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FIRST EQUITY MODARABA
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024

		2024	2023
	Note	Rupees	
INCOME	20	8,879,342	4,751,298
Operating expenses	21	(27,484,072)	(26,318,610)
Financial charges	22	(899)	(62,741)
		(27,484,971)	(26,381,351)
Operating loss		(18,605,629)	(21,630,053)
Other income	23	146,063	115,154
Loss before income tax and levy (final & minimum tax)		(18,459,566)	(21,514,899)
Final taxes	24.3	(771,864)	(780,168)
Minimum taxes	24.4	(164,212)	(50,901)
Loss before income tax		(19,395,642)	(22,345,968)
Income tax			
- Current		-	-
For the year		-	-
Prior year		(40,337)	-
		(40,337)	-
Loss after income tax		(19,435,979)	(22,345,968)
Loss per certificate - basic and diluted	26	(0.37)	(0.43)

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**FIRST EQUITY MODARABA
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024 ----- Rupees -----	2023 -----
Income - net	31	(275,730,698)	(119,313,209)
Expenditures			
Operating expenses	32	(103,089,348)	(104,060,330)
Distribution and selling expenses	33	(24,653,159)	(24,837,450)
		(127,742,507)	(128,897,780)
Operating loss		(403,473,205)	(248,210,989)
Financial charges	34	(115,922,490)	(61,829,716)
Other income	35	8,946,328	6,550,243
Loss before income tax and levy (final & minimum tax)		(510,449,367)	(303,490,462)
Final taxes	36.3	(7,881,337)	(8,756,839)
Minimum tax	36.4	(55,766,518)	(42,200,713)
Loss before income tax		(574,097,222)	(354,448,014)
Income tax			
- Current			
For the year		-	-
Prior year		(3,326,227)	(6,607,466)
		(3,326,227)	(6,607,466)
- Deferred tax		163,328,084	108,982,305
Loss after income tax		(414,095,365)	(252,073,175)
Loss per certificate - basic and diluted	37	(7.90)	(4.81)

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

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**INDEPENDENT AUDITOR'S REPORT
TO THE CERTIFICATE HOLDERS OF FIRST EQUITY MODARABA**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the annexed financial statements of **FIRST EQUITY MODARABA** (the "Modaraba"), which comprise the statement of financial position as at **June 30, 2024**, and the statement of profit and loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit and loss and comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2024 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

Modaraba has charged unrealized gain of Rs. 39.7 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.

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Had the Modaraba charged the unrealized gain to the statement of profit and loss, its profitability for the year would have been increased by Rs. 39.7 million and other comprehensive income would have been decreased by Rs. 39.7 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 Modaraba and First Equity Modaraba Management Limited (Modaraba 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.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1.	Revenue recognition	
	<p>Refer notes 4.5 and 20 to the financial statements relating to revenue recognition.</p> <p>The Modaraba generates revenue from brokerage services, Dividend Income through portfolio investment, Rental and other income. Where Brokerage represents 12%, Investment portfolio Income represents 58% corporate finance and rental and other services represents 30% of the total revenue.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> ▪ We obtained an understanding of, assessed and tested the design and implementation of key internal controls over the recording of revenue; ▪ We assessed the appropriateness of the Modaraba's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;

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S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>As detailed in <i>Basis of Qualified Opinion</i>, if the unrealized income classified under FVTPL is recognized in statement of profit or loss, it would have been the substantial portion of the entire income.</p> <p>We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not being recognized in the appropriate period.</p>	<ul style="list-style-type: none"> ▪ We have tested the identified automated application controls, which are critical to the revenue recognition process. Our testing procedures included the testing of system logics, automated calculations and validations, testing of system generated information, system configuration; ▪ We checked invoices and related documents, on a sample basis for brokerage money market transactions recorded during the current year to assess whether the related revenue was recognized in accordance with the requirement of applicable accounting standard; ▪ We checked the valuation of equity securities and compared the market prices prevailing as on the date of statement of financial position; and ▪ We compared, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period.

Information Other Than the Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Board of Directors of the Modaraba Company for the Financial Statements

Management of the Modaraba Company is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and for such internal control as management of the Modaraba Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management of the Modaraba Company is responsible for assessing the Modaraba'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 of the Modaraba Company either intends to liquidate the Modaraba or to cease operations, or has no realistic alternative but to do so.

Board of directors of the Modaraba Company are responsible for overseeing the Modaraba's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurances about whether the 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 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:

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- Identify and assess the risks of material misstatement of the 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 Modaraba's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Modaraba Company;
- Conclude on the appropriateness of the management of the Modaraba Company'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 Modaraba'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 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 Modaraba to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors of the Modaraba Company 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 of the Modaraba Company 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.

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From the matters communicated with the board of directors of the Modaraba Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Based on our audit, we further report that in our opinion:

- a) proper books of account 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);
- b) the statement of financial position, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows 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 are in agreement with the books of account;
- c) business conducted, investments made, expenditure incurred and guarantees extended during the year by the Modaraba were in accordance with the objects, terms and conditions of the Modaraba; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
- e) the Modaraba business segment was in compliance with the requirements of section 78 of the Securities Act, 2015 and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the statement of financial position was prepared.

Other Matter

The financial statements of the Modaraba for the year ended June 30, 2023 were audited by another firm of Chartered Accountants, whose report dated October 27, 2023 expressed a qualified opinion on such financial statements for recording of unrealized gain on investments in equity securities 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.

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The engagement partner on the audit resulting in this independent auditor's report is
Muhammad Aqeel Ashraf Tabani.

Muhammad Aqeel Ashraf Tabani

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Karachi

Date:

UDIN: