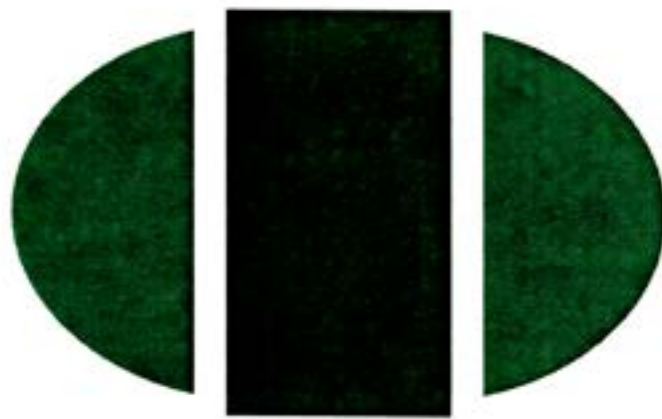


Annual Report

First Equity Modaraba



2024

Managed by:
Premier Financial Services (Private) Limited
CRESCENT GROUP



MISSION AND VISION

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.

Contexts

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FIRST EQUITY MODARABA CORPORATE INFORMATION

Modaraba Company Premier Financail Services (Private) Limited

Board of Directors

Mr. Nadeem Maqbool Chairman(Non-Executive)
Mr. Qaiser Ahmed Magoon (Independent)
Ms. Alizeh Bashir (Non-Executive)
Mr. Adil A. Ghaffar (Executive)

Audit Committee

Mr. Qaiser Ahmed Magoon
Ms. Alizeh Bashir
Mr. Nadeem Maqbool

Risk Managment Committe

Mr. Qaiser Ahmed Magoon
Mr. Nadeem Maqbool
Mr. Adil A. Ghaffar

HR Committee

Mr. Nadeem Maqbool
Mr. Adil A. Ghaffar
Mr. Qaiser Ahmed Magoon

Registered and Business Office

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

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

Auditors

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants
4th Floor, Central Hotel Building.
Civil Lines, Mereweather Road
Karachi - Pakistan
T: +92 (021)35644872-7, F: +92 (021) 35644873
Email: info@bakertilly.pk
www.bakertilly.pk

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.
Plot No. 32-C, Jami Commercial,
Street II, D.H.A. Phase VII, Karachi,
Tel: +92-21-35310191-2-3
Emial: cst@thk.com.pk

General Counsel

Moshin M. Tayebaly & Co.
Advocates & Legal Consultants

FIRST EQUITY MODARABA

Rs.In '000

| TEN YEARS AT A GLANCE | BALANCE SHEET | | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|--------------------|---------------------|--------------------|--------------------|
| | June 2015 | June 2016 | June 2017 | June 2018 | June 2019 | Restated June 2020 | June 2021 | June 2022 | June 2023 | June 2024 |
| Authorised 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 | 117,529 (20,170) | 119,794 (25,286) | 130,843 (30,023) | 126,650 (37,125) | 123,347 (53,437) | 117,485 (29,970) | 133,906 7,939 | 100,962 (68,012) | 78,616 (72,519) | 59,180 (21,877) |
| Revaluation Reserve on Investment | 2,655 | 2,934 | 2,864 | 4,046 | 4,252 | 4,551 | 5,711 | 5,898 | 6,780 | 7,170 |
| Deferred Liabilities | 24,657 | 7,940 | 62,860 | 12,283 | 8,333 | 9,730 | 22,456 | 14,764 | 10,440 | 19,674 |
| Creditors, accrued expenses and other liabilities | 8,914 | 6,817 | 31,464 | - | - | - | - | - | - | - |
| Profit distribution | 27,618 | 27,845 | 28,730 | 29,642 | 29,561 | 29,560 | 29,554 | 30,448 | 31,128 | 31,116 |
| Unclaimed profit distribution | - | - | - | - | - | - | - | - | - | - |
| Provision for taxation | 685,603 | 664,444 | 751,138 | 659,895 | 636,456 | 655,757 | 723,965 | 608,460 | 578,845 | 619,663 |
| Tangible Assets | 17,377 | 16,361 | 8,825 | 7,931 | 9,125 | 7,788 | 6,443 | 5,060 | 3,957 | 3,160 |
| Intangible Assets | 19,000 | 19,000 | 10,000 | - | - | - | - | - | - | - |
| Deferred Costs | - | - | - | - | - | - | - | - | - | - |
| Investments | 423,890 | 426,898 | 499,291 | 453,889 | 430,925 | 449,719 | 563,344 | 499,126 | 474,227 | 495,903 |
| Morabaha/Musharaka Receivables | 153,003 | 140,333 | 134,320 | 136,668 | 139,583 | 53,075 | 8,634 | 9,561 | - | - |
| Advances, deposits prepayments and other receivables | 52,048 | 51,063 | 57,308 | 49,780 | 52,439 | 54,418 | 62,092 | 84,037 | 89,538 | 104,054 |
| Cash and Bank balance | 20,285 | 10,789 | 41,394 | 11,626 | 4,384 | 90,758 | 83,451 | 10,676 | 11,123 | 16,546 |
| | 685,603 | 664,444 | 751,138 | 659,895 | 636,456 | 655,757 | 723,965 | 608,460 | 578,845 | 619,663 |
| PROFIT & LOSS ACCOUNT | | | | | | | | | | |
| Income / (loss) | 34,684 (21,775) | 30,680 (21,587) | 82,329 (34,290) | 17,246 (21,439) | 19,814 (23,117) | 16,691 (22,552) | 44,880 (25,989) | 22,850 (25,789) | 4,866 (26,381) | 9,025 (27,485) |
| Operating expenses | - | - | - | - | - | - | - | - | - | - |
| Provision for diminution in value of investment | (1,511) | - | (5,526) | - | - | - | (1,889) | - | - | - |
| Provision for non performing assets | - | - | - | - | - | - | (246) | - | - | - |
| Modaraba company's Management fee | - | - | - | - | - | - | (335) | - | - | - |
| Sales tax on Modaraba Management Fee | - | - | - | - | - | - | - | - | - | - |
| Worker Welfare Fund | - | - | - | - | - | - | - | (3,785) | (831) | (976) |
| Taxation | - | - | - | - | - | - | - | - | - | - |
| Profit/ (Loss) for the year | 11,398 | 9,093 | 42,513 | (4,193) | (3,304) | (5,861) | 16,421 | (6,724) | (22,346) | (19,436) |
| Cash Distribution | 1.70% | 1.30% | 6.00% | - | - | - | 5.00% | - | - | - |
| Earnings per certificate | 0.217 | 0.173 | 0.81 | (0.08) | (0.06) | (0.11) | 0.31 | (0.13) | (0.43) | (0.37) |
| Breakup value | 12.03 | 11.93 | 12.52 | 11.71 | 11.33 | 11.67 | 12.70 | 10.73 | 10.11 | 10.71 |

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: SRR-FEM

Date: 07-10-24

Annual Shari'ah Review Report of First Equity Modaraba (FEM) for the year ended June 30, 2024

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, 2024, 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 that 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:

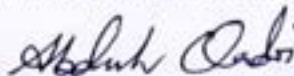
Training and Development:

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

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

iv. To the best of the 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, AAOIFI Standards, 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.



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

Charity:

No earnings have been realized from the sources or by means prohibited by Shari'ah which could have been credited to charity accounts.

Observations:

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

With reference to the settlement of the issues:

1. In 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 on the reporting date except the shares of companies turned Non-Shari'ah Compliant as per the last accounts due to non-compliance with screening criteria. On my query, the management confirmed to dispose of all the Non-Shari'ah Compliant Shares as per the regulations. Furthermore, the shares of the companies, whose trading is still suspended, will be disposed of as soon as their trading becomes active.
2. It has been observed that the Modaraba has placed its funds with Islamic Banking institutions or in Islamic Windows of Conventional Banks except for some current accounts in conventional banks which were not closed as they were marked "Dormant" as confirmed by the management.
3. With regard to the Musharakah agreements, they are on the formats as approved by the Religious Board. Musharakah Investment Agreements are matured, the Musharakah Profit is still outstanding and the profit working is underway as confirmed by the management.

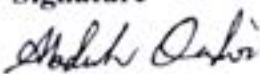
Recommendations:

1. The Non-Shariah Compliant Shares should be disposed of as per the SECP guidelines and regulations.
2. All accounts at conventional banks should be closed at the earliest.
3. Profit working should be finalized at the earliest for the Musharakah Agreement matured.
4. 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 7th, 2024



STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Modaraba **FIRST EQUITY MODARABA**

Year ending **JUNE 30, 2024**

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:

| | |
|------------|---|
| a. Male; | 3 |
| b. Female; | 1 |
2. The composition of board is as follows:

| | |
|---------------------------------|---|
| a) Independent Directors | 1 |
| b) Other Non-executive Director | 2 |
| c) Executive Directors | 1 |
3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board as empowered by the relevant provisions of the Act, Modaraba Ordinance 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, Modaraba Ordinance and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Board has arranged Directors' Training program. Following Directors have completed the training
Mr Adil A Ghaffar
Mr Nadeem Maqbool
Ms Alizeh Bashir
10. The Board has approved appointment of chief financial officer, 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. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below.-

| | |
|---|----------|
| <i>a) Audit Committee</i> | |
| Mr Qaiser Ahmed Magoon | Chairman |
| Ms Alizeh Bashir | Member |
| Mr Nadeem Maqbool | Member |
| <i>b) HR and Remuneration Committee</i> | |
| Mr Nadeem Maqbool | Chairman |
| Mr Adil A Ghaffar | Member |
| Mr Qaiser Ahmed Magoon | Member |
| <i>c) Risk Management Committee</i> | |
| Mr Nadeem Maqbool | Chairman |
| Mr Adil A Ghaffar | Member |
| Mr Qaiser Ahmed Magoon | 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 each of HR and Remuneration Committee and Risk Management Committee is held
15. The Board has set up an effective internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
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 requirements of the Regulations have been complied with except the number of Independent Director. The Directors of Modaraba belong with MMC which is private limited company and the single independent Director has requisite education and suitable qualification and experience to carry the responsibility independently; and
19. We confirm that there is no noncompliance with requirements of CCGR.

On behalf of the Board

Karachi
Dated October 07 2024

Adil A Ghaffar
Chief Executive Officer

REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

The Directors of the Premier Financial Services (Private) Limited, management company of **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, Apex Financial Services (Pvt) Ltd, Capital Financial Services (Pvt) Ltd and Equity Textiles Limited for the year ended June 30, 2024.

Financial Results

FEM, incurred loss for the year amounted to Rs. (19.44) million as compared to loss of Rs (22.35) million for the last year translated in a loss per certificate of Rs. (0.37) as compared to Rs. (0.43) last year. The consolidated loss for the year is Rs (414) million as compared to loss of Rs (252) million. Break-up value per certificate amounted to Rs.10.71 as against Rs. 10.12 last year.

Financial Results

| | Rupees |
|-----------------------------------|--------------|
| Income | 8,879,342 |
| Expenses | |
| Operating Expenses | (27,484,072) |
| Bank Charges | (889) |
| | (27,484,971) |
| Operating loss | (18,605,629) |
| Other Income | 146,063 |
| Loss for the year before taxation | (18,459,566) |
| Taxation | (976,413) |
| Net loss for the year | (19,435,979) |
| Loss per Certificate | (0.37) |

Dividend Distribution

Since the Modaraba sustained loss during the year, consequently, there would be no announcement of profit distribution (2023: Nil). However, to meet the regulatory requirements, the date of book closure would be from Wednesday November 27 2024 to Friday December 06 2024 (both 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 39.7 million (2023: Rs(10.667) million). Our principal stand for not accepting auditors' qualification is based on the fact that, firstly, we do not foresee that these re-measurements are of permanent nature. Secondly, our Industry was established on the concept to distribute what it earns on yearly basis. The Regulatory changes were brought in and blanket tax exemption earlier given to Modarabas distributing 90% of its profits for the year has been withdrawn. We believe that adjusting cost to fair value would tantamount to distribution of either unrealized capital gain or recovery of cost.

Our Performance and Future Prospects

The stock market performed, and the rally was witnessed in limited stocks. World over, the stock market is always dependent on various factors including, but not limited to, political and economic stability, rupee parity, international oil prices, interest rate, etc.. Though Pakistan achieved a decent GDP number but our trade & current account remained in deficit, and slowly and gradually, these gaps were enlarged due to one or the other pretext. However, lately, numbers affecting the economy have changed significantly, giving hope for a better year ahead.

Due to current political and economic issues faced by the country, alongwith various other factors, ETL's last year BMR investments could not yield expected results and ETL sustained a loss of Rs (374m) as compared to a loss of Rs. (288m). This translates into a loss of Rs (14.95) per share as compared to loss per share of Rs (9.13) last year. ETL's book value also decreased substantially to Rs. 31.13 from Rs. 46.17 last year.



REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

With rising current account deficit, rupee parity, increasing oil prices, inflation numbers and increase in policy rate, etc. Pakistan Stock Exchange managed itself in limited stocks. After the highest borrowing rates and inflation, the cooling period has begun. We believe that this situation will be diluted over a medium term and may take another year or two to offset this adverse impact.

It is very unfortunate that concept, vision and dream of 1980 whereby a home grown industry was developed in the name of Modarabas and which were given tax exemption through "Modaraba Ordinance, 1980" has been withdrawn through the Finance Bill 2023-2024. Long-term term visions curtailed for short-term benefits.

We are pleased to share that our vision on sharia non-compliant listed securities has been recognized in the recently introduced Shariah guidelines by SECP.

Shariah Advisor

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

(i) total number of directors

| | |
|------------|---|
| (a) Male | 3 |
| (b) Female | 1 |

(ii) composition including the following,-

| | |
|-----------------------------|---|
| (a) Independent directors | 1 |
| (b) Non-executive directors | 2 |
| (c) Executive directors | 1 |

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

| | Name of Board Members | | Meetings Attended |
|---|------------------------|------------------------|-------------------|
| 1 | Mr. Nadeem Maqbool | Non-executive Director | 4 out of 4 |
| 2 | Ms Alizeh Bashir | Non-executive Director | 4 out of 4 |
| 3 | Mr Qaiser Ahmed Magoon | Independent Directors | 4 out of 4 |
| 4 | Mr. Adil A. Ghaffar | Executive Directors | 4 out of 4 |

The Board has formed committees comprising of members given below.-

a) Audit Committee

| | |
|------------------------|----------|
| Mr Qaiser Ahmed Magoon | Chairman |
| Ms Alizeh Bashir | Member |
| Mr Nadeem Maqbool | Member |

b) HR and Remuneration Committee

| | |
|------------------------|----------|
| Mr Nadeem Maqbool | Chairman |
| Mr Adil A Ghaffar | Member |
| Mr Qaiser Ahmed Magoon | Member |

c) Risk Management Committee

| | |
|------------------------|----------|
| Mr Nadeem Maqbool | Chairman |
| Mr Adil A Ghaffar | Member |
| Mr Qaiser Ahmed Magoon | Member |

REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

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, 2024, 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

Pattern of certificate holding as at 30th June 2024 is annexed with the annual report 2024.

Key Operating and Financial Data - is annexed with the annual report 2024.

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 Baker Tilly 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

Karachi

Dated October 07 2024

Adil A Ghaffar

Chief Executive Officer



REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

- د مالیاتی گوشواروں کی تیاری میں پاکستان میں نافذ بین الاقوامی مالیاتی رپورٹنگ معیارات (IFRS) پر عمل کیا گیا ہے اور اگر کہیں اس سے انحراف ہو ہے تو اس کی وضاحت سالانہ رپورٹ میں کی گئی ہے۔
- و اندرونی کنٹرول کا نظام پورے سال میں مستقل طور پر لاگو کیا گیا ہے اور اسے مؤثر طریقے سے نافذ اور مانیٹر کیا گیا ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں؛
- و معنی لائڈنگ کی روک تھام اور رسک مینجمنٹ پالیسی کے لیے ایک مضبوط نگرانی اور کنٹرول کا نظام لاگو کیا گیا ہے، جس سے مختلف اقسام کے خطرات کی نشاندہی، انتظام اور رپورٹنگ کی جاتی ہے؛
- ز مضاربہ کی بطور جاری کاروبار کے طور پر کام کرنے کی صلاحیت پر کوئی شک نہیں ہے۔ FEM کو کسی بھی خطرات اور غیر یقینی صورتحال کا سامنا نہیں ہے؛
- ح 30 جون 2024 تک ٹیکس، محصولات، واجبات اور چارجز کی مد میں کوئی واجب الادا قانونی ادائیگیاں نہیں ہیں، سوائے ان کے جو مالیاتی گوشواروں میں ظاہر کی گئی ہیں؛
- ط کارپوریٹ گورننس کے بہترین عمل سے کوئی بڑا انحراف نہیں ہوا جیسا کہ اسٹاک ایکسچینج کے فہرست سازی کے ضوابط اور فریم ورک کے ضوابط میں تفصیل سے بیان کیا گیا ہے۔

حصص کی ملکیت کا بیڑن

30 جون 2024 تک کاسٹریٹیکٹ ہولڈنگ کا بیڑن سالانہ رپورٹ 2024 کے ساتھ منسلک ہے۔
کلیدی آپریٹنگ اور مالیاتی ڈیٹا - سالانہ رپورٹ 2024 کے ساتھ منسلک ہے۔

عملے کی ریٹائرمنٹ فوائد

مضاربہ کے سروس رولز مستقل ملازمین کے لیے بغیر فنڈ کی گریجویٹی اسکیم فراہم کرتے ہیں۔

آڈیٹرز

آڈٹ کمیٹی کی سفارش پر بورڈ نے موجودہ آڈیٹرز میسرز بیکر ٹلی محمود اور بیس قمر چارٹرڈ اکاؤنٹنٹس کی خدمات کو جاری رکھنے کا فیصلہ کیا ہے۔

اعتراف

ہم اپنے ملازمین کی مکمل لگن اور محنت کو تسلیم کرتے ہیں اور اپنے کاروباری ساتھیوں، کلائنٹس اور مالیاتی اداروں کا ان کے اعتماد اور حمایت کے لیے شکر گزار ہیں۔ ہم اپنے ریگولیٹری کی جانب سے ملنے والی رہنمائی اور تعاون کی بھی قدر کرتے ہیں۔ اصلاحات کی کوششوں میں انہیں ہماری مکمل حمایت اور نیک تمناؤں حاصل ہیں۔

عادل اے حفار

چیف ایگزیکٹو آفیسر

تاریخ: 17 اکتوبر 2024

تاریخ: 10 اکتوبر، 2024: کراچی

ڈائریکٹرز کی تفصیلات:

| نمبر شمار | نام اراکین مجلس | عہدہ | حاضری |
|-----------|--------------------|-----------------------|----------------------------|
| 1 | جناب ندیم مقبول | ایگزیکٹو ڈائریکٹر | 4 میں سے 4 میٹنگز میں شرکت |
| 2 | محترمہ علیزے بشیر | نان ایگزیکٹو ڈائریکٹر | 4 میں سے 4 میٹنگز میں شرکت |
| 3 | جناب قیصر احمد گون | آزاد ڈائریکٹر | 4 میں سے 4 میٹنگز میں شرکت |
| 4 | جناب عادل اے حفار | ایگزیکٹو ڈائریکٹر | 4 میں سے 4 میٹنگز میں شرکت |

بورڈ نے درج ذیل اراکان پر مشتمل کمیشن تشکیل دی ہیں۔-

| | | |
|------|---------------------------------------|----------|
| الف) | آڈٹ کمیٹی جناب قیصر احمد گون چیئر مین | رکن |
| | محترمہ علیزے بشیر | رکن |
| | جناب ندیم مقبول | |
| ب) | ایچ آر اور ریمنیوریشن کمیٹی | چیئر مین |
| | جناب ندیم مقبول | رکن |
| | جناب عادل اے حفار | رکن |
| | جناب قیصر احمد گون | |
| ج) | رسک مینجمنٹ کمیٹی | چیئر مین |
| | جناب ندیم مقبول | رکن |
| | جناب عادل اے حفار | رکن |
| | جناب قیصر احمد گون | |

کارپوریٹ گورننس کا ضابطہ

جیسا کہ پچھلے سال کی رپورٹ میں بیان کیا گیا ہے کہ بورڈ نے پاکستان کی سیکورٹیز اینڈ ایکسچینج کمیشن کی جانب سے جاری کردہ کارپوریٹ گورننس کے ضابطہ کو اپنانے کا فیصلہ کیا ہے اور یہ اسٹاک ایکسچینج کی فہرست سازی کے ضوابط کا حصہ بنایا گیا ہے۔

تمام سرگرمیاں فہرست سازی کے ضوابط / اسٹاک ایکسچینج کے رول بک کے مطابق انجام دی جاتی ہیں۔ ویزن اور مشن کے بیانات، بنیادی اقدار، اخلاقی اور کاروباری عمل کی تشریح، اور ضابطہ اخلاق بورڈ کی جانب سے تیار اور منظور شدہ ہیں اور انہیں ملازمین تک پہنچایا جا چکا ہے۔ کارپوریٹ گورننس کے ضابطہ کے تحت درکار اہم پالیسیز بنائی گئی ہیں اور بورڈ کی جانب سے وقتاً فوقتاً نظر ثانی کی جاتی ہیں۔

کارپوریٹ گورننس کے ضابطے کی ضروریات کے مطابق، ڈائریکٹرز یہ رپورٹ کرنے پر خوش ہیں کہ

الف مضاربہ کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے اس کی حقیقی مالی حیثیت، آپریٹنگ کے نتائج، نقد بہاؤ اور ایکٹیوٹی میں تبدیلیوں کی درست عکاسی کرتے ہیں؛

ب مضاربہ کی صحیح کتابوں کی دیکھ بھال کی گئی ہے؛

ج مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو مستقل بنیادوں پر لاگو کیا گیا ہے اور اکاؤنٹنگ کے امدازے معقول اور محتاط فیصلے پر مبنی ہیں؛

