائے زنی کی ہے کہ قابل خرید و فروخت سیکورٹیز کی فیئر ویلیو کی لاگت کا حساب کتاب بین الاقوامی اکاؤنٹنگ معیار کی عدم تعمیل کی بنیاد پر ہے اور کسی بھی نفع/نقصان کو اس سال کے نفع/نقصان مبلغ 16.8 ملین (2018 میں مبلغ 6.4 ملین) کی مد میں وصول کیا جانا چاہئے۔ ہمارا آڈیٹرز کے تبصرہ کو قبول نہ کرنے کیلئے اصل موقف یہ ہے کہ پہلا، ہم مستقبل میں ان نقصانات کو مستقل نہیں سمجھتے اور دوسرا، ہماری انڈسٹری اس تصور پر قائم کی گئی تھی کہ سالانہ بنیادوں پر جو کچھ کمایا جائے اسے تقسیم کیا جائے۔ ہمارے ریگولیٹرز نے یہ لازم بنایا ہے کہ انکم

*Page 13*

**REVIEW REPORT TO THE CERTIFICATE HOLDERS ON  
STATEMENT OF COMPLIANCE CONTAINED IN  
LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE)  
REGULATIONS, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of First Equity Modaraba (the Modaraba) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provision of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risk and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba Management Company's corporate governance procedures and risks.

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the board of Directors for their review and approval its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approvals of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Modaraba Management Company's process for identification of related parties and that 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 Management Company's compliance for an on behalf of Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year June 30, 2019.



Engagement Partner: Mehmood A. Razzak  
Karachi.  
Dated: October 04, 2019



# AUDITORS' REPORT

## TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of FIRST EQUITY MODARABA (the Modaraba) as at June 30, 2019 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 [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) Modaraba has charged unrealised loss of Rs. 16.8 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 IFRS 9.  
  
Had the Modaraba charged the unrealized loss to the profit and loss account, its loss for the year would have been increased by Rs.16.8 million.
- (b) Except for the matter discussed in paragraph (a) 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;
- (c) Except for the matter discussed in paragraph (a) 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 except for the changes stated in note 2.2(a) to the financial statements, with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the Objects, terms and conditions of the Modaraba;
- (d) Except for the matter discussed in paragraph (a) 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 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 Modaraba's affairs as at June 30, 2019 and of its loss, its total comprehensive loss, cash flows and changes in equity for the year then ended;
- (e) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



Engagement Partner: Mehmood A. Razzak  
Karachi.  
Dated: October 04, 2019

# BALANCE SHEET

## AS AT JUNE 30, 2019

Page 15

	Note	2019 Rupees	2018 Rupees
<i>Equity &amp; Liabilities</i>			
<i>Capital and reserves</i>			
<b>Authorized Certificate Capital</b>			
60,000,000 (2018: 60,000,000) modaraba			
certificates of Rs. 10 each		<b>600,000,000</b>	600,000,000
<b>Certificate holders' equity</b>			
Certificate capital	6	<b>524,400,000</b>	524,400,000
Reserves	7	<b>123,346,512</b>	126,650,284
Remeasurement of defined benefit liability - Actuarial gain / (loss)		<b>446,440</b>	(103,364)
Unrealised loss on remeasurment of investment		<b>(53,883,253)</b>	(37,022,035)
<i>Total certificates holders' equity</i>		<b>594,309,699</b>	613,924,885
<i>Non-current liabilities</i>			
Deferred liability	8	<b>4,251,794</b>	4,045,679
Security deposit		<b>200,000</b>	200,000
<i>Total non-current liabilities</i>		<b>4,451,794</b>	4,245,679
<i>Current liabilities</i>			
Creditors, accrued and other liabilities	9	<b>8,133,128</b>	12,082,573
Unclaimed profit distribution		<b>29,561,214</b>	29,641,941
<i>Total current liabilities</i>		<b>37,694,342</b>	41,724,514
<i>Total equity and liabilities</i>		<b>636,455,835</b>	659,895,078

*Contingencies and commitments*

10



## BALANCE SHEET

### AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<i>Assets</i>			
<i>Non-Current Assets</i>			
Fixed assets			
-tangible	11	7,653,790	6,339,731
-intangible	12	-	-
Investment property	13	1,471,667	1,591,667
Long term investments	14	392,999,771	392,999,771
Advances-considered good		2,510,000	2,510,000
Deposits		1,750,000	1,750,000
<i>Total Non-Current Assets</i>		<b>406,385,228</b>	405,191,169
<i>Current Assets</i>			
Morabaha/Musharaka receivables-secured	15	139,582,651	136,668,098
Short term investments	16	37,925,507	60,889,384
Advances	17	9,967,922	11,730,871
Trade deposits and prepayments	18	15,255,678	15,389,769
Other receivables	19	22,955,237	18,399,762
Bank balances	20	4,383,612	11,626,025
<i>Total Current Assets</i>		<b>230,070,607</b>	254,703,909
<i>Total Assets</i>		<b>636,455,835</b>	659,895,078

The annexed notes 1 to 37 form an integral part of these financial statements.

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer

Zahid Bashir  
Director

Nadeem Maqbool  
Director

Premier Financial  
Services (Private) Limited

Premier Financial  
Services (Private) Limited

Premier Financial  
Services (Private) Limited

# PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED JUNE 30, 2019

*Page 17*

	Note	2019 Rupees	2018 Rupees
Income	21	<b>18,206,510</b>	17,137,727
Expenditure			
Operating expenses	22	<b>(23,103,654)</b>	(21,420,154)
Financial charges	23	<b>(13,724)</b>	(19,123)
		<b>(23,117,378)</b>	(21,439,277)
Operating (loss)		<b>(4,910,868)</b>	(4,301,550)
Other income	24	<b>1,607,096</b>	108,702
(Loss) before taxation		<b>(3,303,772)</b>	(4,192,848)
Taxation	25	-	-
<i>(Loss) for the year</i>		<b>(3,303,772)</b>	(4,192,848)
(Loss) per certificate - Basic & Diluted	26	<b>(0.06)</b>	(0.08)

The annexed notes 1 to 37 form an integral part of these financial statements.

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer

Premier Financial  
Services (Private) Limited

Zahid Bashir  
Director  
Premier Financial  
Services (Private) Limited

Nadeem Maqbool  
Director  
Premier Financial  
Services (Private) Limited



# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
(Loss) for the year	(3,303,772)	(4,192,848)
<b>Other comprehensive (loss)</b>		
<b>Items that may be reclassified to profit &amp; loss account</b>		
Unrealized (loss) on remeasurement of investments	(18,794,338)	(14,957,867)
Gain realized on disposal of investments	1,933,120	8,553,441
	(16,861,218)	(6,404,426)
<b>Items that will not be reclassified to profit &amp; loss account subsequently</b>		
Remeasurement of defined benefit liability	549,804	(697,882)
<b>Other comprehensive (loss)</b>	(16,311,414)	(7,102,308)
<b>Total comprehensive (loss) for the year</b>	(19,615,186)	(11,295,156)

The annexed notes 1 to 37 form an integral part of these financial statements.

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Chief Executive Officer

Zahid Bashir  
Director

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Premier Financial  
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# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2019

Page 19

	Note	2019 Rupees	2018 Rupees
<b>Cash generated from operating activities</b>			
(Loss) before taxation		(3,303,772)	(4,192,848)
<i>Adjustments for:</i>			
Depreciation	11 & 13	1,569,575	1,025,904
Provision for gratuity	8	755,919	483,693
Dividend income	21	(2,339,140)	(3,046,947)
		(13,646)	(1,537,350)
<b>Cash (used in) operations before working capital changes</b>		(3,317,418)	(5,730,198)
<b>Working Capital changes</b>			
<b>(Increase) / decrease in operating assets</b>			
Morabaha/Musharaka receivables-secured		(2,914,553)	(2,347,618)
Advances		2,782,649	(2,761,152)
Trade deposits and prepayments		134,091	(204,142)
Other receivables		(4,555,475)	6,804,088
<b>(Decrease) / increase in operating liabilities</b>			
Creditors, accrued and other liabilities		(3,949,445)	(40,577,674)
		(8,502,733)	(39,086,498)
Dividend paid		(80,727)	(30,552,593)
Taxes paid		(1,019,699)	3,687,044
<i>Net cash (used in) operating activities</i>		(12,920,577)	(71,682,245)
<b>Cash flows from investing activities</b>			
Investments		6,102,659	38,998,223
Dividend received		2,339,140	3,046,947
Purchase of tangible assets		(2,763,635)	(131,643)
<i>Net cash generated from investing activities</i>		5,678,164	41,913,527
Net (decrease) in cash and cash equivalents		(7,242,413)	(29,768,718)
Cash and cash equivalents at beginning of the year		11,626,025	41,394,743
<b>Cash and cash equivalents at the end of the year</b>	20	4,383,612	11,626,025

The annexed notes 1 to 37 form an integral part of these financial statements.

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Services (Private) Limited



# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED JUNE 30, 2019

	Reserves						Unrealized loss on remeasurement of investments	Total
	Certificate Capital	Statutory Reserve *	Certificate premium account	General Reserve	Accumulated Loss	Total Reserves	Remeasurement of defined benefit liability	
Balance as at June 30, 2017	524,400,000	161,050,000	131,100,000	27,120,000	(156,962,868)	162,307,132	594,518	656,684,041
(Loss) for the year	-	-	-	-	(4,192,848)	(4,192,848)	-	(4,192,848)
Other Comprehensive (loss) for the year	-	-	-	-	-	-	(697,882)	(7,102,308)
Profit distribution	-	-	-	-	(31,464,000)	(31,464,000)	-	(31,464,000)
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Balance as at June 30, 2018	524,400,000	161,050,000	131,100,000	27,120,000	(192,619,716)	126,650,284	(103,364)	613,924,885
(Loss) for the year	-	-	-	-	(3,303,772)	(3,303,772)	-	(3,303,772)
Other Comprehensive (loss) for the year	-	-	-	-	-	-	549,804	(16,311,414)
Profit distribution	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-
<b>Balance as at June 30, 2019</b>	<b>524,400,000</b>	<b>161,050,000</b>	<b>131,100,000</b>	<b>27,120,000</b>	<b>(195,923,488)</b>	<b>123,346,512</b>	<b>446,440</b>	<b>594,309,699</b>

\* In accordance with the Prudential Regulations for Modarabas, the Modaraba is required to transfer an amount not less than 20% and not more than 50% of its after tax profits to statutory reserve until the reserve funds equals the paid-up capital. Thereafter, a sum not less than 5% of the after tax profits is required to be transferred to the statutory reserve.

The annexed notes 1 to 37 form an integral part of these financial statements.

Qazi Obaid Ullah  
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Services (Private) Limited

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 1. Legal Status and nature of business:

First Equity Modaraba (the Modaraba) was formed in 1991 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Premier Financial Services (Private) Limited (the Modaraba Management Company), a company incorporated in Pakistan.

The Modaraba is a perpetual, multipurpose modaraba and is able to undertake a variety of fund and fee based activities. These include trading, manufacturing, equity investment and their financing and facilitation. The Modaraba is a TREC holder of Pakistan Stock Exchange Limited and is currently operating its brokerage activities in Karachi.

The Modaraba is listed on Pakistan Stock Exchange. The registered office of the Modaraba is situated at B-1004, 10th floor, Lakson Square Building 3, Sarwar Shaheed Road, Karachi. The Modaraba has the following wholly owned subsidiary companies:

- Equity Textiles Limited
- Capital Financial Services (Private) Limited
- Apex Financial Services (Private) Limited

### 2. Statement of Compliance:

- 2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, Islamic Financial Accounting Standards (IFASs) as issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) or the directives issued by SECP prevail.

### 2.2 Standards, interpretations and amendments applicable to financial statements

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

- (a) *Standards, interpretations and amendments to approved accounting standards which became effective during the year*

The Modaraba has adopted the following accounting standard and the amendments and interpretation of IFRSs which become effective for the current year:

- (i) IAS 15 – “Revenue from Contracts with Customers”

On 28 May, 2014, the International Accounting Standards Board (IASB) issued International Financial Reporting Standards (IFRS) 15 “Revenue From Contracts with Customers” which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and the number of revenue related interpretations.

There is no material impact on the financial statements of Modaraba of adopting IFRS 15 - Revenue from Contracts with Customers.

- (ii) IFRS-9 “Financial Instruments”

IFRS 9 replaced the provisions of IAS 39 “Financial Instruments: Recognition and Measurement” that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Gap Analysis has been conducted and changes incorporated in the financial statements including change in the name of financial instruments. However, there is no material impact on the financial statements of Modaraba of adopting IFRS 9 - Financial Instruments.

- (b) *Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company:*

<i>Standard or Interpretation</i>		<i>Effective date (annual periods beginning on or after)</i>
IAS 1	Presentation of financial statements (Amendments)	January 1, 2020
IAS 8	Accounting policies, changes in accounting estimates & errors (Amendments)	January 1, 2020
IAS 12	Income Taxes (Amendments)	January 1, 2019
IAS 19	Employee benefits (Amendments)	January 1, 2019
IAS 23	Borrowing Costs (Amendments)	January 1, 2019
IAS 28	Investments in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRS 3	Business Combinations (Amendments)	January 1, 2019
IFRS 9	Financial Instruments (Amendments)	January 1, 2019
IFRS	Leases	January 1, 2019
IFRIC 23	Uncertainty Over Income Tax Treatments	January 1, 2019



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

The management anticipates that the adoption of the above standards, amendments and interpretation in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures. The management is in the process of assessing the impact of changes laid down by IFRS 16 and its effect on its financial statements.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The following interpretations issued by the IASB have been waived of by SECP:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

### 3 Basis of measurement

- 3.1 These financial statements have been prepared under the historical cost convention except for certain financial assets which are stated at fair value.  
3.2 These financial statements have been prepared under the accrual basis of accounting except for cash flow information.

### 4 Use of estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's 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 circumstances. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial estimates are as follows:

	<i>Note</i>
a) Useful life of depreciable assets/amortizable assets	5.1 & 5.2
b) Impairment of assets	5.12
c) Classification of investments	5.4
d) Income tax	5.6
e) Provision for staff gratuity	5.8

### 5 Significant accounting policies

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

#### 5.1 Fixed assets

##### 5.1.1 Tangible

Fixed assets are stated at cost less accumulated depreciation and identified impairment loss, if any.

Depreciation is charged to income applying the straight line method whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation is charged at rates stated in note 11.

Depreciation on additions is charged from the month during which the asset is put to use. For disposals during the year, depreciation is charged up to the month preceding the month of disposal.

The assets' residual value and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Expenditure incurred subsequent to the initial acquisition of assets are capitalised only when it meets the recognition criteria. The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

The Modaraba assesses at each balance sheet date whether there is any indication that fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful lives.

##### 5.1.2 Intangible

Intangible assets are stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

#### 5.2 Investment property

Property held to earn rentals or for capital appreciation or for both is classified as investment property. The investment property of the Modaraba comprises of office premises and is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

Depreciation on office premises is charged to profit and loss account on the straight line method so as to write off the depreciable amount of office premises over its estimated useful life at the rate defined in note no 13. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

The Modaraba assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense

### 5.3 *Deferred cost and amortization*

The deferred cost is written off over a period not exceeding five years in accordance with the requirements of third schedule of Modaraba Companies and Modaraba Rules, 1981.

### 5.4 *Financial instruments*

#### 5.4.1 Financial assets

##### Initial measurement

The Modaraba classifies its financial assets into following three categories:

- measured at amortised cost.
- fair value through profit and loss (FVTPL); and
- fair value through other comprehensive income (FVOCI)

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

##### Subsequent measurement

Debt Investments at FVOCI	These assets are subsequently measured at fair value. Interest/markup income calculated using the effective interest method, and impairment are recognised in the statement of profit or loss account. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses are accumulated in other comprehensive income are reclassified to the statement of profit and loss account
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest/markup or dividend income, are recognised in the statement of profit and loss account.
Financial assets measured at amortised cost	Financial assets measured at these assets are subsequently measured at amortised cost using the effective amortised cost interest method. The amortised cost is reduced by impairment losses. Interest / markup income, and impairment are recognised in the statement of profit and loss account.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss account unless the dividend clearly represents a recovery of part of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit and loss account.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the "expected credit loss (ECL) model". This replaces IAS 39's "incurred loss model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Modaraba first identifying a credit loss event. Instead the Modaraba considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instruments.

#### 5.4.2 *Financial liabilities*

Financial liabilities are initially recognised on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. The Modaraba derecognises the financial liabilities when contractual obligations are discharged or cancelled or expired. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

#### 5.4.3 *Investment in subsidiary*

Investment in subsidiary is initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

#### 5.5 *Revenue recognition*

- a) Income from Morabaha/Musharaka transactions is recognized on the basis of pro-rata accrual of the estimated profit earned during the year.
- b) Dividend income is recognized when the right to receive dividend is established.
- c) Brokerage commission and fee income is recognized when accrued.
- d) Profit on PLS deposits is recognized on an accrual basis.
- e) Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.

#### 5.6 *Taxation*

##### Current

The charge for taxation is based on taxable income at current rates of taxation after taking into account tax credits and tax rebates available, if any or minimum tax under the provisions of the Income Tax Ordinance, 2001. For items covered under final tax regime, provision is made according to the final tax rate provided in the Income Tax Ordinance, 2001. The income of Modaraba other than trading income is exempt from tax under Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Provided that not less than 90% of its total profits in the year as reduced by the amount transferred to a mandatory reserve, as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 or the rules made thereunder, as are distributed amongst the certificate holders.

##### Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

However, deferred tax is not accounted for as the management believes that the temporary differences will not reverse in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 5.7 Foreign currency translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak rupees at exchange rate prevailing at the date of transaction. All non-monetary items are translated into rupees at exchange rate prevailing on the date of transaction or on the date when fair values are determined.

### 5.8 Retirement benefits

The Modaraba operates an Unfunded Gratuity for its permanent employees who complete the qualifying period of service. Provision has been made in accordance with actuarial recommendations using the Projected Unit Credit Method. The results of current valuation are summarized in Note 8.

### 5.9 Offsetting of financial assets and financial liabilities

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

### 5.10 Provisions

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

### 5.11 Profit distribution to certificates holders

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

### 5.12 Impairment

The carrying amount of 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 impaired losses are recognized in the profit and loss account.

### 5.13 Segment reporting

A segment is a distinguishable component of the Modaraba that is engaged in business activities from which the Modaraba earns revenues and incur expenses and its results are regularly reviewed by the Modaraba's Chief Operating Decision Maker to make decision about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

Based on internal management reporting structure, services provided and products produced and sold, the Modaraba is organized into the following four operating segments:

- Musharakah facility
- Brokerage Operation
- Capital Market
- Others

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and assessing performance.

### 5.14 Related party transactions

All transactions with related party, if any, are recorded at an arm's length basis.

### 5.15 Cash and cash equivalents

For the purposes of cash flow statement, Cash and cash equivalents comprise cash in hand and cash with banks.

### 5.16 Functional and reporting currency

Items include in the financial statements are measured using the currency of primary economic environment in which the Modaraba operates. The financial statements are presented in Pakistani Rupees, which is the Modaraba's functional and presentation currency.

### 5.17 Capital Risk Management

The Modaraba's objective when managing capital is to safe guard the Modaraba's ability to continue as a going concern so that it can provide returns for certificate holders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

The Modaraba manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of dividend paid to certificate holders or issue new certificates.

#### 6. Certificate capital

2018 No of Certificates	2019 No of Certificates		2019 Rupees	2018 Rupees
46,220,000	46,220,000	Modaraba certificates of Rs. 10 each fully paid-up in cash	462,200,000	462,200,000
6,220,000	6,220,000	Modaraba certificates of Rs. 10 each issued as fully paid-up bonus certificates	62,200,000	62,200,000
52,440,000	52,440,000		524,400,000	524,400,000

6.1 Certificates held by management company 5,532,296 (2018: 5,532,296).

#### 7. Reserves

	Capital Reserves			Revenue Reserves			Total Reserves 2019	Total Reserves 2018
	Statutory Reserve *	Certificate premium account	Total Capital Reserve	Accumulated Loss	General Reserve	Total Revenue Reserves		
Opening balance	161,050,000	131,100,000	292,150,000	(192,619,716)	27,120,000	(165,499,716)	126,650,284	162,307,132
Transfer from Profit & Loss								
Account	-	-	-	(3,303,772)	-	(3,303,772)	(3,303,772)	(4,192,848)
Dividends paid	-	-	-	-	-	-	-	(31,464,000)
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Closing balance	161,050,000	131,100,000	292,150,000	(195,923,488)	27,120,000	(168,803,488)	123,346,512	126,650,284

\*In accordance with the Prudential Regulations for Modarabas, the Modaraba is required to transfer an amount not less than 20% and not more than 50% of its after tax profits to statutory reserve until the reserve funds equals the certificate capital. Thereafter, a sum not less than 5% of the after tax profits is required to be transferred to the statutory reserve.

	Note	2019 Rupees	2018 Rupees
8. Deferred liability			
Staff gratuity	8.2	4,251,794	4,045,679
		4,251,794	4,045,679

#### 8.1 General description

Employees, after completion of one year of service, shall be entitled for gratuity on leaving the company's employment. Gratuity shall be paid on the basis of one month's last drawn monthly gross salary for each completed year of service.

Annual provision is based on actuarial valuation, which was carried out as at June 30, 2019 on September 04, 2019 using the Projected Unit Method.

#### 8.2 Amount recognized in the balance sheet are as follows:

Present value of defined benefit obligation	4,251,794	4,045,679
Total defined benefit	4,251,794	4,045,679

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

Page 27

	Note	2019 Rupees	2018 Rupees
8.3 <i>Movement in defined benefit obligation</i>			
Opening balance		4,045,679	2,864,104
<u>Charged for the defined benefit plan</u>			
Current service cost		351,351	261,725
Net interest		404,568	221,968
Actuarial loss on obligation		(549,804)	697,882
		206,115	1,181,575
Closing balance		4,251,794	4,045,679
8.4 <i>Actuarial assumptions</i>		<i>Rate per annum</i>	
Valuation discount rate		14.25%	10%
Salary increase rate -Short term (period of next one year)		14.25%	10%
Salary increase rate- long term		14.25%	10%
9. <b>Creditors, accrued and other liabilities</b>			
Payable to clients		2,482,479	3,769,575
Accrued expenses		4,206,637	4,964,717
Charity payable	9.1	6,875	2,757
Other liabilities	9.2	1,437,137	3,345,524
		8,133,128	12,082,573
9.1 <i>Charity Payable - reconciliation</i>			
Opening balance		2,757	1,040
Addition		4,118	2,757
Disbursements		-	(1,040)
Closing balance		6,875	2,757

9.2 Other liabilities include Rs. 388,683 (2018 : Rs. 1,096,680) payable to Premier Financial Services (Private) Limited.

### 10. Contingencies and commitments

Modaraba has filed a suit against Samba Bank Ltd for the recovery of deposit amounting to Rs 21 million alongwith mark up. The matter is pending before the Honourable High Court of Sindh. Management of the Modaraba and its legal advisor are of the opinion that Modaraba has reasonable chance and it appear unlikely that Modaraba may suffer any loss from the same.

### 11. Tangible

2019								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2019	Rate
	As at July 01, 2018	Addition / (Deletion)	As at June 30, 2019	As at July 01, 2018	Charged during the year / (Disposal)	As at June 30, 2019		%
Office premises	10,380,294	-	10,380,294	5,321,857	519,015	5,840,872	4,539,422	5
Furniture & fixtures	105,059	-	105,059	105,057	-	105,057	2	20
Motor vehicles	3,616,105	2,745,635	4,412,635	2,628,189	806,827	1,485,912	2,926,723	20
		(1,949,105)			(1,949,104)			
Computers	624,733	-	624,733	508,248	58,260	566,508	58,225	33
Office equipments	835,245	18,000	853,245	658,354	65,473	723,827	129,418	20
2019	15,561,436	2,763,635	16,375,966	9,221,705	1,449,575	8,722,176	7,653,790	
		(1,949,105)			(1,949,104)			



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

2018								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2018	Rate
	As at July 01, 2017	Addition / (Deletion)	As at June 30, 2018	As at July 01, 2017	Charged during the year / (Disposal)	As at June 30, 2018		%
Office premises	10,380,294	-	10,380,294	4,802,842	519,015	5,321,857	5,058,437	5
Furniture & fixtures	105,059	-	105,059	105,057	-	105,057	2	20
Motor vehicles	3,975,938	-	3,616,105	2,730,385	257,636	2,628,189	987,916	20
		(359,833)			(359,832)			
Computers	548,090	76,643	624,733	447,686	60,562	508,248	116,485	33
Office equipments	780,245	55,000	835,245	589,663	68,691	658,354	176,891	20
<b>2018</b>	<b>15,789,626</b>	<b>131,643</b>	<b>15,561,436</b>	<b>8,675,633</b>	<b>905,904</b>	<b>9,221,705</b>	<b>6,339,731</b>	
		(359,833)			(359,833)			

	Note	2019 Rupees	2018 Rupees
<b>12. Intangible</b>			
Cost		10,000,000	10,000,000
Advance against TREC	12.1	(10,000,000)	(10,000,000)
Impairment loss		-	-
		-	-
<b>12.1</b>	The Modaraba has received Rs.10 million against the sale of Trading Right Entitlement Certificate (TREC) to wholly owned subsidiaries (Capital Financial Services (Private) Limited and Apex Financial Services (Private) Limited) in pursuance of the agreement dated April 18, 2017.		

#### 13. Investment Property

2019								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2019	Rate
	As at July 01, 2018	Transfer	As at June 30, 2019	As at July 01, 2018	Charged during the year	As at June 30, 2019		%
Office premises	2,400,000	-	2,400,000	808,333	120,000	928,333	1,471,667	5

2018								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2018	Rate
	As at July 01, 2017	Transfer	As at June 30, 2018	As at July 01, 2017	Charged during the year	As at June 30, 2018		%
Office premises	2,400,000	-	2,400,000	688,333	120,000	808,333	1,591,667	5

	Note	2019 Rupees	2018 Rupees
<b>14. Long term investments</b>			
<i>Investment in subsidiary</i>	14.1	350,000,000	350,000,000
		350,000,000	350,000,000
<i>Equity investment classified at fair value through profit or loss account</i>			
Listed securities	14.2.1	10,853,740	10,853,740
Unlisted securities	14.2.2	32,146,031	32,146,031
		42,999,771	42,999,771
		392,999,771	392,999,771

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 14.1 Investment in subsidiary

2018 Number	2019 Number		Note	2019 Rupees	2017 Rupees
500,000	<b>500,000</b>	Apex Financial Services (Pvt) Ltd	14.1.1	<b>50,000,000</b>	50,000,000
500,000	<b>500,000</b>	Capital Financial Services (Pvt) Ltd	14.1.1	<b>50,000,000</b>	50,000,000
25,000,000	<b>25,000,000</b>	Equity Textiles Limited	14.1.2	<b>250,000,000</b>	250,000,000
26,000,000	<b>26,000,000</b>			<b>350,000,000</b>	350,000,000

14.1.1 The Capital Financial Services (Pvt) Ltd and Apex Financial Services (Pvt) Ltd are wholly owned subsidiaries of the Modaraba having ordinary shares of Rs. 100 each. Net assets value per share of Capital Financial Service (Pvt.) Ltd. and Apex Financial Services (Pvt.) Ltd. is Rs. 51.07 and Rs. 57.03 (2018: Rs. 69.46 and Rs. 69.25) as per financial statements as at June 30, 2019 audited by Baker Tilly Mehmood Idrees Qamar, Chartered Accountants.

14.1.2 Equity Textiles Limited is a wholly owned subsidiary of the Modaraba. Net assets value per share of Equity Textiles Limited is Rs. 29.35 (2018: Rs. 30.02) as per financial statements as at June 30, 2019 audited by BDO Ebrahim & Company, Chartered Accountants.

### 14.2 Equity investment classified at fair value through profit and loss account

#### 14.2.1 Listed securities

The holding is in ordinary shares/units of Rs. 10 each of listed companies, unless otherwise stated:

2018 No of Shares	2019 No of Shares			2019 Rupees	2018 Rupees
22,000	<b>22,000</b>	<i>Financial Services</i> Javed Omer Vohra & Company Limited		<b>41,800</b>	41,800
1,081,194	<b>1,081,194</b>	<i>Pakistan Stock Exchange Limited</i>	14.2.2.2	<b>10,811,940</b>	10,811,940
				<b>10,853,740</b>	10,853,740

#### 14.2.2 Unlisted securities

The holding is in ordinary shares of Rs. 10 each.

50,000	<b>50,000</b>	Sapphire Power Generation Limited	14.2.2.1	<b>1,800,000</b>	1,800,000
3,034,603	<b>3,034,603</b>	ISE Towers REIT Management Co Ltd	14.2.2.3	<b>30,346,030</b>	30,346,030
78,150	<b>78,150</b>	Callmate Telips Telecom Limited	14.2.2.4	<b>1</b>	1
				<b>32,146,031</b>	32,146,031

14.2.2.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 53.81 (2017: Rs. 64.31) as per financial statements as at June 30, 2018 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.

14.2.2.2 The market value per share of Pakistan Stock Exchange Limited as at June 30, 2019 was Rs. 13.

14.2.2.3 Net assets value per share of ISE Towers REIT Management Company Limited is Rs. 14.49 (2018: Rs. 14.09) as per financial statements as at June 30, 2019 audited by BDO Ebrahim & Company, Chartered Accountants.

14.2.2.4 The company is in the process of winding up. Hence net assets value per share is not available.

### 15. Morabaha/Musharaka receivables-secured

Musharaka - considered good	15.2	<b>139,582,651</b>	136,668,098
Morabaha - considered doubtful		<b>17,380,055</b>	17,380,055
		<b>156,962,706</b>	154,048,153
Provision for non performing assets		<b>(17,380,055)</b>	(17,380,055)
		<b>139,582,651</b>	136,668,098

15.1 The Modaraba has entered into Morabaha and Musharaka agreements under which the Modaraba has provided funds for working capital requirements on profit and loss sharing basis. These are secured against pledge, hypothecation of stock and receivables, demand promissory notes, personal guarantee of directors / proprietors and mortgage of property. Expected rate of profit on Musharaka transactions during the year range between 12% to 16% per annum (2018: 12% to 16% per annum).

15.2 The carrying amount is considered a reasonable approximation of fair value.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 16. Short term investments

*Investment classified as financial asset at fair value through profit or loss*

Note

**2019  
Rupees**

2018  
Rupees

Listed securities

16.1

**37,925,507**

60,889,384

### 16.1 Listed securities

The holding is in ordinary shares/units of Rs. 10 each of listed companies, unless otherwise stated:

2018 No of Shares	2019 No of Shares		2019 Rupees	2018 Rupees
<i>Oil and Gas</i>				
7,900	-	Oil & Gas Development Co Limited	-	1,229,398
20,000	<b>20,000</b>	Pakistan Refinery Limited	<b>323,200</b>	694,200
26,400	<b>18,400</b>	Sui Northern Gas Pipeline Limited	<b>1,278,616</b>	2,645,808
10,900	<b>13,625</b>	Attock Refinery Limited	<b>1,052,804</b>	2,346,879
<i>Food</i>				
6,200	<b>6,200</b>	Engro Foods Limited	<b>361,646</b>	552,172
<i>Chemicals</i>				
2,700	-	Engro Corporation Limited	-	847,422
12,500	<b>12,500</b>	Ghani Global Glass Limited	<b>73,750</b>	154,125
31,711	<b>33,296</b>	Ghani Gases Limited	<b>254,381</b>	511,181
199	<b>199</b>	Engro Polymer - Unpaid right	<b>5,365</b>	1,755
<i>Construction and materials</i>				
10,600	<b>10,600</b>	AkzoNobel Pakistan Limited	<b>1,060,530</b>	1,979,656
5,000	<b>5,000</b>	Bestway Cement Limited	<b>515,350</b>	654,950
235,500	<b>293,500</b>	Dewan Cement Limited	<b>1,979,835</b>	4,563,000
9,278	<b>78</b>	D.G. Khan Cement Limited	<b>4,410</b>	1,062,238
5,000	<b>5,000</b>	Fly Cement Limited	<b>67,800</b>	85,800
2,000	<b>2,000</b>	Cherat Cement Company Limited	<b>61,920</b>	194,460
1,406,286	<b>1,406,286</b>	Power Cement Limited	<b>9,042,419</b>	11,742,488
<i>Pharma and biotech</i>				
9,400	<b>10,005</b>	The Searle Pakistan Limited	<b>1,466,333</b>	3,191,300
<i>Paper and Board</i>				
49,500	<b>59,400</b>	Roshan Packages Limited	<b>793,584</b>	1,394,415
<i>Engineering</i>				
14,500	<b>14,500</b>	International Steel Limited	<b>575,795</b>	1,474,650
<i>Textile Composite</i>				
238,000	<b>238,000</b>	International Knitwear Limited	<b>3,024,980</b>	2,677,500
<i>Miscellaneous</i>				
16,425	<b>18,888</b>	United Distributors Limited	<b>565,507</b>	796,777
<i>Sugar and Allied</i>				
1,000	<b>1,000</b>	Imperial Sugar Limited	<b>11,970</b>	26,930
<i>Fixed Line Telecommunication</i>				
709,500	<b>709,500</b>	Pakistan Telecommunication Company Limited	<b>5,867,565</b>	8,116,680

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

Page 31

2018 Number	2019 Number	Note	2019 Rupees	2018 Rupees
		<i>Cable &amp; Electrical Goods</i>		
70,000	<b>70,000</b>	TPL Tracker Limited	<b>341,600</b>	477,400
		<i>Power Generation, Distribution and Electricity</i>		
500,000	<b>500,000</b>	K-Electric Limited	<b>2,195,000</b>	2,840,000
6,000	<b>6,000</b>	Kot Adu Power Company Limited	<b>218,280</b>	323,460
		<i>Inv. Banks / Inv. Cos / Securities Cos</i>		
521,759	<b>521,759</b>	Pakistan Stock Exchange Limited	<b>6,782,867</b>	10,304,740
			<b>37,925,507</b>	60,889,384
<b>17. Advances - considered good</b>				
Employee		17.1	<b>200,731</b>	161,171
Advance tax			<b>9,763,400</b>	8,743,700
Others			<b>3,791</b>	2,826,000
			<b>9,967,922</b>	11,730,871
17.1	The maximum aggregate amount due from employees at the end of any month during the year was Rs. 243,886 (2018: Rs. 214,115). These are secured against the property documents retained by the Modaraba.			
<b>18. Trade deposits and prepayments</b>				
Deposits			<b>14,767,856</b>	14,767,856
Prepayments			<b>487,822</b>	621,913
			<b>15,255,678</b>	15,389,769
<b>19. Other Receivables</b>				
Receivable from clients		19.1&19.2	<b>19,754,386</b>	17,695,591
Dividend			-	59,850
Others		19.2	<b>3,200,851</b>	644,321
			<b>22,955,237</b>	18,399,762
19.1	<i>Receivable from clients</i>			
			<b>19,754,386</b>	17,695,591
			<b>12,500,000</b>	12,500,000
			<b>32,254,386</b>	30,195,591
			<b>(12,500,000)</b>	(12,500,000)
			<b>19,754,386</b>	17,695,591
19.2	Receivable from clients and others include receivable from related parties amounting to Rs. 14,769 (2018: Rs. 565).			
<b>20. Bank balances</b>				
in current accounts			<b>1,328,050</b>	2,962,425
in saving accounts			<b>3,980</b>	21,811
in Islamic bank			<b>3,051,582</b>	8,641,789
			<b>4,383,612</b>	11,626,025
<b>21. Income</b>				
Profit on Musharaka			<b>14,914,533</b>	15,373,644
Brokerage commission			<b>493,472</b>	750,439
Capital (loss)			<b>(2,253,543)</b>	(4,433,303)
Dividend			<b>2,339,140</b>	3,046,947
Rental			<b>2,700,000</b>	2,400,000
Commission and fees			<b>12,888</b>	-
			<b>18,206,510</b>	17,137,727



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>22. Operating expenses</b>			
Salaries, allowances and benefits	22.1	7,448,375	6,504,661
Traveling, conveyance and entertainment		512,427	499,021
Telephone and postage		837,437	1,085,602
Electricity		480,775	577,963
Insurance		583,555	497,568
Printing, stationery and advertising		934,089	1,031,527
Fees and subscriptions		1,658,118	1,621,906
Vehicle running and maintenance		1,712,826	1,169,343
Depreciation	11 & 13	1,569,575	1,025,904
Facilities and utilities		4,317,228	4,316,344
Repair and maintenance		1,237,466	1,179,178
Annual review meeting		102,627	239,517
Auditor's remuneration	22.3	342,730	370,255
Legal and professional		483,141	527,553
Training and development		10,000	2,300
Shariah Advisor		200,000	200,000
PSX & SECP Charges		264,832	230,093
Withholding & CVT tax		18,278	118,862
Others		390,175	222,557
		<b>23,103,654</b>	<b>21,420,154</b>

**22.1 Remuneration of officers and other employees**

The aggregate amount charged in the financial statements for remuneration, including benefits to 8 (2018 : 9) employees of the modaraba is:

	2019		2018	
	Officers	Other Employees	Officers	Other Employees
Salaries and allowances	2,688,000	2,054,000	2,380,000	2,440,854
Leave fare & Encashment	524,800	113,476	60,000	20,000
Expenses reimbursed: Medical	131,983	285,793	54,270	271,840
	<b>3,344,783</b>	<b>2,453,269</b>	<b>2,494,270</b>	<b>2,732,694</b>

22.2 Salaries, allowances and benefits include provision for gratuity of Rs. 755,919 (2018: Rs. 483,693). Officers are also provided with free use of the Modaraba maintained cars.

**22.3 Auditor's remuneration**

Audit fee	250,000	250,000
Half yearly review	26,500	26,500
Other fees	66,230	93,755
	<b>342,730</b>	<b>370,255</b>

**23 Financial Charges**

Bank Charges	13,724	19,123
	<b>13,724</b>	<b>19,123</b>

**24 Other income**

Profit on Investment accounts with Islamic bank	71,437	103,702
Others	1,535,659	5,000
	<b>1,607,096</b>	<b>108,702</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 25. Taxation

#### *Current*

Assessment upto and including the tax year 2018 have been finalized under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) which is subject to audit under section 170 of the Ordinance.

The income of Modarabas except from trading and manufacturing activities, is exempt from tax provided that not less than 90% of their profits for the year as reduced by the amount transferred to mandatory reserves are distributed to the certificate holders.

	2019 Rupees	2018 Rupees
<b>26. (Loss) per certificates - basic and diluted</b>		
(Loss) for the year	<b>(3,303,772)</b>	(4,192,848)
Weighted average number of certificates outstanding during the year	<b>52,440,000</b>	52,440,000
(Loss) per certificate - basic and diluted	<b>(0.06)</b>	(0.08)

26.1 There is no dilution effect on the basic earnings per share of the modaraba as the modaraba has no such commitments.

### 27. Risk management policies and objectives

#### *Financial risk management*

The board of directors of the Modaraba Management Company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

#### *Credit and concentration risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

Credit risk of the Modaraba arises principally from the investments, Musharaka/Morabaha receivables, advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Modaraba has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful for recovery.

Investment	<b>430,925,278</b>	453,889,155
Morabaha/Musharaka receivables-secured	<b>139,582,651</b>	136,668,098
Advances-considered good	<b>12,477,922</b>	14,240,871
Trade deposits and prepayments	<b>17,005,678</b>	17,139,769
Other receivables	<b>22,955,237</b>	18,399,762
	<b>622,946,766</b>	640,337,655

#### *Liquidity risk*

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	2019			
	Less than One year	Over one year but less than five years	Over five years	Total
<b>Assets</b>				
Long term investments	-	42,999,771	350,000,000	392,999,771
Morabaha & Musharaka receivables	139,582,651	-	-	139,582,651
Short term investments	37,925,507	-	-	37,925,507
Advances	9,967,922	2,510,000	-	12,477,922
Trade deposits	14,767,856	1,750,000	-	16,517,856
Other receivables	22,955,237	-	-	22,955,237
Bank balances	4,383,612	-	-	4,383,612
	229,582,785	47,259,771	350,000,000	626,842,556
<b>Liabilities</b>				
Security Deposit	-	200,000	-	200,000
Deferred liability	-	-	4,251,794	4,251,794
Creditors, accrued and other liabilities	8,133,128	-	-	8,133,128
Unclaimed profit distribution	29,561,214	-	-	29,561,214
	37,694,342	200,000	4,251,794	42,146,136
<b>Net balance</b>	<b>191,888,443</b>	<b>47,059,771</b>	<b>345,748,206</b>	<b>584,696,420</b>
	2018			
	Less than One year	Over one year but less than five years	Over five years	Total
<b>Assets</b>				
Long term investments	-	42,999,771	350,000,000	392,999,771
Morabaha & Musharaka receivables	136,668,098	-	-	136,668,098
Short term investments	60,889,384	-	-	60,889,384
Advances	11,730,871	2,510,000	-	14,240,871
Trade deposits	14,767,856	1,750,000	-	16,517,856
Other receivables	18,399,762	-	-	18,399,762
Bank balances	11,626,025	-	-	11,626,025
	254,081,996	47,259,771	350,000,000	651,341,767
<b>Liabilities</b>				
Deferred liability	-	200,000	-	200,000
Security Deposit	-	-	4,045,679	4,045,679
Creditors, accrued and other liabilities	12,082,573	-	-	12,082,573
Unclaimed profit distribution	29,641,941	-	-	29,641,941
	41,724,514	200,000	4,045,679	45,970,193
<b>Net balance</b>	<b>212,357,482</b>	<b>47,059,771</b>	<b>345,954,321</b>	<b>605,371,574</b>

### Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

### Operational Risk

Operational Risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external; factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures;

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

### 28 Fair value of financial instruments

The Modaraba is of the view that the fair market value of most of the financial assets and financial liabilities are not significantly different from their carrying amounts.

	2019 Rupees	2018 Rupees
28.1 <i>Financial instruments by category</i>		
<b>Financial assets</b>		
<b>At amortized cost</b>		
Morabaha/Musharaka receivables	139,582,651	136,668,098
Advances	12,477,922	14,240,871
Trade deposits	16,517,856	16,517,856
Other receivables	22,955,237	18,399,762
Bank balances	4,383,612	11,626,025
<i>Financial assets at fair value through profit or loss</i>		
Short term investments	37,925,507	60,889,384
Long term investments	42,999,771	42,999,771
	<b>276,842,556</b>	<b>301,341,767</b>
<i>Financial assets at cost</i>		
Long term investments in subsidiary	350,000,000	350,000,000
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Deferred liability	4,251,794	4,045,679
Security deposit	200,000	200,000
Creditors, accrued and other liabilities	8,133,128	12,082,573
Unclaimed profit distribution	29,561,214	29,641,941
	<b>42,146,136</b>	<b>45,970,193</b>
On balance sheet gap	<b>584,696,420</b>	<b>605,371,574</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 29. Maturities of assets and liabilities

The following analysis is based on the contractual/expected maturities of assets and liabilities which may not necessarily correspond with actual maturities.

2019					
	Upto one month	Over one month to one year	Over one year to five year	Over five Years	Total
<b>Assets</b>					
Long term investments	-	-	42,999,771	350,000,000	392,999,771
Morabaha & Musharaka receivables	-	139,582,651	-	-	139,582,651
Short term investments	-	37,925,507	-	-	37,925,507
Advances	-	9,967,922	2,510,000	-	12,477,922
Trade deposits and prepayments	-	14,767,856	1,750,000	-	16,517,856
Other receivables	-	22,955,237	-	-	22,955,237
Bank balances	-	4,383,612	-	-	4,383,612
		229,582,785	47,259,771	350,000,000	626,842,556
<b>Liabilities</b>					
Deferred liabilities	-	-	-	4,251,794	4,251,794
Security Deposit	-	-	200,000	-	200,000
Creditors, accrued and other liabilities	-	8,133,128	-	-	8,133,128
Unclaimed profit distribution	-	29,561,214	-	-	29,561,214
	-	37,694,342	200,000	4,251,794	42,146,136
<b>Net balance</b>	-	191,888,443	47,059,771	345,748,206	584,696,420

2018					
	Upto one month	Over one month to one year	Over one year to five year	Over five Years	Total
<b>Assets</b>					
Long term investments	-	-	42,999,771	350,000,000	392,999,771
Morabaha & Musharaka receivables	-	136,668,098	-	-	136,668,098
Short term investments	-	60,889,384	-	-	60,889,384
Advances	-	11,730,871	2,510,000	-	14,240,871
Trade deposits and prepayments	-	14,767,856	1,750,000	-	16,517,856
Other receivables	-	18,399,762	-	-	18,399,762
Bank balances	-	11,626,025	-	-	11,626,025
	-	254,081,996	47,259,771	350,000,000	651,341,767
<b>Liabilities</b>					
Deferred liabilities	-	-	-	4,045,679	4,045,679
Security Deposit	-	-	200,000	-	200,000
Creditors, accrued and other liabilities	-	12,082,573	-	-	12,082,573
Unclaimed profit distribution	-	29,641,941	-	-	29,641,941
	-	41,724,514	200,000	4,045,679	45,970,193
<b>Net balance</b>	-	212,357,482	47,059,771	345,954,321	605,371,574

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 30. Yield/Profit rate risk exposure

Description	Effective yield / profit risk	2019						Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		Within 1 Yr	After 1 Yr	Sub total	Within 1 Yr	After 1 Yr	Sub total	
Financial Assets	%	Rupees						
Long term investments	-	-	-	-	-	392,999,771	392,999,771	392,999,771
Morabaha / Musharakah receivables	12% to 16%	139,582,651	-	139,582,651	-	-	-	139,582,651
Short term investments	-	-	-	-	37,925,507	-	37,925,507	37,925,507
Advances	-	-	-	-	9,967,922	2,510,000	12,477,922	12,477,922
Trade deposits	-	-	-	-	14,767,856	1,750,000	16,517,856	16,517,856
Other receivables	-	-	-	-	22,955,237	-	22,955,237	22,955,237
Bank balances	5% to 7%	3,055,562	-	3,055,562	1,328,050	-	1,328,050	4,383,612
		142,638,213	-	142,638,213	86,944,572	397,259,771	484,204,343	626,842,556
Financial Liabilities								
Deferred Liabilities	-	-	-	-	-	4,251,794	4,251,794	4,251,794
Security Deposit	-	-	-	-	-	200,000	200,000	200,000
Creditors, accrued and other liabilities	-	-	-	-	8,133,128	-	8,133,128	8,133,128
Unclaimed profit distribution	-	-	-	-	29,561,214	-	29,561,214	29,561,214
		-	-	-	37,694,342	4,451,794	42,146,136	42,146,136
On Balance Sheet Gap		142,638,213	-	142,638,213	49,250,230	392,807,977	442,058,207	584,696,420

The above analysis is based on the contractual/expected maturities of assets and liabilities which may not necessarily correspond with actual maturities.

Yield risk is the risk of decline in earning due to adverse movement of the yield curve.

Profit rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market profit rates.

Description	Effective yield / profit risk	2018						Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		Within 1 Yr	After 1 Yr	Sub total	Within 1 Yr	After 1 Yr	Sub total	
Financial Assets	%	Rupees						
Long term investments	-	-	-	-	-	392,999,771	392,999,771	392,999,771
Morabaha / Musharakah receivables	12% to 16%	136,668,098	-	136,668,098	-	-	-	136,668,098
Short term investments	-	-	-	-	60,889,384	-	60,889,384	60,889,384
Advances	-	-	-	-	11,730,871	2,510,000	14,240,871	14,240,871
Trade deposits	-	-	-	-	14,767,856	1,750,000	16,517,856	16,517,856
Other receivables	-	-	-	-	18,399,762	-	18,399,762	18,399,762
Bank balances	2% to 5%	8,663,600	-	8,663,600	2,962,425	-	2,962,425	11,626,025
		145,331,698	-	145,331,698	108,750,298	397,259,771	506,010,069	651,341,767
Financial Liabilities								
Deferred Liabilities	-	-	-	-	-	4,045,679	4,045,679	4,045,679
Security Deposit	-	-	-	-	-	200,000	200,000	200,000
Creditors, accrued and other liabilities	-	-	-	-	12,082,573	-	12,082,573	12,082,573
Unclaimed profit distribution	-	-	-	-	29,641,941	-	29,641,941	29,641,941
		-	-	-	41,724,514	4,245,679	45,970,193	45,970,193
On Balance Sheet Gap		145,331,698	-	145,331,698	67,025,784	393,014,092	460,039,876	605,371,574



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 31. Segment information

The Modaraba has three primary sources of revenue i.e. Musharaka facility, brokerage operations and capital market based on the nature of business and related risk associated with each type of business segment which are not deemed by the management to be sufficiently significant to disclose as separate items are reported under others.

Segment assets and liabilities included all assets and liabilities related to the segment relevant proportion of the assets and liabilities allocated to the segment on reasonable basis.

Segment revenue and expenses included all revenue and expenses related to the segment and relevant proportion of the revenue and expenses allocated to the segment on reasonable basis.

	2019					2018
	Musharakah Facility	Brokerage Operation	Capital Markets	Others	Total	Total
	Rupees					
Segment Revenues	14,914,553	493,472	85,597	4,319,984	19,813,606	17,246,429
Segment Result	14,914,553	(3,544,810)	85,597	4,319,984	15,775,324	13,059,829
Unallocated Cost						
Operating expenses					(19,079,096)	(17,252,677)
Profit before taxation					(3,303,772)	(4,192,848)
Profit for the year					(3,303,772)	(4,192,848)
Other information						
Segment assets	139,582,651	21,654,386	80,925,277	1,471,667	243,633,981	261,747,010
Unallocated assets	-	-	-	-	392,821,854	398,148,068
Total assets	139,582,651	21,654,386	80,925,277	1,471,667	636,455,835	659,895,078
Segment liabilities	-	2,482,479	-	-	2,482,479	4,286,455
Unallocated liabilities	-	-	-	-	39,663,657	41,683,738
Total liabilities	-	2,482,479	-	-	42,146,136	45,970,193

### 32. Transactions with related parties

The related parties of the Modaraba comprise the Modaraba Management Company, subsidiary company, staff retirement funds, directors of the Modaraba Management Company and key management personnel. Transactions with related parties are entered into at arm's length.

Transactions with related parties other than remuneration and benefits to officers and employees under the terms of their employment are as follows:

	2019 Rupees	2018 Rupees
32.1 <i>Balance outstanding at year end</i>		
<u>Modaraba Management Company</u>		
- Current account payable	388,683	1,096,680
<u>Subsidiary company</u>		
- Investment in Equity Textiles Limited	250,000,000	250,000,000
- Investment in Capital Financial Services (Private) Limited	50,000,000	50,000,000
- Investment in Apex Financial Services (Private) Limited	50,000,000	50,000,000
(Payable to)/Receivable from wholly owned subsidiary company	1,048,454	(1,731,965)
Receivable from related party	349,099	349,099
<u>Other related parties (including key management personnel)</u>		
- Deferred liability staff gratuity	4,251,794	4,045,679
- Brokerage house client receivable	14,769	565

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

Page 39

		2019 Rupees	2018 Rupees
32.2	<i>Transactions during the year</i>		
	<u>Modaraba Management Company</u>		
	- Reimbursement	4,317,228	4,316,344
	<u>Other related parties (including key management personnel)</u>		
	- Contribution to staff gratuity fund	755,919	483,693
			<i>Relationship</i>
	Dividends paid		
	Services acquired		
	Brokerage commission earned		
	Directors	-	403,066
	Key Management Personnel / Associated company	370,547	610,982
	Associated company	16,170	19,625

### Number of employees

33. Total number of employees of the Modaraba as at June 30, 2019 are 8 (2018: 9).  
Average number of employees of the Modaraba are 8 (2018:9)

### Corresponding Figures

34. Figures have been rounded off to the nearest rupee.

### Authorization for issue

35. These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 04, 2019.

36. The Board of Directors of the Management Company has approved dividend at the rate of Re. nil per certificate (2018: Re. nil per certificate) for the year ended June 30, 2019, resulting in a total distribution of profit amounting to Rs. nil (2018: Rs. nil), in its meeting held on October 04, 2019, which is more than 90% of the profit for the year ended June 30, 2019, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations.

### General

37. Figures in these financial statements have been rounded off to the nearest rupee.
- 37.1 The corresponding figures, wherever necessary, have been re-arranged /re-classified for the purpose of comparison.
- 37.2 Prior year figures have been reclassified for the purpose of better presentation and comparison.
- 37.3

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer  
Premier Financial  
Services (Private) Limited

Zahid Bashir  
Director  
Premier Financial  
Services (Private) Limited

Nadeem Maqbool  
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*Auditors Report and  
Consolidated Financial Statements  
of  
First Equity Modaraba  
Capital Financial Services (Pvt) Ltd  
Apex Financial Services (Pvt) Ltd  
Equity Textiles Limited  
for the year ended June 30, 2019*



# AUDITORS' REPORT

## TO THE CERTIFICATE HOLDERS

### Qualified Opinion

We have audited the annexed consolidated financial statements of FIRST EQUITY MODARABA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at June 30, 2019, and the consolidated profit and loss account, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matters described in paragraphs below, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Qualified Opinion

Modaraba and, its two subsidiaries named Apex Financial Services (Private) Limited and Capital Financial Services (Private) Limited have charged unrealized loss of Rs. 25.63 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 IFRS 9.

Had the Modaraba and two above mentioned subsidiaries charged the unrealized loss to the profit and loss account, its loss for the year would have been increased by Rs. 25.63 million (2018: Rs. 19.63 million).

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the director's report, but does not include the consolidated financial statements of the company and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude 'that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# AUDITORS' REPORT

## TO THE CERTIFICATE HOLDERS

Page 43

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is **Mehmood A. Razzak**.