آپ کی کارکردگی اور سہولت کے امکانات

اسٹاک مارکیٹ نے کارکردگی دکھائی اور محدود اسٹاکس میں اضافہ دیکھا گیا۔ دنیا بھر میں اسٹاک مارکیٹ ہمیشہ مختلف عوامل پر منحصر ہوتی ہے جن میں سیاسی اور اقتصادی استحکام، روپے کی قدر، بین الاقوامی تیل کی قیمتیں، شرح سود وغیرہ شامل ہیں مگر ان تک محدود نہیں ہیں۔ اگرچہ پاکستان نے ایک معقول جی ڈی پی نمبر حاصل کیا لیکن ہمارا تجارتی اور کرنٹ اکاؤنٹ خسارے میں رہا، اور آہستہ آہستہ یہ فرق مختلف وجوہات کی بنا پر بڑھتا گیا۔ تاہم، حالیہ دنوں میں معیشت پر اثر انداز ہونے والے اعداد و شمار میں کافی بہتری آئی ہے جس سے آئندہ سال کے لیے بہتر توقعات پیدا ہوئی ہیں۔

ملک کو درپیش موجودہ سیاسی اور اقتصادی مسائل اور دیگر عوامل کی وجہ سے، ای ٹی ایل کی گزشتہ سال کی بی ایم آر سرمایہ کاری متوقع نتائج نہ دے سکی اور ای ٹی ایل نے روپے (374 ملین) کا نقصان اٹھایا جبکہ گزشتہ سال یہ نقصان روپے (288 ملین) تھا۔ یہ فی شیئر روپے (14.95) کے نقصان میں تبدیل ہوتا ہے جبکہ گزشتہ سال فی شیئر منافع روپے (9.13) تھا۔ ای ٹی ایل کی کتابی قیمت بھی گزشتہ سال روپے 46.17 سے کم ہو کر روپے 31.13 ہو گئی۔

کرنٹ اکاؤنٹ خسارے، روپے کی قدر میں کمی، تیل کی قیمتوں میں اضافے، مہنگائی کے اعداد و شمار اور پالیسی کی شرح میں اضافے کے باوجود پاکستان اسٹاک ایکسچینج نے خود کو محدود اسٹاکس میں سنبھالا۔ سب سے زیادہ قرضوں کی شرح اور مہنگائی کے بعد، ایک سرد مہری کا دور شروع ہوا ہے۔ ہمارا یقین ہے کہ یہ صورتحال درمیانی مدت میں کم ہو جائے گی اور اس منفی اثر کو ختم کرنے میں ایک یا دو سال لگ سکتے ہیں۔

یہ افسوسناک ہے کہ 1980 کے وہ تصورات، وژن اور خواب جس کے تحت مقامی صنعت کا قیام مضاربہ کے نام پر کیا گیا تھا اور جسے "مضاربہ آرڈیننس 1980" کے تحت نکلس کی چھوٹی دی گئی تھی، اسے مالیاتی بل 2023-2024 کے ذریعے ختم کر دیا گیا ہے۔ طویل مدتی وژن کو مختصر مدتی فوائد کے لیے محدود کر دیا گیا ہے۔

ہمیں یہ بتاتے ہوئے خوشی ہو رہی ہے کہ شریعت کے مطابق نہ ہونے والے لسٹڈ سیکورٹیز پر ہمارا وژن ایس ای سی پی کی جانب سے حال ہی میں متعارف کرائی گئی شریعت کی ہدایات میں تسلیم کیا گیا ہے۔

شریہ مشیر

ایس سی ایس اے ایم کے تحت درکار ضروریات کے مطابق، ایف ای ایم کی مالیاتی لین دین کو آزاد شریہ مشیر کی جانب سے جانچ اور آڈٹ کیا گیا اور ان کی رپورٹ ساتھ منسلک ہے۔

بورڈ آف ڈائریکٹرز اور کمیٹیاں

(i) کل ڈائریکٹرز کی تعداد

(ii) مرد 3

(iii) خواتین 1

ترتیب بشمول درج ذیل

1 آزاد ڈائریکٹرز

2 غیر ایگزیکٹو ڈائریکٹرز

1 ایگزیکٹو ڈائریکٹرز

ڈائریکٹرز کی رپورٹ برائے مضاربہ کمپنی

پریسیڈنٹ فنانشل سروسز (پرائیویٹ) لمیٹڈ کے ڈائریکٹرز، جو کہ فرسٹ ایکونومی مضاربہ (FEM) کے مینجمنٹ کمپنی ہیں، فخر کے ساتھ اپنے مضاربہ کی رپورٹ اور آڈیٹ مالیاتی بیانات پیش کرتے ہیں۔ اس میں FEM اور اس کے ذیلی اداروں ایٹیکس فنانشل سروسز (پرائیویٹ) لمیٹڈ، کمیٹیئل فنانشل سروسز (پرائیویٹ) لمیٹڈ اور ایکوآ ٹیکسٹائلز لمیٹڈ کے مشترکہ مالیاتی بیانات بھی شامل ہیں، جو سال 30 جون 2024 کو ختم ہوئے۔

مالیاتی نتائج

FEM کو اس سال 19.44 ملین روپے کا خسارہ ہوا، جبکہ پچھلے سال (22.35) ملین روپے کا خسارہ ہوا تھا، جو کہ فی سرٹیکلیٹ خسارہ (0.37) روپے بنتا ہے، جبکہ پچھلے سال (0.43) روپے تھا۔ اس سال کا مجموعی خسارہ (252) ملین روپے رہا۔

مالیاتی نتائج

| روپے میں | |
|--------------|--------------------|
| 8,879,342 | آمدن |
| | اخراجات |
| (27,484,072) | آپریٹنگ اخراجات |
| (889) | بینک چارجز |
| (27,484,971) | کل اخراجات |
| (18,605,629) | آپریٹنگ خسارہ |
| 146,063 | دیگر آمدنی |
| (18,459,566) | ٹیکس سے پہلے خسارہ |
| (976,413) | ٹیکس |
| (19,435,979) | خالص خسارہ |
| (0.37) | فی سرٹیکلیٹ خسارہ |

ڈویڈنڈ تقسیم

چونکہ مضاربہ نے سال کے دوران نقصان برداشت کیا ہے، اس لیے منافع کی تقسیم کا کوئی اعلان نہیں کیا جائے گا (2023: کوئی منافع تقسیم نہیں ہوا)۔ تاہم، ریگولیشنز تقاضوں کو پورا کرنے کے لیے، کتاب کی بندش کی تاریخ بدھ 27 نومبر 2024 سے جمعہ 06 دسمبر 2024 تک (دونوں دن شامل) ہوگی۔

ہماری کارکردگی اور مستقبل کے امکانات

آڈیٹرز نے اپنی رائے کو انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کی عدم تعمیل کی بنیاد پر مشروط کیا ہے جو کہ مارکیٹ ایبل سیکورٹیز کی قیمت کو منصفانہ قیمت پر ایڈجسٹ کرنے سے متعلق ہے اور کسی بھی منافع / نقصان (نقصان) کو سال کے منافع و نقصان اکاؤنٹ میں شامل / چارج کیا جانا چاہیے جس کی رقم روپے (39.7) ملین ہے (2023: روپے (10.667) ملین)۔ آڈیٹرز کی اس رائے کو قبول نہ کرنے کے ہمارے بنیادی موقف کی وجہ یہ ہے کہ، اولاً، ہم نہیں سمجھتے کہ یہ دوبارہ جانچ مستقل نوعیت کی ہے۔ دوم ہماری صنعت کا قیام اس تصور پر ہوا کہ سالانہ بنیادوں پر جو کمایا جائے وہ تقسیم کیا جائے۔ ریگولیشنز تجدیلوں کے نتیجے میں پہلے دی گئی وہ عمومی ٹیکس چھوٹ، جو کہ سال 90 منافع تقسیم کرنے والے مضاربہ کو دی جاتی تھی، واپس لے لی گئی ہے۔ ہم سمجھتے ہیں کہ قیمت کو منصفانہ قیمت پر ایڈجسٹ کرنا غیر محسوس شدہ سرمایہ منافع کی تقسیم لاگت کی وصولی کے مترادف ہوگا۔

**REVIEW REPORT ON STATEMENT OF COMPLIANCE
CONTAINED IN LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (hereinafter referred to as 'Code') prepared by the Board of Directors of **Premier Financial Services (Private) Limited** (the Management Company) For the year ended June 30, 2024 to comply with the requirements of regulation 36 of Listed Companies (Code of Corporate Governance) Regulations.

The responsibility for compliance with the Code and the Rules is that of the Board of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Code or the Rules. A review is limited primarily to inquiries of the Modaraba's and Management Company's to comply with the Code and the Rules.

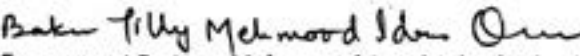
As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers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

Further, the Code and the Rules requires the 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, for and on behalf of Modaraba, in all material respects, with the requirements contained in the Code and the Rules as applicable to the Modaraba for the year ended June 30, 2024

Further, we draw attention to following instance of non-compliance to the annexed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019:

1. Ratio of independent directors in the board of directors: As referred in point no.2(a) to the annexed Statement of Compliance, considering the limited business in the Modaraba, the single independent director has requisite education and suitable experience to carry out relevant responsibilities, therefore the Board has not appointed any other independent


Engagement Partner: Muhammad Aqeel Ashraf Tabani

Karachi.

Date: October 07, 2024

UDIN: CR202410542MnzHwiUsC

AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS

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.

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. | <p>Revenue recognition</p> <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>As detailed in Basis of Qualified Opinion, 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> | <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; • 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.

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:

- 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.

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 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.

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

Baker Tilly Mehmood Idrees Qamar
Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Karachi

Date: October 07, 2024

UDIN: AR202410542GnvbQwk7a



**BALANCE SHEET
AS AT JUNE 30, 2024**

| | Note | 2024 | 2023 |
|--|----------|--------------|---------------------|
| | | ----- | Rupees ----- --- |
| EQUITY AND LIABILITIES | | | |
| Authorized certificate capital | | | |
| 60,000,000 Modaraba certificates of Rs. 10 each | | 600,000,000 | 600,000,000 |
| Certificate holders' equity | | | |
| Issued, subscribed and paid-up certificate capital | 5 | 524,400,000 | 524,400,000 |
| Reserves | 6 | 59,180,043 | 78,616,021 |
| Remeasurement of defined benefit liability - actuarial gain | | 2,873,713 | 1,688,143 |
| Unrealized loss on remeasurement of investment | | (24,749,991) | (74,207,492) |
| Total certificate holders' equity | | 561,703,765 | 530,496,672 |
| Non-current liabilities | | | |
| Deferred liability | 7 | 7,170,120 | 6,780,327 |
| Security deposit | | 200,000 | 200,000 |
| Total non-current liabilities | | 7,370,120 | 6,980,327 |
| Current liabilities | | | |
| Creditors, accrued and other liabilities | 8 | 19,473,557 | 10,240,659 |
| Unclaimed profit distribution | | 31,116,073 | 31,127,871 |
| Total current liabilities | | 50,589,630 | 41,368,530 |
| Total equity and liabilities | | 619,663,515 | 578,845,529 |
| Contingencies and commitments | 9 | | |

For Premier Financial Services (Private) Limited
(Modaraba Management Company)

| | | | |
|--|---|---|---|
| Qazi Obaid Ullah Chief Financial Officer | Adil A. Ghaffar Chief Executive Officer | Director | Director |
| | Premier Financial Services (Private) Limited | Premier Financial Services (Private) Limited | Premier Financial Services (Private) Limited |

**BALANCE SHEET
AS AT JUNE 30, 2024**

ASSETS

Non-current assets

Fixed assets

| | | | |
|----------------------------|-----------|-------------|-------------|
| -tangible | 10 | 2,288,587 | 2,965,489 |
| -intangible | 11 | - | - |
| Investment property | 12 | 871,667 | 991,667 |
| Long term investments | 13 | 418,239,233 | 408,502,006 |
| Advances - considered good | | 2,510,000 | 2,510,000 |
| Deposits | | 1,750,000 | 1,750,000 |
| Total non-current assets | | 425,659,487 | 416,719,162 |

Current assets

| | | | |
|--------------------------------|-----------|-------------|-------------|
| Short term investments | 15 | 77,664,074 | 65,725,306 |
| Advances - considered good | 16 | 12,425,129 | 12,030,194 |
| Trade deposits and prepayments | 17 | 15,311,748 | 15,293,467 |
| Other receivables | 18 | 72,057,555 | 57,954,847 |
| Bank balances | 19 | 16,545,521 | 11,122,553 |
| Total current assets | | 194,004,028 | 162,126,367 |
| Total assets | | 619,663,515 | 578,845,529 |

The annexed notes 1 to 40 form an integral part of these financial statements.

For Premier Financial Services (Private) Limited
(Modaraba Management Company)

| | | | |
|---|---|---|---|
| Qazi Obaid Ullah Chief Financial Officer | Adil A. Ghaffar Chief Executive Officer | Director | 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, 2024**

| | Note | 2024 ----- Rupees ----- | 2023 ----- |
|---|----------------------------|----------------------------|---------------|
| 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) |

For Premier Financial Services (Private) Limited
(Modaraba Management Company)

Qazi Obaid Ullah
Chief Financial Officer

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

Director
Premier Financial Services
(Private) Limited

Director
Premier Financial Services
(Private) Limited

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024**

| | 2024 | 2023 |
|--|--------------------|--------------|
| | ----- Rupees ----- | |
| Other comprehensive income | | |
| <i>Items that will be subsequently reclassified:</i> | | |
| - Unrealized gain / (loss) on remeasurement of investment | 48,326,927 | (4,020,207) |
| - Loss realized on disposal of investments | (8,606,428) | (6,657,307) |
| <i>Items that will not be subsequently reclassified:</i> | | |
| - Remeasurement of defined benefit liability | 1,185,570 | 323,177 |
| - Unrealized gain on remeasurement of investment held at 'fair value through other comprehensive income' | 9,737,003 | 5,846,777 |
| Other comprehensive income / (loss) | 50,643,072 | (4,507,560) |
| | | |
| Total comprehensive income / (loss) for the year | 31,207,093 | (26,853,528) |

The annexed notes 1 to 40 form an integral part of these financial statements.

For Premier Financial Services (Private) Limited
(Modaraba Management Company)

| | | | |
|---|---|---|---|
| Qazi Obaid Ullah Chief Financial Officer | Adil A. Ghaffar Chief Executive Officer Premier Financial Services (Private) Limited | Director Premier Financial Services (Private) Limited | Director Premier Financial Services (Private) Limited |
|---|---|---|---|



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

| | 2024 | 2023 |
|--|----------------------|--------------|
| Note | ----- Rupees ----- | ----- |
| CASHFLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax and levy (final & minimum tax) | (18,459,566) | (21,514,899) |
| Adjustments for non-cash and other items: | | |
| Depreciation on tangible assets | 782,102 | 1,388,853 |
| Depreciation on investment property | 120,000 | - |
| Provision for gratuity | 1,575,363 | 1,205,845 |
| Dividend income | (5,145,758) | (5,201,121) |
| | (2,668,293) | (2,606,423) |
| Cash used in operations before working capital changes | (21,127,859) | (24,121,322) |
| Working capital changes: | | |
| (Increase) / decrease in operating assets | | |
| Morabaha / Musharaka receivables - secured | - | 9,560,623 |
| Advances | 41,290 | (469,387) |
| Trade deposits and prepayments | (18,281) | 1,147,487 |
| Other receivables | (14,102,709) | (6,180,157) |
| | (14,079,700) | 4,058,566 |
| Increase / (decrease) in operating liabilities | | |
| Creditors, accrued and other liabilities | 9,232,898 | (4,323,530) |
| | 9,232,898 | (4,323,530) |
| Dividend paid | (11,798) | 679,620 |
| Tax paid | (1,412,638) | (831,069) |
| Net cash used in operating activities | (27,399,097) | (24,537,735) |
| CASHFLOWS FROM INVESTING ACTIVITIES | | |
| Investments - net | 27,781,507 | 20,069,126 |
| Dividend received | 5,145,758 | 5,201,121 |
| Purchase of tangible assets | (105,200) | (285,900) |
| Net cash generated from investing activities | 32,822,065 | 24,984,347 |
| Net increase in cash and cash equivalents | 5,422,968 | 446,612 |
| Cash and cash equivalents at beginning of the year | 11,122,553 | 10,675,941 |
| Cash and cash equivalents at the end of the year | 19 16,545,521 | 11,122,553 |

The annexed notes 1 to 40 form an integral part of these financial statements.

For Premier Financial Services (Private) Limited
(Modaraba Management Company)

| | | | |
|---|---|---|---|
| Qazi Obaid Ullah Chief Financial Officer | Adil A. Ghaffar Chief Executive Officer | Director | Director |
| | Premier Financial Services (Private) Limited | Premier Financial Services (Private) Limited | Premier Financial Services (Private) Limited |

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2024

| | Issued, subscribed and paid-up certificate capital | Reserves | | | | Total reserves | Remeasurement of defined benefit liability | Unrealized gain on remeasurement of investments | Total |
|--|--|--------------------|-----------------------------|-------------------|----------------------|-------------------|--|---|--------------------|
| | | Statutory reserve* | Certificate premium account | General reserve | Accumulated loss | | | | |
| Rupees | | | | | | | | | |
| Balance as at July 01, 2022 | 524,400,000 | 164,334,210 | 131,100,000 | 17,321,036 | (211,793,257) | 100,961,989 | 1,364,966 | (69,376,755) | 557,350,200 |
| Loss for the year ended June 30, 2023 | - | - | - | - | (22,345,968) | (22,345,968) | - | - | (22,345,968) |
| Other comprehensive income / (loss) for the year | - | - | - | - | - | - | 323,177 | (4,830,737) | (4,507,560) |
| Balance as at June 30, 2023 | 524,400,000 | 164,334,210 | 131,100,000 | 17,321,036 | (234,139,225) | 78,616,021 | 1,688,143 | (74,207,492) | 530,496,672 |
| Loss for the year ended June 30, 2024 | - | - | - | - | (19,435,979) | (19,435,979) | - | - | (19,435,979) |
| Other comprehensive income for the year | - | - | - | - | - | - | 1,185,570 | 49,457,501 | 50,643,071 |
| Balance as at June 30, 2024 | 524,400,000 | 164,334,210 | 131,100,000 | 17,321,036 | (253,575,203) | 59,180,043 | 2,873,713 | (24,749,991) | 561,703,765 |

* 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 fund equals the certificate capital. Thereafter, a sum not less than 5% of the after tax profit is required to be transferred to the statutory reserve.

The annexed notes 1 to 40 form an integral part of these financial statements.

| | | |
|---|--|--|
| Qazi Obaid Ullah Chief Financial Officer Premier Financial Services (Private) Limited | Adil A. Ghaffar Chief Executive Officer Premier Financial Services (Private) Limited | Director Premier Financial Services (Private) Limited Director Premier Financial Services (Private) Limited |
|---|--|--|



NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

1. LEGAL STATUS AND NATURE OF THE 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 Trading Right Entitlement Certificate (TREC) holder of the Pakistan Stock Exchange Limited and is currently operating its brokerage activities in Pakistan Stock Exchange Limited.

The Modaraba is listed on Pakistan Stock Exchange Limited. 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. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Trust Deed and directives issued by the Securities and Exchange Commission of Pakistan (the SECP) ('collectively the applicable Modaraba laws, the Modaraba Regulations') together with approved accounting standards as applicable in Pakistan to Modarabas. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) and Islamic Financial Accounting Standards (IFAS) as notified under the provisions of the Companies Act, 2017 and made applicable to modarabas under 'the Modaraba Regulations'. Wherever the requirements of the applicable Modaraba laws, the Modaraba Regulations differ with the requirement of IFRSs, the requirement of collectively the applicable Modaraba laws, the Modaraba Regulations and IFAS shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the "historical cost convention" except for the revaluation of certain financial assets which are stated at fair value. These financial statements have been prepared following accrual basis of accounting except for cash flow information. The Modaraba follows trade date accounting for recording of all of its financial assets and liabilities.

2.3 Functional and presentation currency

These financial statements have been presented in Pakistan Rupees, which is the functional and presentation currency of the Modaraba.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

2.4 Significant accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period effected.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

| | | Note |
|----|--|--------------------------|
| a) | Useful life of depreciable assets / amortizable assets | 4.1 & 4.2 |
| b) | Impairment of assets | 4.1.1, 4.2, 4.4.1 & 4.12 |
| c) | Classification of investments | 4.4 |
| d) | Income tax Provision for staff | 4.6 |
| e) | gratuity | 4.8 |
| f) | Provision for non-performing assets | 4.12 |

3. NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

During the year the Institute of Chartered Accountants of Pakistan (ICAP) have withdrawn the Technical Release 27 "IAS 12, Income Taxes (Revised 2012)" and issued guidance – "IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes". The said guidance requires taxes paid under final tax regime to be shown separately as a levy instead of showing it in current tax. Further the treatment of minimum taxes has been presented differently in this guidance.

Accordingly, the impact has been incorporated in these financial statements retrospectively in accordance with the requirement of International Accounting Standard (IAS 8) – 'Accounting Policies, Change in Accounting Estimates and Errors'. There has been no effect on the Statement of Financial Position, Earnings per share and Statement of Changes in Equity as a result of this change.



**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

Effect on statement of profit or loss and other comprehensive income

| | Had there been no Change in accounting policy | Impact of Change in accounting policy | After incorporating effects of change in accounting policy |
|---|---|--|---|
| | ----- Rupees ----- | | |
| For the year ended June 30, 2024 | | | |
| Taxation - final taxes | - | (771,864) | (771,864) |
| Taxation - minimum taxes | - | 164,212) | (164,212) |
| Loss before taxation | (18,459,566) | - | (18,459,566) |
| Taxation - income tax | (976,413) | 936,076 | (40,337) |
| | <u>(19,435,979)</u> | <u>-</u> | <u>(19,435,979)</u> |
| For the year ended June 30, 2023 | | | |
| Taxation - final taxes | - | (780,168) | (780,168) |
| Taxation - minimum taxes | - | (50,901) | (50,901) |
| Loss before taxation | (21,514,899) | - | (21,514,899) |
| Taxation - income tax | (831,069) | 831,069 | - |
| | <u>(22,345,968)</u> | <u>-</u> | <u>(22,345,968)</u> |

3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2024

The following standards, amendments and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the financial statements other than certain additional disclosures.

| | Effective date (annual periods beginning on or after) |
|--|--|
| Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice | January 01, 2023 |
| Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates | January 01, 2023 |
| Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction | January 01, 2023 |
| Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes | January 01, 2023 |

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

The Company adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the Company to provide useful entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and updates to the information disclosed in Note 4 Material accounting policy information (2023: Significant accounting policies) in certain instances in line with the amendments and concluded that all its accounting policies are material for disclosure.