Chartered Accountants  
Karachi.  
Dated: October 04, 2019



# CONSOLIDATED BALANCE SHEET

## AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<i>Equity &amp; Liabilities</i>			
<i>Capital and reserves</i>			
<b>Authorized Certificate Capital</b>			
60,000,000 (2018: 60,000,000) modaraba certificates of Rs. 10 each		<b>600,000,000</b>	600,000,000
<b>Certificate holders' equity</b>			
Certificate capital	6	<b>524,400,000</b>	524,400,000
Reserves	7	<b>185,761,593</b>	144,704,067
Remeasurement of defined benefit liability - Actuarial gain		<b>446,440</b>	(103,364)
Unrealised loss on remeasurment of investments		<b>(85,932,374)</b>	(57,519,106)
<i>Total certificates holders' equity</i>		<b>624,675,659</b>	611,481,597
<b>Surplus on revaluation of fixed assets</b>	8	<b>404,772,845</b>	449,747,606
<i>Non-current liabilities</i>			
Long term financing	9	<b>35,317,681</b>	159,421,164
Liabilities against assets subject to finance lease	10	<b>890,432</b>	985,501
Deferred liabilities	11	<b>150,753,291</b>	189,194,135
Security deposit		<b>200,000</b>	200,000
<i>Total non-current liabilities</i>		<b>187,161,404</b>	349,800,800
<i>Current liabilities</i>			
Short term borrowings	12	<b>231,604,616</b>	195,580,393
Current portion of long term liabilities	13	<b>143,768,681</b>	160,624,151
Creditors, accrued and other liabilities	14	<b>725,262,047</b>	467,240,926
Accrued mark up	15	<b>34,691,151</b>	35,844,919
Taxation - net	31	<b>4,741,619</b>	-
Unclaimed profit distribution		<b>29,561,214</b>	29,641,941
<i>Total current liabilities</i>		<b>1,169,629,328</b>	888,932,330
<i>Total equity and liabilities</i>		<b>2,386,239,236</b>	2,299,962,333
<i>Contingencies and commitments</i>	16		

# CONSOLIDATED BALANCE SHEET

Page 45

AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<i>Assets</i>			
<i>Non-Current Assets</i>			
Fixed assets			
-tangible	17	1,200,096,927	1,278,206,389
-intangible	18	10,000,000	10,000,000
Capital Work in Progress	19	5,393,156	-
Investment property	20	1,471,667	1,591,667
Long term investments	21	42,999,771	42,999,771
Advances		2,510,000	2,510,000
Deposits		2,130,800	1,995,900
<i>Total Non-Current Assets</i>		<b>1,264,602,321</b>	<b>1,337,303,727</b>
<i>Current Assets</i>			
Store and spares	22	50,484,405	30,889,410
Stock-in-trade	23	397,258,108	339,488,014
Trade debts	24	211,690,534	113,875,395
Morabaha/Musharaka receivables-secured	25	139,582,651	136,668,098
Short term investments	26	76,403,158	112,375,584
Advances	27	35,808,165	43,749,854
Trade deposits and prepayments	28	74,857,664	71,189,500
Other receivables	29	29,630,740	23,043,361
Tax refunds due from government authorities	30	95,068,565	73,216,645
Tax-net	32	-	1,643,022
Cash and bank balances		10,852,925	16,519,723
<i>Total Current Assets</i>		<b>1,121,636,915</b>	<b>962,658,606</b>
<i>Total Assets</i>		<b>2,386,239,236</b>	<b>2,299,962,333</b>

The annexed notes 1 to 49 form an integral part of these financial statements.

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer

Premier Financial  
Services (Private) Limited

Zahid Bashir  
Director  
Premier Financial  
Services (Private) Limited

Nadeem Maqbool  
Director  
Premier Financial  
Services (Private) Limited



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Income	33	132,413,520	128,253,472
Expenditure			
Operating expenses	34	(54,660,874)	(49,729,473)
Distribution and selling expenses	35	(18,024,264)	(16,222,472)
		(72,685,138)	(65,951,945)
Operating profit		59,728,382	62,301,527
Financial Charges	36	(64,789,198)	(63,499,575)
		(5,060,816)	(1,198,048)
Other Income	37	2,662,537	1,997,605
		(2,398,279)	799,557
Other charges	38	(531,937)	(12,529,727)
(Loss) before taxation		(2,930,216)	(11,730,170)
Taxation			
- current		(39,601,266)	(31,420,618)
- prior		(32,713)	(3,128,483)
- deferred		38,646,961	38,897,103
		(987,018)	4,528,002
(Loss) for the year		(3,917,234)	(7,202,168)
(Loss) per certificate - basic and diluted	40	(0.07)	(0.14)

The annexed notes 1 to 49 form an integral part of these financial statements.

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer  
Premier Financial  
Services (Private) Limited

Zahid Bashir  
Director  
Premier Financial  
Services (Private) Limited

Nadeem Maqbool  
Director  
Premier Financial  
Services (Private) Limited

FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
(Loss) for the year	(3,917,234)	(7,202,168)
<b>Other comprehensive (loss)</b>		
<b>Items that will be reclassified to profit &amp; loss account on disposal</b>		
Unrealized (loss) on remeasurement of available for sale investments	(30,346,388)	(19,014,242)
Gain realized on disposal of investments	1,933,120	3,074,938
	(28,413,268)	(15,939,304)
<b>Items that will not be reclassified to profit &amp; loss account</b>		
Remeasurement of defined benefit liability	549,804	(697,882)
<b>Total comprehensive (loss) for the year</b>	<b>(27,863,464)</b>	<b>(16,637,186)</b>
<b>Total comprehensive (loss) for the year</b>	<b>(31,780,698)</b>	<b>(23,839,354)</b>

The annexed notes 1 to 49 form an integral part of these financial statements.

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer  
Premier Financial  
Services (Private) Limited

Zahid Bashir  
Director  
Premier Financial  
Services (Private) Limited

Nadeem Maqbool  
Director  
Premier Financial  
Services (Private) Limited



# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
<b>Cash flows from operating activities</b>		
(Loss) before taxation	(2,930,216)	(11,730,170)
<i>Adjustments for:</i>		
Depreciation	128,700,266	139,567,913
Provision for gratuity	755,919	483,693
Dividend income	(3,129,816)	(4,154,865)
(Gain) on sale of asset	(508,879)	(1,040,822)
Bad debts	570,263	-
Financial charges	64,789,198	63,499,575
	191,176,951	198,355,494
<b>Cash generated from operations before working capital changes</b>	188,246,735	186,625,324
<b>Working Capital changes</b>		
<b>Decrease/(increase) in operating assets</b>		
Store, Spares and Loose tools	(19,594,995)	(3,235,929)
Stock-in-trade	(57,770,094)	(87,961,488)
Trade debts	(98,385,402)	(11,834,808)
Morabaha/Musharaka receivables-secured	(2,914,553)	(2,347,618)
Advances	7,941,689	(2,014,945)
Trade deposits and prepayments	(3,668,164)	(31,296,726)
Other receivables	(6,587,379)	3,108,146
Tax refund from government authorities	(19,229,760)	(16,492,836)
<b>Increase/(decrease) in operating liabilities</b>		
Short term borrowing	36,024,223	48,988,135
Creditors, accrued and other liabilities	258,021,121	124,886,958
	93,836,687	21,798,889
Financial charges paid	(65,942,966)	(54,690,329)
Dividend paid	(80,727)	(30,552,593)
Taxes paid	(35,871,497)	(32,319,496)
<i>Net cash generated from operating activities</i>	180,188,232	90,861,795
<b>Cash flows from investing activities</b>		
Investments	7,559,158	30,864,937
Long term deposits	(134,900)	-
Proceeds from sale of tangible assets	875,000	1,085,000
Dividend received	3,129,816	4,154,865
Capital work in progress	(5,393,156)	-
Purchases of tangible assets	(50,836,925)	(56,548,746)
<i>Net cash (used in) investing activities</i>	(44,801,007)	(20,443,944)

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2019

*Page 49*

	2019 Rupees	2018 Rupees
<b>Cash flows from financing activities</b>		
Additions in liabilities against asset subject to finance lease	<b>1,499,000</b>	-
Repayments / adjustment of lease liability	<b>(1,347,046)</b>	(1,118,517)
Long term financing	<b>(141,185,976)</b>	(100,934,170)
<i>Net cash used in financing activities</i>	<b>(141,054,022)</b>	(102,052,687)
Net (decrease) / increase in cash and cash equivalents	<b>(5,666,798)</b>	(31,634,836)
Cash and cash equivalents at beginning of the year	<b>16,519,723</b>	48,154,559
<b>Cash and cash equivalents at the end of the year</b>	<b>10,852,925</b>	16,519,723

The annexed notes 1 to 49 form an integral part of these financial statements.

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer  
Premier Financial  
Services (Private) Limited

Zahid Bashir  
Director  
Premier Financial  
Services (Private) Limited

Nadeem Maqbool  
Director  
Premier Financial  
Services (Private) Limited



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED JUNE 30, 2019

	Certificate Capital	Statutory Reserve *	Certificate premium account	General Reserve	Accumulated Loss	Total Reserves	Remeasurement of defined benefit liability	Surplus on revaluation of property, plant and equipment	Unrealized loss on remeasurement of available for sale investments	Total
Balance as at June 30, 2017	524,400,000	161,050,000	131,100,000	27,120,000	(185,871,721)	133,398,279	594,518	492,681,257	(41,579,802)	1,109,494,252
(Loss) for the year	-	-	-	-	(7,202,168)	(7,202,168)	-	-	-	(7,202,168)
Total Comprehensive income for the year	-	-	-	-	-	-	(697,882)	-	(15,939,304)	(16,637,186)
Revaluation surplus on property, plant & equipment adjustment due to change in tax rate	-	-	-	-	-	-	-	7,038,304	-	7,038,304
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	-	49,971,956	49,971,956	-	(49,971,956)	-	-
Profit Distribution	-	-	-	-	(31,464,000)	(31,464,000)	-	-	-	(31,464,000)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2018	524,400,000	161,050,000	131,100,000	27,120,000	(174,565,933)	144,704,067	(103,364)	449,747,605	(57,519,106)	1,061,229,202
(Loss) for the year	-	-	-	-	(3,917,234)	(3,917,234)	-	-	-	(3,917,234)
Total Comprehensive income for the year	-	-	-	-	-	-	549,804	-	(28,413,268)	(27,863,464)
Revaluation surplus on property, plant & equipment adjustment due to change in tax rate	-	-	-	-	-	-	-	-	-	-
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	-	44,974,760	44,974,760	-	44,974,760	-	-
Profit Distribution	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2019	524,400,000	161,050,000	131,100,000	27,120,000	(133,508,407)	185,761,593	446,440	404,772,845	(85,932,374)	1,029,448,504

\* In accordance with the Prudential Regulations for Modarabas, the Modaraba is required to transfer an amount not less than 20% and not more than 50% of its after tax profits to statutory reserve until the reserve funds equals the paid-up capital. Thereafter, a sum not less than 5% of the after tax profits is required to be transferred to the statutory reserve.

The annexed notes 1 to 49 form an integral part of these financial statements.

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer  
Premier Financial  
Services (Private) Limited

Zahid Bashir  
Director  
Premier Financial  
Services (Private) Limited

Nadeem Maqbool  
Director  
Premier Financial  
Services (Private) Limited

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Page 51*

## FOR THE YEAR ENDED JUNE 30, 2019

### 1. Legal Status and nature of business:

#### *The group*

The group consist of First Equity Modaraba (the Modaraba) and its subsidiaries, Equity Textiles Limited (ETL), Capital Financial Services (Private) Limited and Apex Financial Services (Private) Limited.

#### 1.1 *First Equity Modaraba*

First Equity Modaraba (the Modaraba) was formed in 1991 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Premier Financial Services (Private) Limited (the Modaraba Management Company), a company incorporated in Pakistan.

The Modaraba is a perpetual, multipurpose modaraba and is able to undertake a variety of fund and fee based activities.

The Modaraba is holding Equity Textiles Limited, Capital Financial Services (Private) Limited and Apex Financial Services (Private) Limited as a wholly owned subsidiary companies.

#### 1.2 *Equity Textiles Limited*

Equity Textiles Limited (ETL) was incorporated in Pakistan on May 31, 2005 as a public limited company under the Companies Ordinance, 1984. The registered office of ETL is situated at 3rd Floor, Cotton Exchange Building, I.I. Chundrigar Road, Karachi. The principal activities of ETL is manufacturing and sale of textile products. ETL commenced commercial operations on April 1, 2007.

#### 1.3 *Capital Financial Services (Private) Limited*

The Company was incorporated in Pakistan on November 13, 2015 as Private Limited Company by shares under the Companies Ordinance, 1984. The registered office of the Company is situated at B-1004, 10th Floor, Lakson Square Building No. 3, Sarwar Shaheed Road, Karachi. The principal activities of the company is to act as member / broker of the Stock Exchange and to carry on the business of brokerage services in stock, shares etc.

#### 1.4 *Apex Financial Services (Private) Limited*

The Company was incorporated in Pakistan on November 13, 2015 as Private Limited Company by shares under the Companies Ordinance, 1984. The registered office of the Company is situated at B-1004, 10th Floor, Lakson Square Building No. 3, Sarwar Shaheed Road, Karachi. The principal activities of the company is to act as member / broker of the Stock Exchange and to carry on the business of brokerage services in stock, shares etc.

#### 1.5 *Consolidation procedure*

##### Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights or the parent - subsidiary relationship meet the definition as given in section 3 of the Companies Ordinance, 1984. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit and loss account.

##### Transactions eliminated on consolidation

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated.

##### Functional and reporting currency of group

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the group operates. The consolidated financial statements are presented in Pakistani Rupees which is the functional and presentation currency of all the group companies.

#### 1.6 *Basis of consolidation*

These consolidated financial statements include the accounts of group [First Equity Modaraba and its subsidiary companies, Equity Textile Mills Limited, Apex Financial Services (Private) Limited and Capital Financial Services Private Limited - (100% - Holding)]. Financial Statements of subsidiary company have been consolidated on a line-by-line basis

All material inter-company balances, transactions and resulting unrealized profit and losses have been eliminated.

### 2. Statement of compliance

- 2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance,



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

### 2.2 Standards, interpretations and amendments applicable to financial statements

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

#### (a) Standards, interpretations and amendments to approved accounting standards which became effective during the year

The Modaraba has adopted the following accounting standard and the amendments and interpretation of IFRSs which become effective for the current year:

##### (i) IAS 15 – “Revenue from Contracts with Customers”

On 28 May, 2014, the International Accounting Standards Board (IASB) issued International Financial Reporting Standards (IFRS) 15 “Revenue From Contracts with Customers” which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and the number of revenue related interpretations.

There is no material impact on the financial statements of Modaraba of adopting IFRS 15 - Revenue from Contracts with Customers.

##### (ii) IFRS-9 “Financial Instruments”

IFRS 9 replaced the provisions of IAS 39 “Financial Instruments: Recognition and Measurement” that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge.

Gap Analysis has been conducted and changes incorporated in the financial statements including change in the name of financial instruments. However, there is no material impact on the financial statements of Modaraba of adopting IFRS 9 - Financial Instruments.

#### (b) Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IAS 1	Presentation of financial statements (Amendments)	January 1, 2020
IAS 8	Accounting policies, changes in accounting estimates & errors (Amendments)	January 1, 2020
IAS 12	Income Taxes (Amendments)	January 1, 2019
IAS 19	Employee benefits (Amendments)	January 1, 2019
IAS 23	Borrowing Costs (Amendments)	January 1, 2019
IAS 28	Investments in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRS 3	Business Combinations (Amendments)	January 1, 2019
IFRS 9	Financial Instruments (Amendments)	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty Over Income Tax Treatments	January 1, 2019

The management anticipates that the adoption of the above standards, amendments and interpretation in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures. The management is in the process of assessing the impact of changes laid down by IFRS 16 and its effect on its financial statements.

Further, the following new standards and interpretations have been issues by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The following interpretations issues by the IASB have been waived of by SECP:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

### Basis of measurement

#### Parent

These financial statements have been prepared under the historical cost convention method except for certain financial assets which are stated at fair value and subsidiary's fixed assets which have been stated at revalued amounts.

These financial statements have been prepared under the accrual basis of accounting except for cash flow information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Page 53

## FOR THE YEAR ENDED JUNE 30, 2019

### 4. Use of estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's 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 circumstances. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial estimates are as follows:

	<i>Note</i>
a) Useful life of depreciable assets/amortizable assets	5.1 & 5.2
b) Impairment of assets	5.19
c) Classification of investments	5.4
d) Income tax	5.12
e) Provision for staff gratuity	5.14

### 5. Significant accounting policies

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

#### 5.1 *Fixed assets*

##### 5.1.1 Tangible

Fixed assets are stated at cost/revalued amount less accumulated depreciation and identified impairment loss, if any. Capital work-in-progress is stated at cost. Cost of operating fixed assets comprises historical cost, borrowing cost and other expenditures pertaining to the acquisition, construction, erection and installation of these assets.

The Parent company charges depreciation on the straight line method and subsidiary company charge depreciation on reducing balance method, whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation is charged at rates stated in note 17. Full Depreciation is charged on additions, except major additions or extensions to production, facilities which are depreciated on pro-rata basis for the duration of use during the year. Parent company charges depreciation on additions from the month during which the asset is put to use. For disposals during the year, depreciation is charged up to the month preceding the month of disposal but subsidiary charge no depreciation on assets deleted during the year. The Modaraba accounts for impairment, where indication exists, by reducing the carrying value to the estimated recoverable amount.

The assets' residual value and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Expenditures incurred subsequent to the initial acquisition of assets are capitalized only when it meets the recognition criteria. The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

The group assesses at each balance sheet date whether there is any indication that fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful lives.

##### 5.1.2 Capital work-in-progress

Capital work-in-progress are stated at cost and consist of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

##### 5.1.3 Finance Leases

Assets held under finance leases are recognized as assets of the Company at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation is charged at rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease term.

Income arising from sale and lease back transactions, if any, is deferred and amortized equally over the lease period.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 5.1.4 Operating Leases

Lease payments under operating leases (net of any incentives received from the lessor) are charged to profit and loss account on a straight line basis over the respective lease term.

### 5.1.5 Intangible

Intangible assets are stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

### 5.2 Investment property

Property held to earn rentals or for capital appreciation or for both is classified as investment property. The investment property of the Modaraba comprises of office premises and is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on office premises is charged to profit and loss account on the straight line method so as to write off the depreciable amount of office premises over its estimated useful life at the rate defined in note # 18. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

The Modaraba assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

### 5.3 Deferred cost and amortization

The deferred cost is written off over a period not exceeding five years in accordance with the requirements of third schedule of Modaraba Companies and Modaraba Rules, 1981.

### 5.4 Financial instruments

Financial assets and financial liabilities are recognised when the Modaraba becomes a party to the contractual provisions of the financial instrument.

Regular way purchases and sales of financial asset including investments are recognized on trade date i.e., the date on which the Modaraba commit to purchase or sell.

#### Initial recognition

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

All regular way of purchases and sale of financial instruments are recognized/derecognized on the trade date.

### 5.4.1 Financial assets

#### Initial measurement

The Modaraba classifies its financial assets into following three categories:

- measured at amortised cost.
- fair value through profit and loss (FVTPL); and
- fair value through other comprehensive income (FVOCI)

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

## FOR THE YEAR ENDED JUNE 30, 2019

### Subsequent measurement

Debt Investments at FVOCI	These assets are subsequently measured at fair value. Interest/markup income calculated using the effective interest method, and impairment are recognised in the statement of profit or loss account. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses are accumulated in other comprehensive income are reclassified to the statement of profit and loss account
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest/markup or dividend income, are recognised in the statement of profit and loss account.
Financial assets measured at amortised cost	Financial assets measured at these assets are subsequently measured at amortised cost using the effective amortised cost interest method. The amortised cost is reduced by impairment losses. Interest / markup income, and impairment are recognised in the statement of profit and loss account.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss account unless the dividend clearly represents a recovery of part of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit and loss account.

### Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the "expected credit loss (ECL) model". This replaces IAS 39's "incurred loss model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Modaraba first identifying a credit loss event. Instead the Modaraba considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instruments.

#### 5.4.2 *Financial liabilities*

Financial liabilities are initially recognised on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. The Modaraba derecognises the financial liabilities when contractual obligations are discharged or cancelled or expired. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

#### 5.4.3 Investment in associate

Associated companies, where the Modaraba holds 20% or more of the voting power of the investee company and where the company has significant influence, but not control, over the financial and operating policies, are accounted for using the equity method.

Investment in associate is stated in consolidated financial statements using the equity method of accounting. Under the equity method, investments in associate is carried in the balance sheet at cost as adjusted for post acquisition changes in the Modaraba's share of net assets of the associate, less any impairment in the value of individual investment. When the Modaraba's share of losses in an associate equals or exceeds its interest in the associate including any other unsecured receivables if any, the Modaraba does not recognise further losses, unless it has incurred obligations or made payments on behalf of associate.

#### 5.5 *Stores, spares and loose tools*

These are valued at weighted average cost except for items in transit, which are valued at cost comprising invoice value, plus other charges paid thereon. Provision is made for slow moving and obsolete items.

#### 5.6 *Stock-in-trade*

These are valued at the lower of cost and net realizable value except waste, which is valued at net realizable value determined on the basis of contract price. The cost is determined as follows:

Raw materials	Weighted average cost
Work-in-progress and finished goods	Weighted average manufacturing cost including a proportion of production overheads
Waste	Net realizable value

Net realisable value represents estimated selling prices in the ordinary course of business less expenses incidental to making the sale.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 5.7 Trade debts

Trade debts are carried at the amounts billed / charged which is fair value of consideration to be received in the future. An estimate is made for doubtful receivables based on review of outstanding amounts at the year end, if any. Provision is made against those having no activity during the current period and are considered doubtful by the management. Balances considered bad and irrecoverable are written off when identified.

### 5.8 Other receivables

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in the future.

### 5.9 Creditors, accrued and other liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### 5.10 Revenue recognition

- (a) Income from Morabaha/Musharaka transactions is recognized on the basis of pro-rata accrual of the estimated profit earned during the year.
- (b) Dividend income is recognized when the right to receive dividend is established.
- (c) Brokerage commission and fee income is recognized when accrued.
- (d) Profit on PLS deposits is recognized on an accrual basis.
- (e) Capital gains or losses arising on sale of investments are taken to income in the period in which they arise.
- (f) Sales are recognized on dispatch of goods to customers, when risk and rewards of ownership are transferred. Waste sales are recognized when delivery is made to customers.
- (g) Profit on investment accounts with Islamic banks is recognized on an accrual basis.
- (h) Rent from investment property is recorded on accrual basis

### 5.11 Borrowing cost

Financing and borrowings are recorded at the amounts received. Financial charges are accounted for on accrual basis. Financial charges on long term financing is capitalized up to the date of commissioning of respective property, plant and equipment acquired out of the proceeds of such long term financing. Other financial charges are charged to profit and loss account in the year in which they are incurred.

### 5.12 Taxation

#### Parent company

#### Current

The charge for taxation is based on taxable income at current rates of taxation after taking into account tax credits and tax rebates available, if any or minimum tax under the provisions of the Income Tax Ordinance, 2001. For items covered under final tax regime, provision is made according to the final tax rate provided in the Income Tax Ordinance, 2001. The income of Modaraba other than trading income is exempt from tax under Clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Provided that not less than 90% of its total profits in the year as reduced by the amount transferred to a mandatory reserve, as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 or the rules made thereunder, as are distributed amongst the certificate holders.

#### Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

#### Subsidiary companies

#### Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years

#### Deferred

Deferred taxation is accounted for using the balance sheet liability method providing for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

## FOR THE YEAR ENDED JUNE 30, 2019

Deferred tax liabilities are generally recognized for all taxable temporary timing differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is calculated based on the rates that have been enacted or substantively enacted upto the balance sheet date and are expected to apply to the period when the difference arises

### 5.13 *Foreign currency translation*

#### Parent company

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak rupees at exchange rate prevailing at the date of transaction. All non-monetary items are translated into rupees at exchange rate prevailing on the date of transaction or on the date when fair values are determined. Exchange differences are included in income currently.

#### Subsidiary companies

Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at balance sheet date or at the contracted rates while foreign currency transactions are recorded at the rates of exchange prevailing at the transaction date or at the contracted rates. Exchange gains and losses are charged to income currently.

### 5.14 *Retirement benefits*

#### Defined benefit plan

The Modaraba operates an Unfunded Gratuity for its permanent employees who complete the qualifying period of service. Provision has been made in accordance with actuarial recommendations using the Projected Unit Credit Method. The results of current valuation are summarized in Note 12 of this financial statement. Actuarial gains / losses are recognized over the average lives of the employees.

#### Defined contribution plan

The Company operates a funded employees' provident fund scheme for its permanent employees. Equal monthly contributions at the rate of 6% of basic pay are made both by the Company and employees to the Fund.

#### Employee compensated absences

Compensated absences are accounted for in the period in which the absences are earned.

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

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

### 5.16 *Derivative financial instruments*

The Company enters in to derivative financial instruments. These are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Any resulting gain or loss is recognized in current year income. Derivatives with positive market values are included in other receivables and derivatives with negative market values are included in other liabilities in the balance sheet.

### 5.17 *Provisions*

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

### 5.18 *Profit distribution to certificates holders*

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

### 5.19 *Impairment*

The carrying amount of 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 impaired losses are recognized in the profit and loss account.

### 5.20 *Segment reporting*

A segment is a distinguishable component of the Modaraba that is engaged in business activities from which the Modaraba earns revenues and incur expenses and its results are regularly reviewed by the Modaraba's Chief Operating Decision Maker to make decision about resources to be allocated to the segment and assess its performance. Further, discrete financial information is available for each segment.

Based on internal management reporting structure, services provided and products produced and sold, the Modaraba is organized into the following four operating segments:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

- Musharaka facility
- Brokerage operation
- Capital market
- Textile Business
- Others

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

### 5.21 *Related party transactions*

#### Parent

All transactions with related parties, if any, are recorded at an arm's length basis.

#### Subsidiary Company

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at an arm's length. These prices are determined in accordance with the methods prescribed in the Companies Act, 2017.

### 5.22 *Cash and cash equivalents*

For the purposes of cash flow statement, Cash and cash equivalents comprise cash in hand and cash with banks net of borrowing considered as being in the nature of financing activities. .

### 5.23 *Functional and reporting currency*

Items include in the financial statements are measured using the currency of primary economic environment in which the Modaraba operates. The financial statements are presented in Pakistani Rupees, which is the Modaraba's functional and presentation currency.

### 5.24 *Capital Risk Management*

The Modaraba's objective when managing capital is to safeguard the Modaraba's ability to continue as a going concern so that it can provide returns for certificate holders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of dividend paid to certificate holders or issue new certificates.

### 5.25 *Subsidiary accounting judgment and critical estimates / assumptions*

The preparation of financial statements in conformity with approved accounting standards requires the management to:-

- exercise its judgment in process of applying the Company's accounting policies, and
- '- use of certain critical accounting estimates and assumptions concerning the future.

These involve critical accounting estimates and significant assumptions concerning the future are discussed below:-

#### Income taxes

The Company takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in notes to these financial statements.

#### Property, plant and equipment

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

#### Stores and spares

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

**FOR THE YEAR ENDED JUNE 30, 2019**

**6. Certificate capital**

2018 No of Certificates	2019 No of Certificates		2019 Rupees	2018 Rupees
46,220,000	46,220,000	Modaraba certificates of Rs. 10 each fully paid-up in cash	462,200,000	462,200,000
6,220,000	6,220,000	Modaraba certificates of Rs. 10 each issued as fully paid-up bonus certificates	62,200,000	62,200,000
52,440,000	52,440,000		524,400,000	524,400,000

6.1 Certificates held by management company 5,532,296 (2018: 5,532,296).

**7. Reserves**

	Capital Reserves			Revenue Reserves			2019 Rupees	2018 Rupees
	Statutory Reserve *	Certificate premium account	Total Reserve	Accumulated Loss	General Reserve	Total Reserves		
Opening balance - restated	161,050,000	131,100,000	292,150,000	(174,565,933)	27,120,000	144,704,067	144,704,067	133,398,279
Transfer from Profit & Loss Account	-	-	-	(3,917,234)	-	(3,917,234)	(3,917,234)	(7,202,168)
Profit distribution	-	-	-	-	-	-	-	(31,464,000)
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	44,974,760	-	44,974,760	44,974,760	49,971,956
Closing balance	161,050,000	131,100,000	292,150,000	(133,508,407)	27,120,000	185,761,593	185,761,593	144,704,067

In accordance with the Prudential Regulations for Modarabas, the Modaraba is required to transfer an amount not less than 20% and not more than 50% of its after tax profits to statutory reserve until the reserve funds equals the paid-up capital. Thereafter, a sum not less than 5% of the after tax profits is required to be transferred to the statutory reserve.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>8. Surplus on revaluation of fixed assets</b>			
Opening balance		633,447,331	703,830,368
Less: transfer to unappropriated profit in respect of incremental depreciation charged during the year- (net of deferred tax)		44,974,760	49,971,956
Related deferred tax liability		18,369,973	20,411,081
		63,344,733	70,383,037
Closing balance		570,102,598	633,447,331
Related deferred tax effect on Opening balance		183,699,725	211,149,110
Effect of rate adjustment		-	(7,038,304)
Less: incremental depreciation charged during the year transferred to the profit and loss account.		(18,369,973)	(20,411,081)
Closing balance		165,329,752	183,699,725
Net Closing balance		404,772,845	449,747,606
8.1 This represents net surplus on revaluation of Company's factory building, colony building, plant and machinery, generators, electric installation and factory equipment carried out as on June 30, 2019 by an independent valuer, M/s Joseph Lobo (Private) Limited. The surplus on revaluation of property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.			
<b>9. Long term financing</b>			
<i>Secured - Financial institution</i>			
Habib Bank Limited - Term Loan	9.1	21,009,598	36,421,196
The Bank of Punjab - Demand Finance	9.2	111,503,000	243,652,534
Habib Metropolitan Bank - Term Loan	9.3	45,169,434	38,794,278
		177,682,032	318,868,008
Less: Current portion shown under current liabilities		(142,364,351)	(159,446,844)
		35,317,681	159,421,164
9.1 <i>Habib Bank Limited - Demand Finance</i>			
Demand finance II	9.1.1	21,009,598	36,421,196
		21,009,598	36,421,196
9.1.1 This facility is obtained for the modernisation and upgradation of plant and machinery and is secured against exclusive charge of Rs. 50 million on assets to be imported under the sanctioned term loan limit amounting to Rs. 50.000 million. This finance carries mark up at 6 months KIBOR plus 2% per annum payable on quarterly basis. This facility is repayable in 10 equal quarterly installments with 6 month grace period commencing from April 10, 2018.			
9.2 <i>The Bank of Punjab</i>			
Demand finance I	9.2.1	111,503,000	234,867,998
Demand finance II	9.2.2	-	8,784,536
		111,503,000	243,652,534
9.2.1 This amount is payable against demand finance as a sub limit of import letter of credit sight / DA 720 days opened with Bank of Punjab for import of plant and machinery. This facility is secured against existing first pari passu charge of Rs. 643.72 million on all present and future fixed assets of the Company with 25% margin duly registered with SECP. The loan was rescheduled on March 31, 2010 and the Company's old facilities of running finance and PAOA was merged with demand finance. As per the revised terms, the facility is additionally secured with equitable mortgage of project building and personal guarantee of three directors of the Company. The charge over the said project ranks pari passu with the charge registered with Habib Bank Limited. The finance carries markup at the rate of 3 month KIBOR plus 200 bps with a floor of 11% per annum payable on quarterly basis. The loan is now repayable in 43 quarterly installments commencing from April 15, 2010.			
9.2.2 The facility is created against conversion of accrued markup upto September 30, 2009 on all facilities except LTF-EOP loan. The facility is secured against equitable mortgage of project building and personal guarantee of three directors of the Company. The charge over the said project ranks pari passu with the charge registered with Bank of Punjab. The loan was rescheduled on March 31, 2010 and the Company's old facilities of running finance and PAOA was merged with demand finance. This loan is repayable in 39 quarterly installments commencing from April 15, 2010.			
9.3 Habib Metropolitan Bank			
Term Loan		45,169,434	38,794,278
		45,169,434	38,794,278

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2019

- 9.3.1 This facility is obtained for the modernisation and upgradation of plant and machinery and is secured against exclusive hypothecation charge of Rs. 125.340 million (2018: Rs. 83.340 million) on assets to be imported under the sanctioned term loan limit amounting to Rs. 75.000 million (2018: Rs. 50.000 million). This finance carries mark up at 3 months KIBOR plus 2.5% per annum payable on quarterly basis. This facility is repayable in 18 equal quarterly installments commencing from March 06, 2017.

#### 10. Liability against asset subject to finance lease - Secured

	Note	2018 Rupees	2018 Rupees
Balance as at July 01		2,162,808	3,281,325
Additions during the year		1,499,000	-
		3,661,808	3,281,325
Payments / Adjustments during the year		(1,367,046)	(1,118,517)
		2,294,762	2,162,808
Less: Payable within one year shown under current liabilities		(1,404,330)	(1,177,307)
		890,432	985,501

This represents finance leases entered into with financial institutions for vehicle. Financing rate of 6 month KIBOR plus 2.75% per annum have been used as a discounting factor. At the end of the lease period the ownership of assets shall be transferred to the Company on payment of residual values of the assets. The future minimum lease payments to which the Company is committed under the lease agreements and the periods in which they will become due are as follows:

	2019			2018		
	Upto one year	One to five years	Total	Upto one year	One to five years	Total
Minimum lease payments outstanding	1,571,486	978,960	2,550,446	1,298,586	1,018,782	2,317,368
Financial charges not due	(167,156)	(88,528)	(255,684)	(117,279)	(33,281)	(150,560)
Present value of minimum lease payments	1,404,330	890,432	2,294,762	1,181,307	985,501	2,166,808
Payable within one year shown under current liabilities	(1,404,330)	-	(1,404,330)	(1,181,307)	-	(1,181,307)
<b>Total</b>	-	890,432	890,432	-	985,501	985,501

#### 11. Deferred liabilities

Deferred taxation liability	11.1	146,501,497	185,148,456
Staff gratuity	11.2	4,251,794	4,045,679
		150,753,291	189,194,135

##### 11.1 Deferred taxation liability/asset

The net balance for deferred taxation is in respect of the following temporary differences:

##### Deferred tax liabilities

Accelerated tax depreciation allowance	88,305,677	90,010,059
Revaluation of operating fixed assets	165,329,753	183,699,725
Lease Rentals	428,159	199,382
	254,063,589	273,909,166

##### Deferred tax assets

Provision for bad debts against local debtors	(3,019,953)	(2,854,577)
turnover tax	(104,542,139)	(85,906,133)
	146,501,497	185,148,456

##### 11.2 Staff gratuity

4,251,794	4,045,679
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
11.2.1 <i>General description</i>			
Employees, after completion of one year of service, shall be entitled for gratuity on leaving the company's employment. Gratuity shall be paid on the basis of one month's last drawn monthly gross salary for each completed year of service.			
Annual provision is based on actuarial valuation, which was carried out as at June 30, 2019 on September 04, 2019 using the Projected Unit Method.			
11.2.2 <i>Amount recognized in the balance sheet are as follow:</i>			
Present value of defined benefit obligation		4,251,794	4,045,679
Fair value of plan assets		-	-
Total defined benefit obligation		4,251,794	4,045,679
11.2.3 <i>Movement in defined benefit obligation</i>			
Opening balance		4,045,679	2,864,104
Charged for the define benefit plan			
Current service cost		351,351	261,725
Net interest		404,568	221,968
Actuarial loss on obligation		(549,804)	697,882
		206,115	1,181,575
Benefits paid		-	-
Closing balance		4,251,794	4,045,679
11.2.4 <i>Actuarial assumptions</i>			
		Rate per annum	
Valuation discount rate		14.25%	10%
Salary increase rate -Short term (period of next one year)		14.25%	10%
Salary increase rate- long term		14.25%	10%
12. <b>Short term borrowings</b>			
<i>Secured -financial institutions (Running finance arrangements)</i>			
Habib Bank Limited - Pledge	12.1	170,437,603	82,917,697
Habib Bank Limited - Hypothecation	12.2	10,000,000	10,000,000
Habib Metropolitan Bank - Pledge	12.3	51,167,013	36,513,803
Habib Metropolitan Bank - FIM	12.3	-	66,148,893
		231,604,616	195,580,393
12.1	The facility is obtained for import / purchase of raw cotton bales and to finance working capital inventory. This facility is secured against pledge of raw cotton with 10% margin and pledge of cotton / blended yarn with 15% margin. The finance carries mark-up at the rate of 1 month KIBOR + 150 basis points to be calculated on monthly basis. The total sanctioned limit is Rs. 250 million (2018: Rs. 250 million).		
12.2	The facility was obtained for working capital requirements. This facility was secured against first pari passu charge of Rs. 57 million on stocks and receivables of the Company. The finance carries markup at the rate of 1 month KIBOR plus 125 basis points to be calculated on monthly basis. The total sanctioned limits Rs. 10 million (2018: 10 million).		
12.3	The facility is obtained for import / purchase of raw cotton bales and to finance working capital inventory with a 10% margin. This facility is secured against first pari passu charge of Rs. 234 million on stocks and receivables of the Company. The finance carries markup at the rate of 6 month KIBOR plus 200 basis points (2018: 150 basis points) to be calculated on monthly basis. The total sanctioned limit is Rs. 125 million (2018: 125 million).		

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>13. Current portion of long term liabilities</b>			
<i>Secured – financial institution</i>			
Bank of Punjab Demand Finance		111,503,000	132,148,536
Habib Bank Limited - Term Loan		16,187,259	16,187,198
Habib Metropolitan Bank Limited - Term Loan		14,674,092	11,111,110
		142,364,351	159,446,844
Liabilities against assets subject to finance lease		1,404,330	1,177,307
		143,768,681	160,624,151
<b>14. Creditors, accrued and other liabilities</b>			
Creditors		315,389,453	115,135,302
Accrued expenses		400,917,830	339,664,842
Charity		6,875	2,757
Payable to clients		2,482,479	3,769,575
Advance from customer		2,953,153	4,216,104
Sale tax payable		29,197	38,078
Withholdolding tax payable		96,558	334,980
Workers' Welfare Fund		2,507,186	2,360,711
Workers' Profit Participation Fund		490,633	105,171
Other liabilities	14.1	388,683	1,613,406
		725,262,047	467,240,926
14.1 This includes Rs. 388,683 (2018: Rs. 1,096,680) payable to Premier Financial Services (Private) Limited			
<b>15. Accrued Mark Up</b>			
Financial institutions		34,691,151	35,844,919
		34,691,151	35,844,919
<b>16. Contingencies and commitments</b>			

*Contingencies*

There is a contingent liability in respect of bank guarantees issued by the Company's banker in the ordinary course of business in favor of Sui Southern Gas Company Limited and HESCO aggregating to Rs. 35.940 million (2018: Rs. 33.566 million).