3.2 New accounting standards, amendments and interpretations that are either not yet effective or relevant to the Company

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

| | Effective date (annual periods beginning on or after) |
|---|--|
| Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements | January 01, 2024 |
| Amendments to IFRS 7 'Financial Instruments: Disclosures'- Amendments regarding the classification and measurement of financial instruments | January 01, 2026 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments | January 01, 2026 |
| | |
| Amendments to IAS 1 'Presentation of Financial Statements Classification of liabilities as current or non-current | January 01, 2024 |
| Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants | January 01, 2024 |
| Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements | January 01, 2024 |
| Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability | January 01, 2025 |
| IFRS 17 Insurance Contracts | January 01, 2026 |



NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been issued by IASB effective from July 01, 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP).

IFRS 18 'Presentation and Disclosures in Financial Statements' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by SECP.

IFRS 19 'Subsidiaries without Public Accountability: Disclosures' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by SECP.

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the timeframe for the adoption.

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 statement of financial position date.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the presentation of these financial statements are set out below.

4.1 Fixed Assets

4.1.1 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 10.

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 statement of financial position date.

4. 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 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 Modaraba assesses at each statement of financial position 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.

4.1.2 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.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

4.2 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 no. 12. 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 statement of financial position 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 recognized 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 recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its remaining 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 recognized as an income or expense.

4.3 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.

4.4 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Modaraba statement of assets and liabilities when the Modaraba becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the income statement.

4.4.1 Financial assets

Initial Measurement

The Modaraba classifies its financial assets into following three categories:

- measured at amortized cost (AC);
- fair value through profit or 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.



NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

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 recognized in the statement of profit or loss account. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in the statement of profit or loss.

Financial assets measured at amortized cost

Financial assets measured at these assets are subsequently measured at amortized cost using the effective amortized cost interest method. The amortized cost is reduced by impairment losses. Interest / markup income, and impairment are recognized in the statement of profit or loss.

Equity Investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize 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 amortized 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 instrument.

Provision of financial assets (i.e. Musharaka, Ijarah and Murabaha) is recognized in accordance with the criteria laid down in prudential regulations issued by Securities and Exchange commission of Pakistan (SECP) and is charged to the statement of profit or loss in the period to which it relates.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

4.4.2 Financial liabilities

Financial liabilities are initially recognized on trade date i.e. date on which the Modaraba becomes party to the respective contractual provisions. The Modaraba derecognizes 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 amortized cost using effective interest rate method.

4.4.3 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 statement of profit or loss.

4.5 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.
- (f) Unrealized income is suspended, where necessary, on non-performing assets (including non-performing net investment in ijarah and murabaha and musharaka finances), in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP.

4.6 Taxation and levy (final and minimum tax)

Levy - final and minimum tax

- #### 4.6.1
- Computation of minimum tax chargeable under various sections of ITO 2001, provisions of such sections require its comparison with amount of tax attributable to income streams taxable at general rate of taxation, such minimum taxes are not fully outside the scope of IAS-12 and a certain portion of them falls in scope of IAS - 12. Based on this, the minimum taxes under ITO 2001 are hybrid taxes which comprise of a component within the scope of IAS - 12 and a component within the scope of IFRIC - 21 / IAS - 37.

As regards final taxes, its computation is based on revenue or other bases other than taxable income, therefore, final taxes fall under levy within the scope of IFRIC – 21 / IAS – 37, hence treated and classified accordingly, as per the requirements of / and guidelines issued by ICAP.

In identifying and classifying each component of minimum tax being hybrid in nature, company designate the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS – 12 “Income taxes” and recognize it as current income tax expense. Any excess over the amount designed as income tax, is recognized as a levy falling under the scope of IFRIC – 21 / IAS – 37.



NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

4.6.2 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss except to the extent that it relates to item recognized directly in other comprehensive income in which case it is recognized in other comprehensive income.

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates realisable, if any.

Prior tax

The charge for prior tax includes adjustments to charge for prior years which arises from assessments / developments made during the year, if any.

Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method arising between the amounts attributed to assets and liabilities for financial reporting purposes and financial statements used for taxation purposes.

4.7 Foreign currency translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the statement of financial position 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.

4.8 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 7. Actuarial gains / losses are recognized over the average lives of the employees.

4.9 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the statement of financial position 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.

4.10 Provisions

Provisions are recognized in the statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

4.11 Profit distribution to certificates holders

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

4.12 Impairment of Non-financial assets

The carrying amount of Modaraba's assets are reviewed at each statement of financial position 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 statement of profit or loss.

4.13 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:

- Musharaka 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.

4.14 Earnings per certificate

The Modaraba presents earnings per certificate (EPC) data for its certificates. Basic EPC is calculated by dividing the profit or loss attributable to certificate holders of the Modaraba by weighted average number of certificates outstanding during the year. Diluted EPC is determined by adjusting the profit or loss attributable to certificate holders and the weighted average number of certificates outstanding for the effects of all dilutive potential certificates.

4.15 Related party transactions

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

4.16 Cash and cash equivalents

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

4.17 Functional and reporting currency

Items included 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.



**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

4.18 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.

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.

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

5. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

| 2024 | 2023 | Note | 2024 | 2023 |
|--------------------------------|-------------------|------------|--------------------|--------------------|
| --- Number of certificates --- | | | ----- Rupees ----- | |
| 46,220,000 | 46,220,000 | 5.1 | 462,200,000 | 462,200,000 |
| 6,220,000 | 6,220,000 | 5.2 | 62,200,000 | 62,200,000 |
| <u>52,440,000</u> | <u>52,440,000</u> | | <u>524,400,000</u> | <u>524,400,000</u> |

5.1 Modaraba certificates of Rs. 10 each fully paid-up in cash.

5.2 Modaraba certificates of Rs. 10 each issued as fully paid-up bonus certificates.

5.3 PATTERN OF SHARHOLDING

| | 2024 | |
|---|-------------------|-------------|
| | Shares held | Percentage |
| <i>Directors and their spouse(s) and minor children</i> | | |
| Mr. Nadeem Maqbool | 608,356 | 1.160% |
| Mrs. Nazia Maqbool | 144,660 | 0.276% |
| Mr. Qaiser Ahmed Magoon | 1,000 | 0.002% |
| Ms. Alizeh Bashir | 98,706 | 0.188% |
| <i>Associated companies, undertakings and related parties</i> | 12,388,435 | 23.624% |
| <i>Public Sector Companies and Corporations</i> | 1,498,659 | 2.858% |
| <i>Public Sector Companies and Corporations</i> | 1,498,659 | 2.858% |
| <i>Banks, development finance institutions, non- banking finance companies, insurance companies, takaful, modarabas and pension funds</i> | 3,375,504 | 6.437% |
| <i>Others</i> | 34,324,680 | 65.455% |
| | <u>52,440,000</u> | <u>100%</u> |

5.4 Below are the names of shareholders having more than 5% of the shares and all changes in shareholding above 5%.

| Name of shareholders | 2024 | 2023 | 2024 | 2023 |
|---|-------------------------|-----------|--------------------------|---------|
| | ----- Shares held ----- | | ----- % of holding ----- | |
| Humera Muhammad Iqbal | 5,809,784 | 5,809,784 | 11.079% | 11.079% |
| Premier Financial Services (Private) Limited (Modaraba Management Company) | 5,533,081 | 5,533,081 | 10.551% | 10.551% |
| Premier Insurance Limited | 4,680,000 | 4,680,000 | 8.924% | 8.924% |
| Durain Cassim | 3,500,000 | 3,478,000 | 6.674% | 6.632% |
| Dinaz Cassim | 3,500,000 | 3,236,500 | 6.674% | 6.172% |
| Sharik Bashir | 3,209,171 | 3,209,171 | 6.120% | 6.120% |
| Icon Management (Private) Limited | 3,023,697 | 3,023,697 | 5.766% | 5.766% |



**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

| | | 2024 | 2023 |
|-----|--|--------------------|------------------------------------|
| | | ----- Rupees ----- | |
| 6. | RESERVES | | |
| | Capital reserve | | |
| | Statutory reserve | 164,334,210 | 64,334,210 |
| | Certificate premium account | 131,100,000 | 131,100,000 |
| | Revenue reserve | | |
| | Accumulated loss | (253,575,203) | (234,139,225) |
| | General reserve | 17,321,036 | 17,321,036 |
| | | 59,180,043 | 78,616,021 |
| 6.1 | 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 fund equals the certificate capital. | | |
| 7. | DEFERRED LIABILITY | Note | 2024 ----- Rupees ----- 2023 |
| | Staff gratuity | 7.2 | 7,170,120 6,780,327 |
| | | | 7,170,120 6,780,327 |
| 7.1 | General description | | |
| | Employees, after completion of one year of service, shall be entitled for gratuity on leaving the Modaraba'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, 2024 on September 24, 2024 using the Projected Unit Method. | | |
| 7.2 | Amount recognized in the statement of financial position are as follows: | | 2024 ----- Rupees ----- 2023 |
| | Present value of defined benefit obligation | | 7,170,120 6,780,327 |
| | Total defined benefit | | 7,170,120 6,780,327 |
| 7.3 | Movement in defined benefit obligation | | |
| | Opening balance | | 6,780,327 5,897,659 |
| | Charged for the defined benefit plan | | |
| | Current service cost | 473,560 | 424,405 |
| | Net interest | 1,101,803 | 781,440 |
| | Actuarial gain on obligation | (1,185,570) | (323,177) |
| | | 389,793 | 882,668 |
| | | 7,170,120 | 6,780,327 |

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

| 7.4 Actuarial assumptions | 2024 | 2023 |
|--|-----------------------------|--------|
| | ----- Rates per annum ----- | |
| Valuation discount rate | 16.25% | 13.25% |
| Salary increase rate -short term (period of next one year) | 14.75% | 16.25% |
| Salary increase rate- long term | 14.75% | 16.25% |

The expected maturity analysis of undiscounted retirement benefit obligation is:

| | 2024 |
|------------------|------------------------|
| | Un-discounted payments |
| | ----- Rupees ----- |
| | <hr/> |
| 2025 | 16,605 |
| 2026 | 192,687 |
| 2027 | 227,732 |
| 2028 | 4,520,030 |
| 2029 and onwards | 71,000,133 |

Mortality rates assumed were based on the SLIC 2001-2005 (Standard Life table for Pakistani insured population) mortality table.

The rates for withdrawal from service and retirement on ill-health grounds are based on industry / country experience.

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

| | Impact on defined benefit obligation | | |
|--------------------|--------------------------------------|--------------------|-----------|
| | Change in | Increase | Decrease |
| | assumptions | | |
| | ---- (%) ---- | ----- Rupees ----- | |
| Discount rate | 1% | 6,739,295 | 7,654,327 |
| Salary growth rate | 1% | 7,654,441 | 6,731,593 |

The expected gratuity expense for the next year amounted to Rs. 1.163 million. This is the amount by which defined benefit liability is expected to increase.

Risks to which the scheme maintained by the Company is exposed are as follows such as:

Salary risk

The risk that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.



NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

Mortality risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal risk

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

| | | 2024 | 2023 |
|----|--|--------------------|------------|
| | Note | ----- Rupees ----- | ----- |
| 8. | CREDITORS, ACCRUED AND OTHER LIABILITIES | | |
| | Payable to clients | 11,497,179 | 4,193,241 |
| | Accrued expenses | 6,543,633 | 4,633,824 |
| | Other liabilities | 1,432,745 | 1,413,594 |
| | | 19,473,557 | 10,240,659 |

8.1 Payable to clients include payable to related parties amounting to Rs. 85,960.

8.2 Other liabilities include Rs. 1,190,745 (2023: Rs. 1,193,594) payable to Premier Financial Services (Private) Limited.

9. CONTINGENCIES AND COMMITMENTS

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

An appeal is pending before the Appellate Tribunal Revenue (ATIR) - Sindh Revenue Board (SRB) on the issue of charging provincial tax on the reimbursement cost received by the Modaraba from the client. Appeal is pending adjudication and the management is expecting favourable outcome of the same.

Modaraba has filed a suit against SECP for declaration and permanent injunction before the High Court of Sindh restraining SECP from cancelling, lapsing, extinguishing or affecting its Trading Right Entitlement Certificate issued by Karachi Stock Exchange or any right of the Company under the same and directing SECP to grant permission for incorporating a wholly owned subsidiary company for transfer of the Certificate to such company. The Court passed ad interim orders restraining SECP from taking any coercive action against the Company and to maintain status quo. The matter is at the stage of hearing of applications.

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

10. TANGIBLE ASSETS

| | Office premises | Furniture and fixtures | Motor vehicles | Computers | Office equipments | Total |
|----------------------------|-----------------|------------------------|----------------|-----------|-------------------|--------------|
| ----- Rupees ----- | | | | | | |
| Net carrying value basis | | | | | | |
| Year ended June 30, 2023 | | | | | | |
| Opening net book value | 2,982,373 | 2 | 549,164 | 120,968 | 295,935 | 3,948,442 |
| Additions - at cost | - | - | - | 285,900 | | 285,900 |
| Disposal | | | | | | |
| Cost | - | - | - | (250,942) | - | (250,942) |
| Accumulated depreciation | - | - | - | 250,942 | - | 250,942 |
| Depreciation charge | (519,017) | - | (549,163) | (101,907) | (98,766) | (1,268,853) |
| Closing net book value | 2,463,356 | 2 | 1 | 304,961 | 197,169 | 2,965,489 |
| Gross carrying value basis | | | | | | |
| As at June 30, 2023 | | | | | | |
| Cost | 10,380,294 | 105,059 | 2,745,635 | 818,706 | 1,062,245 | 15,111,939 |
| Accumulated depreciation | (7,916,938) | (105,057) | (2,745,634) | (513,745) | (865,076) | (12,146,450) |
| Net book value | 2,463,356 | 2 | 1 | 304,961 | 197,169 | 2,965,489 |
| Net carrying value basis | | | | | | |
| Year ended June 30, 2024 | | | | | | |
| Opening net book value | 2,463,356 | 2 | 1 | 304,961 | 197,169 | 2,965,489 |
| Additions - at cost | - | - | - | 105,200 | - | 105,200 |
| Disposal | | | | | | |
| Cost | - | - | - | - | - | - |
| Accumulated depreciation | - | - | - | - | - | - |
| Depreciation charge | (511,838) | - | - | (176,878) | (93,386) | (782,102) |
| Closing net book value | 1,951,518 | 2 | 1 | 233,283 | 103,783 | 2,288,587 |
| Gross carrying value basis | | | | | | |
| As at June 30, 2024 | | | | | | |
| Cost | 10,380,294 | 105,059 | 2,745,635 | 923,906 | 1,062,245 | 15,217,139 |
| Accumulated depreciation | (8,428,776) | (105,057) | (2,745,634) | (690,623) | (958,462) | (12,928,552) |
| Net book value | 1,951,518 | 2 | 1 | 233,283 | 103,783 | 2,288,587 |
| Depreciation (% per annum) | 5% | 20% | 20% | 33% | 20% | |



**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

| | | 2024 | | 2023 |
|------|--|--------------------|-----------------|--------------------|
| | Note | ----- | Rupees | ----- |
| 11. | INTANGIBLE ASSETS | | | |
| | Cost | 10,000,000 | | 10,000,000 |
| | Advance against TREC | (10,000,000) | | (10,000,000) |
| | | <u>-</u> | | <u>-</u> |
| 11.1 | 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. | | | |
| | | | Office Premises | |
| | | 2024 | | 2023 |
| 12. | INVESTMENT PROPERTY | ----- | Rupees | ----- |
| | Net carrying value basis | | | |
| | Year ended June 30, | | | |
| | Opening net book value | 991,667 | | 1,111,667 |
| | Additions - at cost | - | | - |
| | Depreciation charge | (120,000) | | (120,000) |
| | Closing net book value | <u>871,667</u> | | <u>991,667</u> |
| | Gross carrying value basis | | | |
| | As at June 30, 2024 | | | |
| | Cost | 2,400,000 | | 2,400,000 |
| | Accumulated depreciation | (1,528,333) | | (1,408,333) |
| | Net book value | <u>871,667</u> | | <u>991,667</u> |
| | Depreciation (% per annum) | 5% | | 5% |
| 12.1 | The fair value of investment property as at June 30, 2024 Rs. 8,869,536 (2023: Rs. 7,391,280) as per valuation report of independent valuer. | | | |
| | | 2024 | | 2023 |
| 13. | LONG TERM INVESTMENT | ----- | Rupees | ----- |
| | Investment in subsidiaries | 350,000,000 | | 350,000,000 |
| | Investment in equity securities | | | |
| | - held at fair value through other comprehensive income | | | |
| | Un-listed securities | 68,239,233 | | 58,502,006 |
| | | <u>418,239,233</u> | | <u>408,502,006</u> |

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

13.1 Investment in subsidiaries

| 2024 | 2023 | | 2024 | 2023 |
|---------------------|-------------------|--|--------------------|--------------------|
| ----- Numbers ----- | | | ----- Rupees ----- | |
| 500,000 | 500,000 | Capital Financial Services (Pvt.) Ltd. 13.1.1 | 50,000,000 | 50,000,000 |
| 500,000 | 500,000 | Apex Financial Services (Pvt.) Ltd. 13.1.1 | 50,000,000 | 50,000,000 |
| 25,000,000 | 25,000,000 | Equity Textiles Ltd. 13.1.2 | 250,000,000 | 250,000,000 |
| <u>26,000,000</u> | <u>26,000,000</u> | | <u>350,000,000</u> | <u>350,000,000</u> |

13.1.1 Capital Financial Services (Private) Limited (CFSL) and Apex Financial Services (Private) Limited (AFSL) are wholly owned subsidiaries of the Modaraba having ordinary shares per unit of Rs. 100 each. Net assets value per share of CFSL & AFSL is Rs. 8.73 (2023: Rs. 13.44) and Rs. 17.32 (2023: 21.69) as per financial statements as at June 30, 2024 audited by Baker Tilly Mehmood Idrees Qamar, Chartered Accountants.

13.1.2 Equity Textiles Limited is a wholly owned subsidiary of the Modaraba. Net assets value per share of Equity Textiles Limited is Rs. 31.13 (2023: Rs. 46.02) as per financial statements as at June 30, 2024 audited by BDO Ebrahim & Company, Chartered Accountants.

13.2 Investment in equity securities

13.2.1 Unlisted securities

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

| 2024 | 2023 | Note | 2024 | 2023 |
|--------------------------------------|------------------|---|--------------------|-------------------|
| ----- Numbers ----- Name of investee | | | ----- Rupees ----- | |
| 50,000 | 50,000 | Sapphire Power Generation Ltd. 13.2.1.1 | 5,559,744 | 4,990,500 |
| 3,034,603 | 3,034,603 | ISE Towers REIT Management Co. 13.2.1.2 | 62,637,688 | 53,469,705 |
| 78,150 | 78,150 | Callmate Telips Telecom Ltd. 13.2.1.3 | 1 | 1 |
| 22,000 | 22,000 | Javed Omer Vohra & Company Ltd. 13.2.1.4 | 41,800 | 41,800 |
| <u>3,184,753</u> | <u>3,184,753</u> | | <u>68,239,233</u> | <u>58,502,006</u> |

13.2.1.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 111.19 (2023: Rs. 99.81) as per financial statements as at June 30, 2024 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.

13.2.1.2 Net assets value per share of ISE Towers REIT Management Company Limited Rs. 20.64 (June 30, 2023: Rs. 17.62) as per financial statements as at March 31, 2023. The auditors are BDO Ebrahim & Company, Chartered Accountants.

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

13.2.1.4 The investee company had been de-listed in prior year. Therefore, the investment has been reclassified from listed securities to un-listed securities. Currently, the investment is carried at Rs. 1.90 per share (quoted price of last trading day before de-listing)



**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

| 2023 ----- Numbers ----- | 2024 | Name of investee | 2024 ----- Rupees ----- | 2023 |
|-----------------------------|------------------|---|----------------------------|-------------------|
| | | Engineering | | |
| 13,375 | 13,375 | Agha Steel Industries Limited | 134,018 | 130,005 |
| | | Cable and Electrical goods | | |
| 122,000 | | - Pak Elektron Limited | - | 1,104,00 |
| | | Personal Care | | |
| 67,500 | 67,500 | Treet Corporation Limited | 1,050,300 | 1,068,525 |
| | | Textile Composites | | |
| 210,000 | 209,000 | International Knitwear Limited | 2,752,530 | 2,835,000 |
| 25,453 | 4,498 | Nishat Mills Limited | 318,683 | 1,444,67 |
| | | Miscellaneous | | |
| 46,057 | 46,057 | EcoPack Limited | 717,568 | 667,827 |
| 2,500 | | - Pakistan Hotel Developers Limited | - | 200,000 |
| | | Fertilizer | | |
| 38,000 | 38,000 | First UDL Modaraba | 304,000 | 190,000 |
| | | Automobile Assembler | | |
| 14,899 | 14,899 | Ghandhara Industries Limited | 4,073,238 | 1,199,965 |
| | | Fixed line telecommunication | | |
| 708,500 | 708,500 | Pakistan Telecommunication Company Limited | 8,509,085 | 4,258,085 |
| 949,000 | 949,000 | Worldcall Telecom Limited | 1,195,740 | 1,034,410 |
| | | Securities Companies | | |
| 1,602,953 | 1,602,953 | Pakistan Stock Exchange Limited | 20,533,828 | 11,861,852 |
| | | Cable & electrical goods | | |
| 444,750 | 444,750 | Waves Singer Pakistan Limited | 3,122,145 | 2,735,213 |
| 450 | | - Waves Home Appliances Ltd | - | 1,994 |
| | | Power Generation Distribution & Electricity | | |
| 1,010,000 | 1,010,000 | K-Electric Limited | 4,676,300 | 1,737,200 |
| <u>8,720,380</u> | <u>8,238,078</u> | | <u>77,664,074</u> | <u>65,725,306</u> |