During the prior year, two separate cases have been decided in the International Court of Arbitration against the Company in respect of liabilities aggregating to US\$ 611,523. The plaintiffs through their legal advisor served the Company with a notice to pay the amount as per the award and filed suits against the Company in the Honorable High Court of Sindh for enforcement of award. The Company based on legal advice, expects a favorable outcome of the case and accordingly, no provision has been made in the financial statements in respect of this matter.

During prior years, the Company received letter dated March, 25, 2016 from the Regional Head of Employee Old Age Benefit Institution regarding payment of EOBI contribution. However, the Company, based on the legal advice, is of the view that after the transition of powers to provincial authorities, the Company is not required to pay EOBI contribution to the Federal Government. Accordingly, the suit was filed with the Honorable High Court of Sindh on May 6, 2016 against the notice received from Regional Head EOBI. The Honorable High Court of Sindh has passed restraining orders against the notice. The Company, based on the legal advice, expects a favorable outcome of the case and accordingly, no provision has been made in these financial statements in respect of this matter.

During the year, the Assistant Commissioner of Inland Revenue (ACIR) has issued show cause notice for short payment of further tax under section 11 (2) of Sales Tax Act, 1990 for the tax years 2016 and 2017. The Company has filed appeal to the Honorable High Court of Sindh and subsequently, the Honorable High Court of Sindh has passed restraining order against the notice. The Company, based on the legal advice, expects a favorable outcome of the case and accordingly, no provision has been made in these financial statements in respect of this matter.

During the year, the Assistant Commissioner of Inland Revenue (ACIR) has issued show cause notice under section 8(i)h of Sales Tax Act, 1990 for the tax years 2014, 2015, 2016, 2017 and 2018 disallowing the input tax on construction material. The Company has filed appeal with the Honorable High Court of Sindh and subsequently, the Honorable High Court of Sindh has passed restraining order against the notice. The Company, based on the legal advice, expects a favorable outcome of the case and accordingly, no provision has been made in these financial statements in respect of this matter.

Modaraba has filed a suit against Samba Bank Ltd for the recovery of deposit amounting to Rs 21 million alongwith mark up. The matter is pending before the Honourable High Court of Sindh. Management of the Modaraba and its legal advisor are of the opinion that Modaraba has reasonable chance and it appear unlikely that Modaraba may suffer any loss from the same

*Commitments*

Commitment in respect of letters of credit as at the balance sheet date amounted to Rs. 16.444 million (2018: Rs. 5.896 million).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

**17. Tangible**

Note

**2019  
Rupees**2018  
Rupees

Operating fixed assets

17.1

**1,200,096,927** 1,278,206,389  
**1,200,096,927** 1,278,206,389

17.1

2019									
Particulars	Cost				Accumulated depreciation			Book value As at June 30, 2019	Rate  %
	As at July 01, 2018	Addition	Revaluation Surplus	As at June 30, 2019	As at July 01, 2018	Charged during the year	As at June 30, 2019		
	Rupees								
Owned									
Leasehold land	40,140,000	-	-	40,140,000	4,560,511	355,795	4,916,306	35,223,694	1
Factory building	353,467,212	-	-	353,467,212	178,140,450	17,532,676	195,673,126	157,794,086	10
Colony building	113,347,720	2,257,410	-	115,605,130	40,647,863	7,476,915	48,124,778	67,480,352	10
Plant & machinery	1,766,673,856	42,991,769	-	1,809,665,625	913,554,478	86,842,718	1,000,397,196	809,268,429	10
Gas generator	118,705,138	-	-	118,705,138	69,667,168	4,903,797	74,570,965	44,134,173	10
Electric installations	87,551,967	-	-	87,551,967	51,612,760	3,593,921	55,206,681	32,345,286	10
Office premises	25,450,810	-	-	25,450,810	10,690,666	1,162,915	11,853,581	13,597,229	5 & 10
Grid Station	32,179,692	-	-	32,179,692	8,534,565	2,364,513	10,899,078	21,280,614	
Office equipments	1,114,225	18,000	-	1,132,225	904,464	79,717	984,181	148,044	20
Factory equipment	6,415,872	-	-	6,415,872	3,073,215	334,266	3,407,481	3,008,391	20
Computers	2,453,455	-	-	2,453,455	1,920,755	181,365	2,102,120	351,335	33 & 20
Motor vehicles	22,553,479	4,070,746	-	23,665,120	11,902,036	2,980,183	12,289,235	11,375,885	20
		(2,959,105)				(2,592,984)			
Furniture & fixtures	1,472,609	-	-	1,472,609	964,682	50,792	1,015,474	457,135	20
Leased Asset-Vehicle	3,919,000	1,499,000	-	5,418,000	1,065,033	720,693	1,785,726	3,632,274	
2019	2,575,445,035	50,836,925 (2,959,105)	-	2,623,322,855	1,297,238,646	128,580,266 (2,592,984)	1,423,225,928	1,200,096,927	

2018									
Particulars	Cost				Accumulated depreciation			Book value As at June 30, 2019	Rate  %
	As at July 01, 2018	Addition	Revaluation Surplus	As at June 30, 2019	As at July 01, 2018	Charged during the year	As at June 30, 2019		
	Rupees								
Owned									
Leasehold land	40,140,000	-	-	40,140,000	4,201,122	359,389	4,560,511	35,579,489	1
Factory building	353,150,509	316,703	-	353,467,212	158,662,630	19,477,820	178,140,450	175,326,762	10
Colony building	112,626,320	721,400	-	113,347,720	32,614,198	8,033,665	40,647,863	72,699,857	10
Plant & machinery	1,711,294,856	55,379,000	-	1,766,673,856	819,389,656	94,164,822	913,554,478	853,119,378	10
Gas generator	118,705,138	-	-	118,705,138	64,228,924	5,438,244	69,667,168	49,037,970	10
Electric installations	87,551,967	-	-	87,551,967	47,619,515	3,993,245	51,612,760	35,939,207	10
Office premises	25,450,810	-	-	25,450,810	9,527,751	1,162,915	10,690,666	14,760,144	5 & 10
Grid Station	32,179,692	-	-	32,179,692	5,907,329	2,627,236	8,534,565	23,645,127	
Office equipments	1,059,225	55,000	-	1,114,225	822,632	81,832	904,464	209,761	20
Factory equipment	6,415,872	-	-	6,415,872	2,729,740	343,475	3,073,215	3,342,657	20
Computers	2,376,812	76,643	-	2,453,455	1,697,225	223,530	1,920,755	532,700	33 & 20
Motor vehicles	23,573,377	-	-	22,553,479	10,105,032	2,772,723	11,902,036	10,651,443	20
		(1,019,898)				(975,719)			
Furniture & fixtures	1,472,609	-	-	1,472,609	908,248	56,434	964,682	507,927	20
Leased Asset-Vehicle	3,919,000	-	-	3,919,000	352,450	712,583	1,065,033	2,853,967	
2018	2,519,916,187	56,548,746 (1,019,898)	-	2,575,445,035	1,158,766,452	139,447,913 (975,719)	1,297,238,646	1,278,206,389	

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
17.1.1 Depreciation for the year has been allocated as follows:			
<i>Modaraba business</i>			
Administrative expense		1,449,574	905,904
<i>Brokerage business</i>			
Administrative expense		1,205,754	1,205,754
<i>Textile Business</i>			
Cost of sale		123,688,608	134,791,995
Administrative expense		2,236,328	2,544,260
		<b>128,580,264</b>	<b>139,447,913</b>
17.1.2 Had there been no revaluation, the net book value of the specific classes of property, plant and equipment would have been as follows:			
Factory building		46,654,079	51,837,865
Colony building		10,996,884	9,961,350
Plant & machinery		397,397,605	398,561,125
Gas generator		16,935,381	18,817,090
Electric installations		12,210,966	13,567,740
Factory equipment		1,702,589	1,891,765
		<b>485,897,504</b>	<b>494,636,936</b>
17.2 <i>Fair value measurement</i>			
17.2.1 Fair value of factory building, colony building, plant and machinery, generators, electric installations and factory equipment was based on the valuations carried out by an independent valuer M/s Joseph Lobo (Private) Limited on the basis of market value.			
17.2.2 Fair value of factory building and colony building was based on assumptions considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation, while fair value of plant and machinery, generators, electric installations and factory equipment are considered to be based on level 3 in the fair value hierarchy due to significant unobservable inputs used in the valuation.			
<i>Valuation techniques used to derive level 2 fair values</i>			
Fair value of factory building and colony building was derived using a sales comparison approach. Sale prices of comparable buildings in close proximity are adjusted for differences in key attributes such as location and size of the property. Moreover value of building also depends upon the type of construction, age and quality. The most significant input in this valuation approach is price / rate per square foot in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.			
<i>Valuation techniques used to derive level 3 fair values</i>			
In the absence of current prices in an active market, the fair values of plant and machinery, generators, electric installations and factory equipment was determined by taking into account the following factors:			
- Make, model, country of origin and etc.;			
- Operational capacity;			
- Present physical condition;			
- Resale prospects; and			
- Obsolescence.			
The valuation was considered to be level 3 in the fair value hierarchy due to the above unobservable inputs used in the valuation. Most significant input in this valuation was the current replacement cost which is adjusted for factors above.			
17.2.3 A reconciliation from opening balances to closing balances of fair value measurements categorized in level 3 is provided below:			
Opening balance (level 3 recurring fair values)		1,003,901,887	1,051,424,570
Additions - Cost		45,249,179	56,417,103
Depreciation charge		(95,674,702)	(103,939,786)
Closing balance (level 3 recurring fair values)		<b>953,476,364</b>	<b>1,003,901,887</b>
17.2.4 There were no transfers between levels 2 and 3 for recurring fair value measurements during the year.			
18. <b>Intangible</b>	18.1		
Cost		10,000,000	10,000,000
Impairment loss		-	-
		<b>10,000,000</b>	<b>10,000,000</b>
18.1 This represents Trading Right Entitlement certificates (TREC) of Pakistan Stock Exchanges Limited.			
The Modaraba has received Rs.10 million against the sale of Trading Right Entitlement Certificate (TREC) to wholly owned subsidiaries Capital Financial Services (Private) Limited and Apex Financial Services (Private) Limited in pursuance of the agreement dated April 18, 2017.			
19. <b>Capital Work in Progress</b>			
Building		917,960	-
Intangible asset under development		4,475,196	-
		<b>5,393,156</b>	<b>-</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

19.1. The movement of capital work in progress is as follows:

Particulars	Balance as at July 01, 2018	Additions during the year	Transferred to operating fixed assets	Balance as at June 30, 2019
Building	-	3,175,370	(2,257,410)	917,960
Intangible asset under development	-	4,475,196	-	4,475,196
	-	7,650,566	(2,257,410)	5,393,156

### 20. Investment property

2019								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2019	Rate
	As at July 01, 2018	Transfer	As at June 30, 2019	As at July 01, 2018	Charged during the year	As at June 30, 2019		
Office premises	2,400,000	-	2,400,000	808,333	120,000	928,333	1,471,667	5

2018								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2018	Rate
	As at July 01, 2017	Transfer	As at June 30, 2018	As at July 01, 2017	Charged during the year	As at June 30, 2018		
Office premises	2,400,000	-	2,400,000	688,333	120,000	808,333	1,591,667	5

### 21. Long term investments

Note      **2019**      2018  
Rupees      Rupees

*Investment classified as available-for-sale financial assets*

Listed securities	21.1.1	<b>10,853,740</b>	10,853,740
Unlisted securities	21.2	<b>32,146,031</b>	32,146,031
		<b>42,999,771</b>	42,999,771

21.1 *Investment classified as available-for-sale financial assets*

#### 21.1.1 Listed securities

The holding is in ordinary shares/units of Rs. 10 each of listed companies, unless otherwise stated:

2018 Number	2019 Number		2019 Rupees	2018 Rupees
		<i>Financial Services</i>		
22,000	<b>22,000</b>	Javed Omer Vohra & Company Limited	<b>41,800</b>	41,800
1,081,194	<b>1,081,194</b>	Pakistan Stock Exchange Limited	<b>10,811,940</b>	10,811,940
			<b>10,853,740</b>	10,853,740

#### 21.2 Unlisted securities

The holding is in ordinary shares of Rs. 10 each.

50,000	<b>50,000</b>	Sapphire Power Generation Limited	21.2.1	<b>1,800,000</b>	1,800,000
3,034,603	<b>3,034,603</b>	ISE Towers REIT Management Company Limited	21.2.3	<b>30,346,030</b>	30,346,030
78,150	<b>78,150</b>	Callmate Telips Telecom Limited	21.2.4	<b>1</b>	1
				<b>32,146,031</b>	32,146,031

21.2.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 53.81 (2017: Rs. 64.31) as per financial statements as at June 30, 2018 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.

21.2.2 The market value per share of Pakistan Stock Exchange Limited as at June 30, 2019 was Rs. 13.

21.2.3 Net assets value per share of ISE Towers REIT Management Company Limited is Rs. 14.49 (2018: Rs. 14.09) as per financial statements as at June 30, 2019 audited by BDO Ebrahim & Company, Chartered Accountants.

21.2.4 The company is in the process of winding up, hence Net assets value per share is not available.

### 22. Stores and spares

- in hand	<b>50,484,405</b>	30,889,410
	<b>50,484,405</b>	30,889,410

### 23. Stock-in-trade

Raw material		
- in hand	<b>293,733,437</b>	272,935,600
Work in Process	<b>17,906,448</b>	9,169,364
Finished goods	<b>85,618,223</b>	57,383,050
	<b>397,258,108</b>	339,488,014

23.1 The carrying amount of finished goods includes inventories amounting to Rs. 1.795 (2018: 6.532) million which were carried at net realizable value.

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>24. Trade debts</b>			
Unsecured - considered good		212,260,797	113,875,395
		212,260,797	113,875,395
Unsecured - considered doubtful		9,843,370	9,843,370
Less: Provision for bad debts against local debtors		(10,413,633)	(9,843,370)
		(570,263)	-
		211,690,534	113,875,395
<b>25. Morabaha/Musharaka receivables-secured</b>			
Musharaka - considered good	25.1	139,582,651	136,668,098
Morabaha - considered doubtful		17,380,055	17,380,055
		156,962,706	154,048,153
Provision for non performing assets		(17,380,055)	(17,380,055)
		139,582,651	136,668,098
25.1 The Modaraba has entered into musharaka agreements under which the Modaraba has provided funds for working capital requirements on profit and loss sharing basis. These are secured against pledge, hypothecation of stock and receivables, demand promissory notes, personal guarantee of directors / proprietors and mortgage of property. Expected rate of profit on musharaka transactions during the year range between 12% to 16 % per annum (2018: 12 % to 16% per annum).			
<b>26. Short term investments</b>			
<i>Investment classified as financial asset at fair value through profit or loss</i>			
Listed securities	26.1	76,403,158	112,375,584
		76,403,158	112,375,584
26.1 <u>Listed securities</u>			
The holding is in ordinary shares/units of Rs. 10 each of listed companies, unless otherwise stated:			
2018 Number	2019 Number		
		<i>Oil and Gas</i>	
15,800	20,600	Attock Refinery	1,591,763
11,800	2,500	Oil & Gas Development Co Limited	328,725
38,000	38,000	Pakistan Refinery Limited	614,080
4,900	1,120	Pakistan State Oil	189,986
1,500	1,700	National Refinery Limited	192,899
41,600	52,720	Sui Northern Gas Pipeline Limited	3,663,513
418	3,000	Sui Southern Gas Pipeline Limited	62,040
		<i>Food</i>	
10,700	10,700	Engro Foods Limited	624,131
6,000	1,575	Matco Foods Limited	42,557
4,000	4,000	Treat Corporation Limited	61,040
-	51,500	Al Tahur Limited	1,015,065
		<i>Chemicals</i>	
5,700	-	Engro Corporation Limited	-
12,500	12,500	Ghani Global Glass Limited	73,750
31,711	33,296	Ghani Gases Limited	254,381
10,000	144,500	Lotte Chemical Pakistan PTA Limited	2,203,625
44,699	5,661	Engro Polymer - Unpaid Right	152,620
16,462	-	Engro Polymer & Chemical LOR	-
10,000	13,000	Nimir Resins Limited	68,900
-	19,500	Sardar Chemical Industries	325,650
-	14,500	Sitara Peroxide Limited	278,110
-	20,000	Agritech Limited	49,800
		<i>Construction and materials</i>	
10,000	10,600	AkzoNobel Pakistan Limited	1,060,530
5,000	5,000	Bestway Cement Limited	515,350
293,300	319,500	Dewan Cement Limited	2,495,295
15,378	8,478	DG Khan Cement Limited	479,346
5,000	5,000	Fly Cement Limited	67,800
2,000	2,000	Cherat Cement Company Limited	61,920
21,762	35,762	MapleLeaf Cement Limited	854,354
400	200	Lucky Cement Limited	76,094