**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

| | | | 2024 | 2023 |
|--------|--|----------------------------|--------------------|--------------|
| 16. | ADVANCES - CONSIDERED GOOD | Note | ----- Rupees ----- | ----- |
| | Employee | 16.1 | 168,422 | 209,712 |
| | Advance tax - net | | 12,256,707 | 11,820,482 |
| | | | 12,425,129 | 12,030,194 |
| 16.1 | The maximum aggregate amount due from employees at the end of any month during the year was Rs. 209,292 (2023: Rs. 380,224). | | | |
| 17. | TRADE DEPOSITS AND PREPAYMENTS | Note | ----- Rupees ----- | ----- |
| | Deposits | 17.1 | 14,966,855 | 14,966,856 |
| | Prepayments | | 344,893 | 326,611 |
| | | | 15,311,748 | 15,293,467 |
| 17.1 | This includes an amount of Rs. 14,557,956 (2023: Rs. 14,557,956) that pertains to the deposits held with Samba Bank Limited (refer note 11). | | | |
| 18. | OTHER RECEIVABLES | Note | ----- Rupees ----- | ----- |
| | Receivable from clients | 18.1 & 18.2 | 19,205,797 | 19,134,756 |
| | Musharakah profit receivable | | 1,795,152 | 1,795,152 |
| | Others | 18.2 | 51,056,607 | 37,024,939 |
| | | | 72,057,555 | 57,954,847 |
| 18.1 | Receivable from clients | | | |
| | Considered good | | 19,205,797 | 19,134,756 |
| | Considered doubtful | | - | 12,500,000 |
| | | | 19,205,797 | 31,634,756 |
| | Less: Provision for doubtful debts | | - | - |
| | Less: Bad debts | | | (12,500,000) |
| | | | 19,205,797 | 19,134,756 |
| 18.1.1 | Movement in provision for doubtful debts | | | |
| | Opening provision | | - | 12,500,000 |
| | Bad debt | | - | (12,500,000) |
| | | | - | - |

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

| | | | | |
|------|--|--------------------|--------------------|-------------------|
| 18.2 | Receivable from clients and others include receivable from related parties amounting to Rs. 49,484,556 (2023: Rs. 31,411,516). | | 2024 | 2023 |
| 19. | BANK BALANCE | Note | ----- Rupees ----- | |
| | -in current accounts | | 1,376,205 | 1,376,204 |
| | -in saving accounts (Islamic Bank) | 19.2 | 15,169,316 | 9,746,349 |
| | | | <u>16,545,521</u> | <u>11,122,553</u> |
| 19.1 | Customer and proprietor wise balances | | | |
| | Proprietor account balances including cash in hand | | 4,674,451 | 6,777,712 |
| | Client account balances | | 11,871,070 | 4,344,841 |
| | | | <u>16,545,521</u> | <u>11,122,553</u> |
| 19.2 | These carry profit at rates ranging from 13.0% to 18.0% (2023: 8.0% to 14.0%) per annum. | | | |
| 20. | INCOME | Note | ----- Rupees ----- | |
| | Profit on Musharaka | | - | 734,529 |
| | Brokerage commission | | 1,075,096 | 760,315 |
| | Capital loss | | (157,512) | (4,504,667) |
| | Dividend | | 5,145,758 | 5,201,121 |
| | Rental | | 2,816,000 | 2,560,000 |
| | | | <u>8,879,342</u> | <u>4,751,298</u> |
| 21. | OPERATING EXPENSES | | | |
| | Salaries, allowances and benefits | 34.3 | 8,863,961 | 7,949,895 |
| | Traveling, conveyance and entertainment | | 452,794 | 426,670 |
| | Telephone and postage | | 422,148 | 887,398 |
| | Utility charges | | 775,576 | 623,030 |
| | Insurance | | 511,841 | 479,543 |
| | Printing, stationery and advertisement | | 221,613 | 740,871 |
| | Fees and subscriptions | | 2,349,373 | 2,562,493 |
| | Vehicle running and maintenance | | 3,674,483 | 3,191,813 |
| | Depreciation | 11 & 13 | 902,102 | 1,388,853 |
| | Facilities and services | | 4,768,040 | 4,768,040 |
| | Repair and maintenance | | 1,786,927 | 1,430,758 |
| | Annual review meeting | | 48,241 | 12,698 |
| | Auditor's remuneration | 21.1 | 505,720 | 452,780 |
| | Legal and professional | | 894,094 | 461,992 |
| | Shariah advisor | | 231,250 | 225,000 |
| | KSE, CDC & SECP charges | | 742,157 | 419,707 |
| | Others | | 333,752 | 297,069 |
| | | | <u>27,484,072</u> | <u>26,318,610</u> |



**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

| | | 2024 | 2023 |
|------|--|-------------|-------------|
| | | ----- | ----- |
| | | Rupees | Rupees |
| 21. | Auditors' remuneration | | |
| | Audit fee | 409,720 | 375,000 |
| | Half yearly review | 40,000 | 40,000 |
| | Other fees | 56,000 | 37,780 |
| | | 505,720 | 452,780 |
| 22. | FINANCIAL CHARGES | | |
| | Bank charges | 899 | 62,741 |
| | | 899 | 62,741 |
| 23. | OTHER INCOME | | |
| | Profit on investment accounts with Islamic bank | 146,063 | 115,154 |
| | | 146,063 | 115,154 |
| 24. | TAXATION | | |
| 24.1 | The income tax returns of the Company have been filed up to tax year 2023 under the Universal Self Assessment Scheme. This scheme provides that the return filed is deemed to be an assessment order. The returns may be selected for audit within five years. The Income Tax Commissioner may amend assessment if any objection is raised during audit. | | |
| 24.2 | Since, there is no accounting profit during the year ended June 30, 2024 and tax has been charged under minimum tax provisions therefore, no tax reconciliation is prepared for the year then ended. | | |
| 24.3 | This represents final taxes paid under section 150 & 37A of Income Tax Ordinance (ITO, 2001) representing levy in terms of requirements of IFRIC - 21 / IAS - 37. | | |
| 24.4 | This represents portion of minimum tax paid under section 113, 233 & 153(1)(b) of Income Tax Ordinance (ITO, 2001), representing levy in terms of requirements of IFRIC - 21 / IAS - 37. | | |
| 25. | DEFERRED TAXATION | 2024 | 2023 |
| | | ----- | ----- |
| | | Rupees | Rupees |
| | Taxable temporary differences | | |
| | Investment in unlisted shares | - | - |
| | | - | - |
| | Deductible temporary differences | | |
| | Fixed assets | (714,930) | (1,082,364) |
| | Deferred liability (For gratuity) | (2,079,335) | (1,966,295) |
| | | - | (3,048,659) |
| | Net deferred income tax asset | (2,794,265) | (3,048,659) |
| | Unrecognized deferred income tax (asset) / liability | 2,794,265 | 3,048,659 |
| | | - | - |

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

25.1 Deferred tax asset as at June 30, 2024 amounting to Rs. 2,794,265 (2023: Rs. 3,048,659) has not been recognized in these financial statements due to uncertainty in availability of sufficient future taxable profits as these temporary differences are not likely to reverse in the foreseeable future.

| | 2024 | 2023 |
|---|---------------------|---------------------|
| 26. LOSS PER CERTIFICATE - BASIC AND DILUTED | ----- Rupees ----- | ----- Rupees ----- |
| Loss after income tax | (19,435,979) | (22,345,968) |
| | ----- Numbers ----- | ----- Numbers ----- |
| Weighted average number of certificates outstanding during the year | <u>52,440,000</u> | <u>52,440,000</u> |
| | ----- Rupees ----- | ----- Rupees ----- |
| Loss per certificate - basic and diluted | <u>(0.37)</u> | <u>(0.43)</u> |

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

27. PLEDGE SECURITIES

There are no securities of the House or any one of its sub accounts pledged to any financial institution as at June 30, 2024.

28. CUSTOMER ASSETS HELD IN CDC

The house holds 20,817,480 securities of his client in the clients CDC sub accounts having approx. fair value Rs. 598,233,308.



NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

29. 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.

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:

| | 2024 | 2023 |
|--------------------------------|--------------------|-------------|
| | ----- Rupees ----- | |
| Investment | 495,903,307 | 474,227,312 |
| Advances-considered good | 14,935,129 | 14,540,194 |
| Trade deposits and prepayments | 17,061,748 | 17,043,467 |
| Other receivables | 72,057,555 | 57,954,847 |
| | 599,957,740 | 563,765,820 |

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 STATEMENT FOR THE YEAR ENDED JUNE 30, 2024

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; and
- Risk mitigation, including insurance where this is effective.

30. 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.



**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

| 30.1 Financial instruments by category | ----- Rupees ----- | |
|---|--------------------|-------------|
| Financial assets: | | |
| At amortized cost | | |
| Advances | 2,510,000 | 2,510,000 |
| Deposits | 16,716,855 | 16,716,856 |
| Other receivables | 72,057,555 | 57,954,847 |
| Bank balances | 16,545,521 | 11,122,553 |
| Financial assets at fair value through profit or loss | | |
| Short term investments | 77,664,074 | 65,725,306 |
| Financial assets at fair value through other comprehensive income | | |
| Long term investments | 68,239,233 | 58,502,006 |
| | 253,733,238 | 212,531,568 |
| Financial assets at cost | | |
| Long term investment in subsidiary | 350,000,000 | 350,000,000 |
| Financial liabilities: | | |
| Financial liabilities at amortized cost | | |
| Deferred liability | 7,170,120 | 6,780,327 |
| Security deposit | 200,000 | 200,000 |
| Creditors, accrued and other liabilities | 19,473,557 | 10,240,659 |
| Unclaimed profit distribution | 31,116,073 | 31,127,871 |
| | 57,959,750 | 48,348,857 |
| On balance sheet gap | 545,773,489 | 514,182,711 |

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

31. 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.

| | 2024 | | | | Total |
|--|-------------------|----------------------------------|-----------------------------------|-----------------|-------------|
| | Upto one month | Over one month to one year | Over one year to five years | Over five years | |
| ----- Rupees ----- | | | | | |
| Assets | | | | | |
| Long term investments | - | - | 68,239,233 | 350,000,000 | 418,239,233 |
| Short term investments | - | 77,664,074 | - | - | 77,664,074 |
| Advances | - | - | 2,510,000 | - | 2,510,000 |
| Deposits | - | 14,966,855 | 1,750,000 | - | 16,716,855 |
| Other receivables | - | 72,057,555 | - | - | 72,057,555 |
| Bank balances | - | 16,545,521 | - | - | 16,545,521 |
| | - | 181,234,006 | 72,499,233 | 350,000,000 | 603,733,238 |
| Liabilities | | | | | |
| Deferred liability | - | - | - | 7,170,120 | 7,170,120 |
| Security Deposit | - | - | 200,000 | - | 200,000 |
| Creditors, accrued and other liabilities | - | 19,473,557 | - | - | 19,473,557 |
| Unclaimed profit distribution | - | 31,116,073 | - | - | 31,116,073 |
| | - | 50,589,630 | 200,000 | 7,170,120 | 57,959,750 |
| Net balance | - | 130,644,376 | 72,299,233 | 342,829,880 | 545,773,489 |

| | 2023 | | | | Total |
|--|-------------------|----------------------------------|-----------------------------------|-----------------|-------------|
| | Upto one month | Over one month to one year | Over one year to five years | Over five years | |
| ----- Rupees ----- | | | | | |
| Assets | | | | | |
| Long term investments | - | - | 58,502,006 | 350,000,000 | 408,502,006 |
| Short term investments | - | 65,725,306 | - | - | 65,725,306 |
| Advances | - | - | 2,510,000 | - | 2,510,000 |
| Deposits | - | 14,966,856 | 1,750,000 | - | 16,716,856 |
| Other receivables | - | 57,954,847 | - | - | 57,954,847 |
| Bank balances | - | 11,122,553 | - | - | 11,122,553 |
| | - | 149,769,562 | 62,762,006 | 350,000,000 | 562,531,568 |
| Liabilities | | | | | |
| Deferred liability | - | - | - | 6,780,327 | 6,780,327 |
| Security Deposit | - | - | 200,000 | - | 200,000 |
| Creditors, accrued and other liabilities | - | 10,240,659 | - | - | 10,240,659 |
| Unclaimed profit distribution | - | 31,127,871 | - | - | 31,127,871 |
| | - | 41,368,530 | 200,000 | 6,780,327 | 48,348,857 |
| Net balance | - | 108,401,032 | 62,562,006 | 343,219,673 | 514,182,711 |