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

2018 Number	2019 Number	Note	2019 Rupees	2018 Rupees
2,017,963	<b>2,095,963</b>	Power Cement Limited	<b>13,477,042</b>	16,849,991
5,000	<b>14,500</b>	Pioneer Cement Limited	<b>328,425</b>	234,300
		<i>Transport</i>		
540,306	<b>387,420</b>	Pakistan International Bulk Terminals Limited	<b>3,269,825</b>	3,294,973
		<i>Pharma and biotech</i>		
12,600	<b>15,505</b>	The Searle Pakistan Limited	<b>2,272,413</b>	4,277,700
25,000	<b>19,000</b>	AGP Limited	<b>1,302,070</b>	2,219,750
		<i>Automobile and parts</i>		
2,025	<b>2,326</b>	Gandhara Nissan Limited	<b>121,952</b>	363,832
240,000	<b>267,000</b>	Ghani Automobile Limited	<b>915,810</b>	1,852,980
700	<b>680</b>	Millat Tractors Limited	<b>586,418</b>	831,642
2,500	<b>2,500</b>	Dewan Farooqui Motors Limited	<b>16,975</b>	71,075
500	<b>700</b>	Honda Atlas Car Pakistan Limited	<b>103,824</b>	158,195
1,000	<b>1,360</b>	General Tyre & Rubber Co	<b>70,054</b>	166,200
1,500	<b>900</b>	Gandhara Industries Limited	<b>78,633</b>	1,060,035
		<i>Paper &amp; Board</i>		
49,500	<b>59,400</b>	Roshan Packages Limited	<b>793,584</b>	1,394,415
		<i>Engineering</i>		
14,500	<b>105,200</b>	Aisha Steel Limited	<b>967,840</b>	228,665
14,500	<b>14,500</b>	International Steel Limited	<b>575,795</b>	1,474,650
26,000	<b>19,000</b>	Huffaz Seamless Pipes	<b>256,120</b>	543,400
2,500	<b>2,500</b>	Amreli Steel Limited	<b>61,650</b>	176,375
		<i>Textile Composite</i>		
259,000	<b>258,000</b>	International Knitwear Limited	<b>3,279,180</b>	2,913,750
13,500	<b>12,500</b>	Amtex Limited	<b>7,750</b>	17,550
7,500	<b>7,500</b>	Chawkwal Spinning Mills Limited	<b>12,375</b>	24,225
-	<b>1,200</b>	Suraj Cotton Mills Limited	<b>149,748</b>	-
		<i>Miscellaneous</i>		
18,425	<b>21,188</b>	United Distributors Limited	<b>634,369</b>	893,797
32,000	<b>32,000</b>	Hyderi Construction Co	<b>528,320</b>	528,320
15,359	-	Siddiqui Sons Tin Plate Limited	-	121,760
8,000	-	Siddiqui Sons Tin Plate Limited LOR	-	19,967
3,800	-	United Brands Limited	-	197,904
		<i>Sugar &amp; Allied</i>		
1,000	<b>1,000</b>	Imperial Sugar Limited	<b>11,970</b>	26,930
15,000	<b>15,000</b>	Haseeb Waqas Sugar Limited	<b>40,500</b>	85,500
		<i>Fixed line telecommunication</i>		
725,000	<b>725,000</b>	Pakistan Telecommunication Company Limited	<b>5,995,750</b>	11,131,500
16,000	<b>21,500</b>	TRG Pakistan Limited	<b>351,740</b>	458,240
-	<b>5,300</b>	Netsol Technologies	<b>349,217</b>	-
		<i>Cable &amp; electrical goods</i>		
6,000	<b>17,000</b>	Pak Electron Limited	<b>340,340</b>	212,760
70,000	<b>70,000</b>	TPL Tracker Limited	<b>341,600</b>	477,400
		<i>Power Generation &amp; Distribution</i>		
600,000	<b>590,000</b>	K-Electric Limited	<b>2,590,100</b>	3,408,000
6,000	<b>6,000</b>	Kot Addu Power Company Limited	<b>218,280</b>	323,460
		<i>Insurance</i>		
1,579,749	<b>1,579,749</b>	Premier Insurance Limited	<b>9,525,923</b>	12,243,055
10,000	<b>10,000</b>	Crescent Star Insurance Limited	<b>12,200</b>	31,500
		<i>Inv Banks / Inv Cos / Securities Cos</i>		
692,259	<b>706,759</b>	Pakistan Stock Exchange	<b>9,187,867</b>	13,672,115
		<i>Glass &amp; Ceramics</i>		
15,000	<b>14,000</b>	Balochistan Glass Ltd.	<b>56,140</b>	158,100
2,000	<b>1,300</b>	Ghani Glass Ltd.	<b>57,135</b>	123,360
		<i>Real Estate</i>		
10,000	<b>10,000</b>	Dolmen City REIT	<b>101,700</b>	129,000
		<i>Synthetic &amp; Rayon</i>		
2,000	<b>1,000</b>	Tri Star Polyster Limited	<b>9,200</b>	33,220
		<i>Vanaspatti &amp; Allied Industries</i>		
5,000	-	Unity Foods Limited	-	146,400
			<b>76,403,158</b>	112,375,584

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
<b>27. Advances - considered good</b>			
To employees		3,630,315	2,505,159
To supplier of goods		32,133,869	33,236,542
Against letter of credit	27.1	40,190	5,182,153
Others		3,791	2,826,000
		<b>35,808,165</b>	<b>43,749,854</b>
27.1 This represents advances against import of raw material and store and spares.			
<b>28. Trade Deposits and Prepayments</b>			
Deposits		14,767,856	14,767,856
Margin deposit		59,601,986	48,347,933
Prepayments		487,822	8,073,711
		<b>74,857,664</b>	<b>71,189,500</b>
<b>29. Other Receivables</b>			
Receivable from clients	29.1	19,754,386	17,695,591
Dividend		33,517	59,850
Sales tax receivables		5,013,962	74,660
Cotton claims		20,718	1,766,054
Others		4,808,157	3,447,206
		<b>29,630,740</b>	<b>23,043,361</b>
29.1 <i>Receivable from clients</i>			
Considered good			
Considered doubtful		19,754,386	17,695,591
		<b>12,500,000</b>	<b>12,500,000</b>
Less: Provision for doubtful debts		32,254,386	30,195,591
		<b>(12,500,000)</b>	<b>(12,500,000)</b>
		<b>19,754,386</b>	<b>17,695,591</b>
<b>30. Tax refund from government authorities</b>			
Sales tax refundable		50,527,998	31,298,238
Income tax refundable		44,540,567	41,918,407
		<b>95,068,565</b>	<b>73,216,645</b>
<b>31. Taxation - Net</b>			
Advance income tax		34,739,648	32,883,640
Less : Provision for taxation		(39,481,267)	(31,240,618)
		<b>(4,741,619)</b>	<b>1,643,022</b>
<b>32. Cash and bank balances</b>			
Cash in hand		145,769	299,086
Bank balances			
-in current accounts		7,414,304	6,146,308
-in Islamic bank		3,283,550	10,047,516
-In saving accounts	32.1	9,302	26,813
		<b>10,852,925</b>	<b>16,519,723</b>
32.1 Effective mark-up rate in respect of PLS accounts ranges from 5% to 11% (2018: 5% to 7%) per annum.			
<b>33. Income</b>			
Income from modaraba's business	33.1	13,680,681	9,399,172
Income from textile's business	33.2	118,732,839	118,854,300
		<b>132,413,520</b>	<b>128,253,472</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
33.1 <i>Income from modaraba's business</i>			
Profit on musharaka		14,914,553	15,373,644
Brokerage commission		493,472	750,439
Capital (loss) / gain		(7,570,048)	(13,279,776)
Dividends		3,129,816	4,154,865
Rentals		2,700,000	2,400,000
Commission and fees		12,888	-
		<b>13,680,681</b>	<b>9,399,172</b>
33.2 <i>Income from textile's business</i>			
Sales			
- Local		3,413,980,576	2,854,918,400
- Exports		-	7,073,280
- Waste sales		88,454,951	80,289,671
		<b>3,502,435,527</b>	<b>2,942,281,351</b>
Less: Commission to selling agent		(118,090,039)	(78,976,531)
		<b>3,384,345,488</b>	<b>2,863,304,820</b>
Less: Cost of sale	33.3	(3,265,612,649)	(2,744,450,520)
		<b>118,732,839</b>	<b>118,854,300</b>
33.3 <i>Cost of sale</i>			
Raw material consumed	33.3.1	2,688,714,579	2,115,966,186
Store consumed		45,088,715	43,339,268
Packing material consumed		33,752,143	29,973,064
Salaries, wages and other benefits		178,998,045	163,933,696
Fuel and power		216,769,772	215,180,456
Insurance		8,360,532	7,729,714
Repair & maintenance		3,828,653	4,132,649
Depreciation	17.1.1	123,688,608	134,791,995
Other manufacturing overheads		3,383,859	3,250,488
		<b>3,302,584,906</b>	<b>2,718,297,516</b>
Work in Process			
-opening stock		9,169,364	8,006,052
-closing Stock		(17,906,448)	(9,169,364)
Cost of goods manufactured		<b>3,293,847,822</b>	<b>2,717,134,204</b>
Finished goods			
-opening stock		57,383,050	84,699,366
-closing Stock		(85,618,223)	(57,383,050)
		<b>3,265,612,649</b>	<b>2,744,450,520</b>
33.3.1 <u>Raw material consumed</u>			
Opening stock		272,935,600	158,821,108
Purchased during the year		2,709,512,416	2,230,080,678
		<b>2,982,448,016</b>	<b>2,388,901,786</b>
Closing stock		(293,733,437)	(272,935,600)
		<b>2,688,714,579</b>	<b>2,115,966,186</b>
34. <b>Operating expenses</b>			
Salaries, allowances and benefits	34.1	24,261,742	21,243,677
Director fee		200,000	250,000
Traveling, conveyance and entertainment		1,671,015	1,380,600
Telephone and postage		1,116,439	1,428,688
Rent, rates and taxes		1,412,476	1,490,749
Electricity		1,134,039	1,323,941
Insurance		1,149,961	956,206
Printing, stationery and advertising		1,218,766	1,198,452
Fees and subscriptions		2,439,302	2,413,466
Vehicle running and maintenance		4,162,691	2,945,928
Depreciation	17.1.1	5,011,658	4,655,918

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees																								
Facilities and utilities		4,317,228	4,316,344																								
Repair and maintenance		1,883,598	1,681,225																								
Annual Review Meeting		102,627	239,517																								
Auditors' remuneration	33.3	702,730	680,255																								
Legal and professional		2,389,677	2,140,267																								
Training and development		10,000	2,300																								
Bad debts		570,263	-																								
PSX & SECP Charges		264,832	230,093																								
Withholding & CVT tax		18,278	118,862																								
Donation		-	500,000																								
Cartage expense		110,340	107,638																								
Others		513,212	305,347																								
		<b>54,660,874</b>	<b>49,279,473</b>																								
<b>34.1 Remuneration of officers and other employees</b>																											
		<table> <tr> <th colspan="2">2019</th><th colspan="2">2018</th></tr> <tr> <th>Officers</th><th>Other Employees</th><th>Officers</th><th>Other Employees</th></tr> <tr> <td>Salaries and allowances</td><td>2,688,000</td><td>2,380,000</td><td>2,440,854</td></tr> <tr> <td>Gratuity and Leave fare</td><td>524,800</td><td>60,000</td><td>20,000</td></tr> <tr> <td>Expenses reimbursed: Medical</td><td>131,983</td><td>54,270</td><td>271,840</td></tr> <tr> <td></td><td><b>3,344,783</b></td><td><b>2,494,270</b></td><td><b>2,732,694</b></td></tr> </table>	2019		2018		Officers	Other Employees	Officers	Other Employees	Salaries and allowances	2,688,000	2,380,000	2,440,854	Gratuity and Leave fare	524,800	60,000	20,000	Expenses reimbursed: Medical	131,983	54,270	271,840		<b>3,344,783</b>	<b>2,494,270</b>	<b>2,732,694</b>	
2019		2018																									
Officers	Other Employees	Officers	Other Employees																								
Salaries and allowances	2,688,000	2,380,000	2,440,854																								
Gratuity and Leave fare	524,800	60,000	20,000																								
Expenses reimbursed: Medical	131,983	54,270	271,840																								
	<b>3,344,783</b>	<b>2,494,270</b>	<b>2,732,694</b>																								
<b>34.2 Salaries, allowances and benefits include provision for gratuity of Rs. 755,919 (2018: Rs. 483,693). Officers are also provided with free use of Modaraba maintained cars.</b>																											
<b>34.3 Auditor's remuneration</b>																											
Audit fee		610,000	560,000																								
Half yearly review		26,500	26,500																								
Other fees		66,230	93,755																								
		<b>702,730</b>	<b>680,255</b>																								
<b>35. Distribution and Selling Expenses</b>																											
Freight loading and unloading		18,024,264	16,051,975																								
Export development charges		-	18,625																								
Pressing comber noil		-	151,872																								
		<b>18,024,264</b>	<b>16,222,472</b>																								
<b>36. Financial Charges</b>																											
Mark up / interest on :																											
Long term loan - secured		30,276,672	40,920,576																								
Short term loan & running finance - secured		30,121,502	18,542,613																								
Finance Lease		208,838	226,864																								
Bank charges		4,182,186	3,809,522																								
		<b>64,789,198</b>	<b>63,499,575</b>																								
<b>37. Other income</b>																											
Profit on PLS deposits		85,400	126,330																								
Gain on sale of fixed assets		508,879	1,040,822																								
Interest income		532,599	484,233																								
Exchange gain on export sales		-	341,220																								
Others		1,535,659	5,000																								
		<b>2,662,537</b>	<b>1,997,605</b>																								



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
<b>38. Other charges</b>		
Worker Welfare Fund	146,475	39,965
Workers Profit Participation Fund	385,462	105,171
Loss recognized on fair value of investment	-	12,384,591
	<b>531,937</b>	<b>12,529,727</b>

- 39. Taxation**  
The charge for current tax is based on taxable income at current rates of taxation after taking into account tax credits and rebates available and minimum tax as applicable under the Income Tax Ordinance, 2001.  
Assessments, in respect of First Equity Modaraba, upto and including the tax year 2018 have been finalized under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) which is subject to audit under section 170 of the Ordinance.

<b>40. (Loss) / Earnings per certificates - basic and diluted</b>		
(Loss) / Profit for the year	<b>(3,917,234)</b>	<b>(7,202,168)</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of certificates outstanding during the year	<b>52,440,000</b>	<b>52,440,000</b>
	<b>Rupees</b>	<b>Rupees</b>
(Loss) / Profit per certificate - basic and diluted	<b>(0.07)</b>	<b>(0.14)</b>

- 40.1 There is no dilution effect on the basic earnings per share of the Modaraba as the Modaraba has no such commitments.

**41. Risk Management Policies and Objectives:**

*Financial risk management*

The board of directors has overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit and concentration risk
- Liquidity risk
- Market risk
- Operational risk
- Currency risk

*Credit and concentration risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

Credit risk of the Modaraba arises principally from the investments, musharaka/morahaba receivables, advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Modaraba has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful for recovery.

The Carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

Investment	119,402,929	155,375,355
Trade debts	211,690,534	113,875,395
Morabaha/Musharaka receivables-secured	139,582,651	136,668,098
Advances-considered good	38,318,165	46,259,854
Trade deposits and prepayments	76,988,464	73,185,400
Other receivables	29,630,740	23,043,361
	<b>615,613,483</b>	<b>548,407,463</b>

FOR THE YEAR ENDED JUNE 30, 2019

*Liquidity risk*

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

	2019			
	Less than One year	Over one year but less than five years	Over five years	Total
<i>Assets</i>				
Long term investments	-	42,999,771	-	42,999,771
Trade debts	211,690,534	-	-	211,690,534
Morabaha & musharaka receivables	139,582,651	-	-	139,582,651
Short term investments	76,403,158	-	-	76,403,158
Advances	35,808,165	2,510,000	-	38,318,165
Trade deposits	74,369,842	2,130,800	-	76,500,642
Other receivables	29,630,740	-	-	29,630,740
Bank balances	10,852,925	-	-	10,852,925
	578,338,015	47,640,571	-	625,978,586
<i>Liabilities</i>				
Security Deposit	-	200,000	-	200,000
Long term financing	-	35,317,681	-	35,317,681
Liabilities against asset subject to finance lease	1,404,330	890,432	-	2,294,762
Current portion of long term liabilities	143,768,681	-	-	143,768,681
Short term borrowings	231,604,616	-	-	231,604,616
Creditors, accrued and other liabilities	725,262,047	-	-	725,262,047
Accrued mark up	34,691,151	-	-	34,691,151
Unclaimed profit distribution	29,561,214	-	-	29,561,214
	1,171,033,658	36,408,113	-	1,207,441,771
Net balance	(592,695,644)	11,232,458	-	(581,463,186)

	2018			
	Less than One year	Over one year but less than five years	Over five years	Total
<i>Assets</i>				
Long term investments	-	42,999,771	-	42,999,771
Trade debts	113,875,395	-	-	113,875,395
Morabaha & musharaka receivables	136,668,098	-	-	136,668,098
Short term investments	112,375,584	-	-	112,375,584
Advances	43,749,854	2,510,000	-	46,259,854
Trade deposits	63,115,789	1,995,900	-	65,111,689
Other receivables	23,043,361	-	-	23,043,361
Bank balances	16,519,723	-	-	16,519,723
	509,347,804	47,505,671	-	556,853,475
<i>Liabilities</i>				
Security Deposit	-	200,000	-	200,000
Long term financing	-	159,421,164	-	159,421,164
Liabilities against assets subject to finance lease	1,177,307	985,501	-	2,162,808
Current portion of long term liabilities	160,624,151	-	-	160,624,151
Short term borrowings	195,580,393	-	-	195,580,393
Creditors, accrued and other liabilities	467,240,926	-	-	467,240,926
Accrued mark up	35,844,919	-	-	35,844,919
Unclaimed profit distribution	29,641,941	-	-	29,641,941
	890,109,637	160,606,665	-	1,050,716,302
Net balance	(380,761,834)	(113,100,994)	-	(493,862,828)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

### Operational Risk

Operational Risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external; factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

### Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivable s and payables exist due to transactions entered into foreign currency.

## 42. Fair value of financial instruments

The Modaraba is of the view that the fair market value of most of the financial assets and financial liabilities are not significantly different from their carrying amounts.

### 42.1 Financial Instruments by category

	2019 Rupees	2018 Rupees
<u>Financial assets</u>		
<u>At amortized cost</u>		
Morabaha/Musharaka receivables	139,582,651	136,668,098
Trade debts	211,690,534	113,875,395
Advances	38,318,165	46,259,854
Trade deposits	76,500,642	65,111,689
Other receivables	29,630,740	23,043,361
Bank balances	10,852,925	16,519,723
 <i>Financial assets at fair value through profit or loss</i>		
Short term investments	76,403,158	112,375,584
 <i>Financial assets at cost</i>		
Long term investments	42,999,771	42,999,771
	<b>625,978,586</b>	<b>556,853,475</b>
<u>Financial liabilities at amortised cost</u>		
Security Deposit	200,000	200,000
Long term financing	35,317,681	159,421,164
Liabilities against asset subject to finance lease	890,432	985,501
Short term borrowing	231,604,616	195,580,393
Current portion of long term liabilities	143,768,681	160,624,151
Creditors, accrued and other liabilities	725,262,047	467,240,926
Accrued mark up	34,691,151	35,844,919
Unclaimed profit distribution	29,561,214	29,641,941
	<b>1,206,037,441</b>	<b>1,049,538,995</b>
On balance sheet gap	<b>(580,058,856)</b>	<b>(492,685,520)</b>

FOR THE YEAR ENDED JUNE 30, 2019

43. **Maturities of assets and liabilities**

The above analysis is based on the contractual/expected maturities of assets and liabilities which may not necessarily correspond with actual maturities.

	2019				Total
	Upto one month	Over one month to one year	Over one year to five years	Over five Years	
<i>Assets</i>					
Long term investments	-	-	42,999,771	-	42,999,771
Trade debts	-	211,690,534	-	-	211,690,534
Morabaha & musharaka receivables	-	139,582,651	-	-	139,582,651
Short term investments	-	76,403,158	-	-	76,403,158
Advances	-	35,808,165	2,510,000	-	38,318,165
Trade deposits and prepayments	-	74,857,664	1,995,900	-	76,988,464
Other receivables	-	29,630,740	-	-	29,630,740
Tax refund from government authorities	-	95,068,565	-	-	95,068,565
Bank balances	-	10,852,925	-	-	10,852,925
	-	673,894,402	47,640,571	-	721,534,973
<i>Liabilities</i>					
Security Deposit	-	-	200,000	-	200,000
Long term financing	-	142,364,351	35,317,681	-	177,682,032
Liabilities against asset subject to finance lease	-	1,404,330	890,432	-	2,294,762
Deferred liabilities	-	-	150,753,291	-	150,753,291
Short term borrowing	-	231,604,616	-	-	231,604,616
Current portion of long term liabilities	-	143,768,681	-	-	143,768,681
Creditors, accrued and other liabilities	-	725,262,047	-	-	725,262,047
Accrued mark up	-	34,691,151	-	-	34,691,151
Unclaimed profit distribution	-	29,561,214	-	-	29,561,214
	-	1,313,398,009	187,161,404	-	1,500,559,413
Net balance	-	(639,503,607)	(139,520,833)	-	(779,024,440)

	2018				Total
	Upto one month	Over one month to one year	Over one year to five years	Over five Years	
<i>Assets</i>					
Long term investments	-	-	42,999,771	-	42,999,771
Trade debts	-	113,875,395	-	-	113,875,395
Morabaha & musharaka receivables	30,053,641	106,614,457	-	-	136,668,098
Short term investments	-	112,375,584	-	-	112,375,584
Advances	-	43,749,854	2,510,000	-	46,259,854
Trade deposits and prepayments	56,338,407	14,851,093	1,995,900	-	73,185,400
Other receivables	-	23,043,361	-	-	23,043,361
Tax refund from government authorities	-	74,859,667	-	-	74,859,667
Bank balances	-	16,519,723	-	-	16,519,723
	86,392,048	505,889,134	47,505,671	-	639,786,853
<i>Liabilities</i>					
Security Deposit	-	-	200,000	-	200,000
Long term financing	-	159,446,844	159,421,164	-	318,868,008
Liabilities against asset subject to finance lease	-	1,177,307	985,501	-	2,162,808
Deferred liabilities	-	-	189,194,135	-	189,194,135
Short term borrowing	-	195,580,393	-	-	195,580,393
Current portion of long term liabilities	-	160,624,151	-	-	160,624,151
Creditors, accrued and other liabilities	27,634,401	439,606,525	-	-	467,240,926
Accrued mark up	-	35,844,919	-	-	35,844,919
Unclaimed profit distribution	29,641,941	-	-	-	29,641,941
	57,276,342	992,280,139	349,800,800	-	1,399,357,281
Net balance	29,115,706	(486,391,005)	(302,295,129)	-	(759,570,428)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

### 44. Yield / Profit rate risk exposure

Description	Effective yield / profit risk	2019						2019 Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		Within 1 Yr	After 1 Yr	Sub total	Within 1 Yr	After 1 Yr	Sub total	
Financial Assets	%	Rupees						
Long term investments	-	-	-	-	-	42,999,771	42,999,771	42,999,771
Trade debts	-	-	-	-	211,690,534	-	211,690,534	211,690,534
Morabaha / Musharakah receivables	12% to 16%	139,582,651	-	139,582,651	-	-	-	139,582,651
Short term investments	-	-	-	-	76,403,158	-	76,403,158	76,403,158
Advances	-	-	-	-	35,808,165	2,510,000	38,318,165	38,318,165
Trade deposits	-	-	-	-	74,369,842	2,130,000	76,500,642	76,500,642
Other receivables	-	-	-	-	29,630,740	-	29,630,740	29,630,740
Bank balances	2% to 11.25%	3,292,852	-	3,292,852	7,560,073	-	7,560,073	10,852,925
		142,875,503	-	142,875,503	435,462,512	47,640,571	483,103,083	625,978,586
Financial Liabilities								
Security deposit		-	-	-	-	200,000	200,000	200,000
Long term financing		-	35,317,681	35,317,681	-	-	-	35,317,681
Liabilities against assets subject to finance lease		-	890,432	890,432	-	-	-	890,432
Short term borrowings		231,604,616	-	231,604,616	-	-	-	231,604,616
Current portion of long term liabilities		143,768,681	-	143,768,681	-	-	-	143,768,681
Creditor, accrued and other liabilities		-	-	-	725,262,047	-	725,262,047	725,262,047
Accrued markup		-	-	-	34,691,151	-	34,691,151	34,691,151
Unclaimed profit distribution		-	-	-	29,561,214	-	29,561,214	29,561,214
		375,373,297	(36,208,113)	411,581,410	789,514,412	200,000	789,714,412	1,201,295,822
On balance sheet gap		(232,497,794)	(36,208,113)	(268,705,907)	(354,051,900)	47,640,571	(306,611,329)	(575,317,236)

- The above analysis is based on the contractual/expected maturities of assets and liabilities which may not necessarily correspond with actual maturities.
- Yield risk is the risk of decline in earning due to adverse movement of the yield curve.
- Profit rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market profit rates.

Description	Effective yield / profit risk	2018						2018 Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		Within 1 Yr	After 1 Yr	Sub total	Within 1 Yr	After 1 Yr	Sub total	
Financial Assets	%	Rupees						
Long term investments	-	-	-	-	-	42,999,771	42,999,771	42,999,771
Trade debts	-	-	-	-	113,875,395	-	113,875,395	113,875,395
Morabaha / Musharakah receivables	12% to 16%	136,668,098	-	136,668,098	-	-	-	136,668,098
Short term investments	-	-	-	-	112,375,584	-	112,375,584	112,375,584
Advances	-	-	-	-	43,749,854	2,510,000	46,259,854	46,259,854
Trade deposits	-	-	-	-	63,115,789	1,995,900	65,111,689	65,111,689
Other receivables	-	-	-	-	23,043,361	-	23,043,361	23,043,361
Bank balances	2% to 7%	10,074,329	-	10,074,329	6,445,394	-	6,445,394	16,519,723
		146,742,427	-	146,742,427	362,605,377	47,505,671	410,111,048	556,853,475
Financial Liabilities								
Security deposit		-	-	-	-	200,000	200,000	200,000
Long term financing		-	159,421,164	159,421,164	-	-	-	159,421,164
Liabilities against assets subject to finance lease		-	985,501	985,501	-	-	-	985,501
Short term borrowings		195,580,393	-	195,580,393	-	-	-	195,580,393
Current portion of long term liabilities		160,624,151	-	160,624,151	-	-	-	160,624,151
Creditor, accrued and other liabilities		-	-	-	467,240,926	-	467,240,926	467,240,926
Accrued markup		-	-	-	35,844,919	-	35,844,919	35,844,919
Unclaimed profit distribution		-	-	-	29,641,941	-	29,641,941	29,641,941
		356,204,544	160,406,665	516,611,209	532,727,786	200,000	532,727,786	1,049,338,995
On balance sheet gap		(209,462,117)	(160,406,665)	(369,868,782)	(170,122,409)	47,305,671	(122,616,738)	(492,485,520)

**FOR THE YEAR ENDED JUNE 30, 2019**

**45. Segment information**

The Modaraba has four primary source of revenue i.e. musharaka facility, brokerage operations, textile unit and capital market based on the nature of business and related risk associated with each type of business segment which are not deemed by the management to be sufficiently significant to disclose as separate items are reported under others.

Segment assets and liabilities included all assets and liabilities related to the segment relevant proportion of the assets and liabilities allocated to the segment on reasonable basis.

Segment revenue and expenses included all revenue and expenses related to the segment and relevant proportion of the revenue and expenses allocated to the segment on reasonable basis.

	2019						2018
	Musharakah Facility	Brokerage Operation	Capital Markets	Textile Business	Others	Total	Total
	Rupees						
Segment Revenues	14,914,553	493,472	(4,440,232)	3,384,345,488	5,375,425	3,400,688,706	2,874,701,595
Segment Result	14,914,553	493,472	(4,440,232)	118,732,839	5,375,425	135,076,057	130,251,077
Unallocated Cost							
Operating expenses						(54,660,874)	(49,729,473)
Distribution & Selling expenses						(18,024,264)	(16,222,472)
Financial Charges						(64,789,198)	(63,499,575)
Other Charges						(531,937)	(12,529,727)
(Loss) before taxation						(2,930,216)	(11,730,170)
Taxation						(987,018)	4,528,002
Profit for the year						(3,917,234)	(7,202,168)
Other information							
Segment assets	139,582,651	21,654,386	128,915,273	2,049,295,566	1,471,667	2,340,919,543	2,158,286,961
Unallocated assets	-	-	-	-	-	45,319,693	141,675,372
Total assets	139,582,651	21,654,386	128,915,273	2,049,295,566	1,471,667	2,386,239,236	2,299,962,333
Segment liabilities	-	2,482,479	-	1,315,634,108	-	1,318,116,587	1,158,099,128
Unallocated liabilities	-	-	-	-	-	38,674,145	80,634,002
Total liabilities	-	2,482,479	-	1,315,634,108	-	1,356,790,732	1,238,733,130
						1,029,448,504	1,061,229,203

**46. Transactions with related parties**

The related parties of the Modaraba comprise management company, staff retirement funds, directors of the management company and key management personnel. Transactions with related parties other than remuneration and benefits to officers and employees under the terms of their employment are as follows:

	2019 Rupees	2018 Rupees
46.1 <i>Balance outstanding at year end</i>		
Modaraba Management Company		
- Current account payable	388,683	1,096,680
(Payable)/ receivable to wholly owned subsidiary company	1,048,454	1,731,965
Other related parties (other than key management personnel)		
- Deferred liability staff gratuity	4,251,794	4,045,679
- Brokerage house clients receivables	14,679	565
- Receivables	349,099	349,099
- Trade and other payable	13,214,702	13,214,702
- Loan and advances	25,874,675	27,165,362



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
46.2 <i>Transactions during the year</i>		
<u>Modaraba Management Company</u>		
- Facilities & services and electricity	4,317,228	4,316,344
<u>Other related parties (including key management personnel)</u>		
Services acquired	370,547	610,982
Brokerage commission earned	16,170	19,625
Purchases of goods and services	4,170,958	8,300,303
Insurance claim receivable	305,147	306,322
Services rendered	25,584,406	21,638,796
Contribution towards employees	3,334,993	2,923,691
Profit on Subordinated loan from Sponsor	6,429,957	5,844,832
Contribution of staff gratuity fund	755,919	483,693
47. <b>Number of employees</b>		
Total number of employees of the Group as at June 30, 2019 are 566 (2018: 566)		
Average number of employees of the Group are 557 (2018: 557)		
48. <b>Authorization for issue</b>		
These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 04, 2019.		
48.1 The Board of Directors of the Management Company has approved dividend at the rate of Re. nil per certificate (2018: Re. nil per certificate) for the year ended June 30, 2019, resulting in a total distribution of profit amounting to Rs. Nil (2018: Rs. Nil/-), in its meeting held on October 04, 2019, which is more than 90% of the net profit for the year ended June 30, 2019, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations.		
49. <b>General</b>		
49.1 Figures in these financial statements have been rounded off to the nearest of rupee.		
49.2 The corresponding figures, wherever necessary, have been re-arranged for purpose of comparison.		

Qazi Obaid Ullah  
Chief Financial Officer

Adil A. Ghaffar  
Chief Executive Officer

Zahid Bashir  
Director

Nadeem Maqbool  
Director

Premier Financial  
Services (Private) Limited

Premier Financial  
Services (Private) Limited

Premier Financial  
Services (Private) Limited

*Page 79*

**FIRST EQUITY MODARABA NOTICE OF  
TRANSFER BOOK CLOSURE  
AND 19TH ANNUAL REVIEW MEETING**

The 19th Annual Review Meeting (ARM) of certificate holders of First Equity Modaraba (FEM) will be held on Tuesday, December 24, 2019 at 10:30 a.m at Beach Luxury Hotel, M.T. Khan Road, Karachi to review the performance of the Modaraba for the year ended June 30, 2019.

The certificate transfer book of the FEM shall remain closed from Thursday, December 12, 2019 to Monday, December 23, 2019 (both days inclusive). All transfers received by our certificate Registrar M/s THK Associates (Pvt) Ltd. 1st Floor, 40C, Block 6 P.E.C.H.S., Karachi before the close of business on Wednesday, December 11, 2019 will be treated valid.

Individual certificates holders are requested to submit a copy of their valid CNIC to the Modaraba or its Registrar, if not already provided. For certificates holders other than individuals, the checking will be done by matching the NTN number, therefore the corporate shareholders having CDC accounts are requested in their own interest to provide a copy of NTN certificate.

On behalf of the Board

Qazi Obaid Ullah  
Company Secretary  
Dated October 04, 2019



## فرسٹ ایکوٹی مضاربہ

ٹرانسفر بک بند ہونا اور سالانہ جائزہ میٹنگ کا انعقاد

19 ویں سالانہ جائزہ میٹنگ (ARM) برائے حصص داران فرسٹ ایکوٹی مضاربہ (FEM) مورخہ 24 دسمبر 2019 بروز منگل بوقت 10:30 بجے بمقام بیچ لگٹری ہوٹل، ایم ٹی خان روڈ، کراچی پر منعقد کی جائے گا تاکہ سال اختتام پذیر 30 جون 2019 کے حوالے سے مضاربہ کی کارکردگی کا جائزہ لیا جائے۔

FEM کی ”سرٹیفکیٹ ٹرانسفر بک“ جمعرات 12 دسمبر 2019 سے پیر 23 دسمبر 2019 (بشمول دونوں ایام) بند رہے گی۔ تمام تر ٹرانسفرز جو کہ ہمارے سرٹیفکیٹ رجسٹرار میسرز THK ایسوسی ایٹس (پرائیویٹ) لمیٹڈ واقع فرسٹ فلور، 40-C، بلاک-6، پی ای سی ایچ ایس، کراچی کی جانب سے بروز بدھ 11 دسمبر 2019 سے پہلے یعنی کاروبار کی بندش سے پہلے وصول کیے جائیں گے صرف انہیں درست تصور کیا جائے گا۔

انفرادی سرٹیفکیٹ ہولڈرز سے درخواست کی جاتی ہے کہ وہ مضاربہ کو یا پھر اس کے رجسٹرار کو اپنے شناختی کارڈ کی کاپی جمع کرائیں، اگر ابھی تک جمع نہ کرائی ہو۔ انفرادی نوعیت کے علاوہ دیگر سرٹیفکیٹ ہولڈرز کیلئے، چیکنگ کا عمل NTN نمبر میچ کرنے کے ذریعے کیا جائے گا، لہذا CDC اکاؤنٹس کے حامل کارپوریٹ شیئر ہولڈرز سے ان کے مفاد میں درخواست کی جاتی ہے کہ وہ NTN کی کاپی فراہم کریں۔

بورڈ کی جانب سے

قاضی عبید اللہ

کمپنی سیکریٹری

بتاریخ 4 اکتوبر 2019

**PATTERN OF HOLDING OF CERTIFICATES**  
**BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2019**

Number of Certificate Holders	Certificate Holding		Total
	From	To	Certificates Held
1852	1	100	102367
1026	101	500	262665
1083	501	1000	744671
698	1001	5000	1580288
148	5001	10000	1128636
55	10001	15000	713823
34	15001	20000	620480
20	20001	25000	460990
17	25001	30000	476067
8	30001	35000	258470
7	35001	40000	263658
5	40001	45000	213734
11	45001	50000	541428
9	50001	55000	468501
8	55001	60000	460872
3	60001	65000	185050
7	65001	70000	468055
3	70001	75000	222100
4	75001	80000	311717
1	80001	85000	81334
2	90001	95000	187041
4	95001	100000	400000
2	100001	105000	203456
3	105001	110000	322938
1	110001	115000	111000
2	115001	120000	234042
2	125001	130000	254375
2	130001	135000	269160
2	135001	140000	274880
2	145001	150000	297356
2	150001	155000	305812
2	155001	160000	319516
1	160001	165000	162745
1	170001	175000	171630
1	185001	190000	187500
1	190001	195000	191195
2	195001	200000	397194
2	200001	205000	405262
1	205001	210000	205994
1	220001	225000	221500
1	245001	250000	247000
2	250001	255000	503916
1	260001	265000	262500
1	265001	270000	267198
1	270001	275000	270500
1	280001	285000	280835
1	285001	290000	289081
1	290001	295000	292214
1	305001	310000	308197
2	340001	345000	687000
1	380001	385000	383050
1	400001	405000	401000
1	410001	415000	411184
1	470001	475000	471538
1	495001	500000	500000
1	500001	505000	501500
1	635001	640000	636500
2	715001	720000	1433000
1	810001	815000	815000
2	995001	1000000	1997500
1	1320001	1325000	1321804
1	3020001	3025000	3023697
1	3235001	3240000	3236500
1	3475001	3480000	3478000
1	4675001	4680000	4680000
1	5240001	5245000	5244000
1	5805001	5810000	5809784
<b>5,066</b>			<b>52,440,000</b>



## PATTERN OF HOLDING OF CERTIFICATES BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2019

Categories of Certificate Holders	Number of Certificate Holders	Certificates Held	Percentage %
DIRECTORS, CEO & CHILDREN	11	706,245	1.35
ASSOCIATE COMPANIES	4	203,912	0.39
NIT & ICP	2	1,700	0.01
BANKS, DFI & NBFI	6	116,487	0.22
INSURANCE COMPANIES	5	6,003,409	11.45
MUTUAL FUNDS	3	364,131	0.69
GENERAL PUBLIC (LOCAL)	3,835	32,223,827	61.44
GENERAL PUBLIC (FOREIGN)	1,156	1,134,397	2.16
OTHERS	42	11,685,392	22.28
MODARABAS	2	500	0.01
<b>TOTAL</b>	<b>5,066</b>	<b>52,440,000</b>	<b>100</b>

### DIRECTORS, CEO AND OTHER SPOUSE AND MINOR CHILDREN

Zahid Bashir	19,500
Nazia Maqbool	144,660
Ambreen Zahid Bashir	202,262
Nadeem Maqbool	305,356