**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

32. YIELD / PROFIT RATE RISK EXPOSURE

| Description | Effective yield / profit risk % | 2024 | | | | | | Total |
|---|------------------------------------|---------------------------------|-------------------|-------------------------------------|-------------------|-------------|-------------|-------|
| | | Yield / profit bearing maturing | | Non yield / profit bearing maturing | | Sub-total | Sub-total | |
| | | With in one year | After one year | With in one year | After one year | | | |
| Financial assets | | | | | | | | |
| Long term investments | - | - | 418,239,233 | - | - | 418,239,233 | 418,239,233 | |
| Short term investments | | 77,664,074 | - | - | - | 77,664,074 | 77,664,074 | |
| Advances | | - | - | - | 2,510,000 | 2,510,000 | 2,510,000 | |
| Deposits | | - | - | 14,966,855 | 1,750,000 | 16,716,855 | 16,716,855 | |
| Other receivables | 3.5% to 7% | - | - | 72,057,555 | - | 72,057,555 | 72,057,555 | |
| Bank balances | | 15,169,316 | - | 1,376,205 | - | 1,376,205 | 16,545,521 | |
| | | 92,833,390 | - | 88,400,615 | 422,499,233 | 510,899,847 | 603,733,237 | |
| Financial Liabilities | | | | | | | | |
| Deferred liability | | - | - | - | 7,170,120 | 7,170,120 | 7,170,120 | |
| Security deposit | | - | - | - | 200,000 | 200,000 | 200,000 | |
| Creditors, accrued and other liabilities Unclaimed profit distribution | | - | - | 19,473,557 | - | 19,473,557 | 19,473,557 | |
| | | - | - | 31,116,073 | - | 31,116,073 | 31,116,073 | |
| | | - | - | 50,589,630 | 7,370,120 | 57,959,750 | 57,959,750 | |
| On Balance Sheet Gap | | 92,833,390 | - | 37,810,985 | 415,129,113 | 452,940,098 | 545,773,488 | |

- 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.

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

33. 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 include all assets and liabilities related to the segment and 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.

| Particulars | 2024 | | | | | 2023 |
|--|--------------------|---------------------|----------------|-----------|--------------|--------------|
| | Musharaka facility | Brokerage operation | Capital market | Others | Total | Total |
| Segment revenues | | 1,075,096 | 4,988,246 | 2,962,063 | 9,025,405 | 4,866,452 |
| Segment result | - | (4,170,105) | 4,988,246 | 2,962,063 | 3,780,204 | (1,236,313) |
| Unallocated cost Operating expenses | | | | | (22,239,770) | (20,278,574) |
| Loss before taxation | | | | | (18,459,566) | (21,514,887) |
| Taxation | | | | | (976,413) | (831,069) |
| Loss for the year | | | | | (19,435,979) | (22,345,956) |
| Other information | | | | | | |
| Segment assets | | 20,511,527 | 145,903,305 | 871,667 | 167,286,499 | 145,650,634 |
| Unallocated assets | | | | | 452,377,016 | 433,194,895 |
| Total assets | | | | | 619,663,515 | 578,887,335 |
| Segment liabilities | - | 11,497,178 | - | 442,000 | 11,939,178 | 4,613,241 |
| Unallocated liabilities | | | | | 46,020,572 | 43,735,616 |
| Total liabilities | | | | | 57,959,750 | 48,348,857 |

34. 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:

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

| | | 2024 | 2023 |
|------|--|-------------|-------------|
| | | ----- | ----- |
| | | Rupees | |
| 34.1 | Balance outstanding at year end | | |
| | Modaraba Management Company | | |
| | Current account payable | 1,190,745 | 1,193,594 |
| | Subsidiary companies | | |
| | 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 |
| | Receivable from / payable to wholly owned subsidiary companies | | |
| | Apex Financial Services (Private) Limited | 25,594,697 | 16,931,738 |
| | Capital Financial Services (Private) Limited | 23,889,859 | 18,479,778 |
| | Other related parties (including key management personnel) | | |
| | Deferred liability staff gratuity | 7,170,120 | 6,780,327 |
| | Brokerage house client receivable | 59,882 | 29,402 |
| 34.2 | Transactions during the year | | |
| | Relationship | | |
| | Modaraba Management Company | | |
| | Reimbursement | 4,768,040 | 4,768,040 |
| | Other related parties (including key management personnel) | | |
| | Contribution to staff gratuity fund | 1,575,363 | 1,205,845 |
| | Subsidiary companies | | |
| | Services acquired | | |
| | Key Management Personnel / Associated company | 520,866 | - |
| | Brokerage commission earned | | |
| | Key Management Personnel / Associated company | 821,038 | 123,632 |
| 34.3 | Remuneration of executives and other employees | | |

The aggregate amount charged in the financial statements for remuneration, including benefits to 7 (2023: 7) employees of the Modaraba is:

| | 2024 | | 2023 | |
|------------------------------|--------------------|------------------|------------------|------------------|
| | Executives | Other employees | Executives | Other employees |
| | ----- Rupees ----- | | | |
| Salaries and allowances | 2,798,960 | 2,132,240 | 2,666,160 | 1,790,640 |
| Leave fare & encashment | 371,680 | 147,417 | 582,500 | 139,060 |
| Expenses reimbursed: Medical | 367,100 | 213,541 | 406,850 | 247,090 |
| | <u>3,537,740</u> | <u>2,493,198</u> | <u>3,655,510</u> | <u>2,176,790</u> |

34.4 Salaries, allowances and benefits include provision for gratuity of Rs. 1,575,363 (2023: Rs. 1,205,845). Officers are also provided with free use of the Modaraba maintained cars.



**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

35. COMPUTATION OF LIQUID CAPITAL

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut / Adjustments | Net Adjusted Value |
|------------------|---|---------------------|------------------------|--------------------|
| I. Assets | | | | |
| 1.1 | Property & Equipment | 3,160,254 | 100% | - |
| 1.2 | Intangible Assets | - | | |
| 1.3 | Investment in Govt. Securities | | | |
| 1.4 | Investment in Debt. Securities | | | |
| | If listed than: | | | |
| | i. 5% of the balance sheet value in the case of tenure upto 1 year. | | | |
| | ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years. | | | |
| | iii. 10% of the balance sheet value, in the case of tenure of more than 3 years. | | | |
| | If unlisted than: | | | |
| | i. 10% of the balance sheet value in the case of tenure upto 1 year. | | | |
| | ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years. | | | |
| | iii. 15% of the balance sheet value, in the case of tenure of more than 3 years. | | | |
| 1.5 | Investment in Equity Securities | | | |
| | i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher. (Provided that if any of these securities are pledged with the securities exchange for base minimum capital requirement, 100% haircut on the value of eligible securities to the extent of minimum required value of Base minimum capital | 77,664,074 | 15,914,479 | 61,749,595 |
| | ii. If unlisted, 100% of carrying value. | 68,239,233 | 100% | - |
| 1.6 | Investment in subsidiaries | 0,000,000 | 100% | - |
| 1.7 | Investment in associated companies/undertaking | | | |
| | i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher. | | | |
| | ii. If unlisted, 100% of net value. | | | |
| 1.8 | Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity. | | | |
| | (i) 100% of net value, however any excess amount of cash deposited with securities exchange to comply with requirements of base minimum capital may be taken in the calculation of LC | 4,285,000 | 100% | - |
| 1.9 | Margin deposits with exchange and clearing house. | 350,000 | - | 350,000 |
| 1.10 | Deposit with authorized intermediary against borrowed securities under SLB. | | | |
| 1.11 | Other deposits and prepayments | 4,936,748 | 100% | - |
| 1.12 | Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil) | | | |
| | 100% in respect of markup accrued on loans to directors, subsidiaries and other related parties | | | |
| 1.13 | Dividends receivables. | - | - | - |
| 1.14 | Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.) | | | |
| 1.15 | Advances and receivables other than trade Receivables; | | | |
| | (i) No haircut may be applied on the short term loan to employees provided these loans are secured and due for repayments within 12 months. | 168,422 | 0% | 168,422 |
| | (ii) No haircut may be applied to the advance tax to the extent it is netted with provision of taxation . | 12,256,707 | 100% | - |
| | (iii) In all other cases 100% of net value | 52,851,759 | 100% | - |
| 1.16 | Receivables from clearing house or securities exchange(s) | | | |
| | 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains. | - | - | - |

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut / Adjustments | Net Adjusted Value |
|-----------------------|--|---------------------|------------------------|--------------------|
| 1.17 | Receivables from customers | | | |
| | i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. i. Lower of net balance sheet value or value determined through adjustments. | | | |
| | ii. In case receivables are against margin trading, 5% of the net balance sheet value. ii. Net amount after deducting haircut | | | |
| | iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, iii. Net amount after deducting haircut | | | |
| | iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. iv. Balance sheet value | | | |
| | v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. v. Lower of net balance sheet value or value determined through adjustments | 19,205,797 | 3,788,493 | 3,788,493 |
| | vi. In the case of amount of receivables from related parties, values determined after applying applicable haircuts on underlying securities readily available in respective CDS account of the related party in the following manner; (a) Up to 30 days, values determined after applying var based haircuts. (b) Above 30 days but upto 90 days, values determined after applying 50% or var based haircuts whichever is higher. (c) above 90 days 100% haircut shall be applicable. vi. Lower of net balance sheet value or value determined through adjustments | - | | |
| 1.18 | Cash and Bank balances | | | |
| | i. Bank Balance-proprietary accounts | 4,674,310 | - | 4,674,310 |
| | ii. Bank balance-customer accounts | 11,871,211 | - | 11,871,211 |
| | iii. Cash in hand | | | |
| 1.19 | Subscription money against investment in IPO/ offer for sale (asset) | | | |
| | (i) No haircut may be applied in respect of amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker. | | | |
| | (ii) In case of Investment in IPO where shares have been allotted but not yet credited in CDS Account, 25% haircuts will be applicable on the value of such securities. | | | |
| | (iii) In case of subscription in right shares where the shares have not yet been credited in CDS account, 15% or VAR based haircut whichever is higher, will be applied on Right Shares. | | | |
| 1.20 | Total Assets | 619,663,515 | 19,702,979 | 82,602,031 |
| 2. Liabilities | | | | |
| 2.1 | Trade Payables | | | |
| | i. Payable to exchanges and clearing house | | | |
| | ii. Payable against leveraged market products | | | |
| | iii. Payable to customers | 11,497,179 | 0% | 1,497,179 |
| 2.2 | Current Liabilities | | | |
| | i. Statutory and regulatory dues | | | |
| | ii. Accruals and other payables | 7,976,378 | 0% | 7,976,378 |
| | iii. Short-term borrowings | | | |
| | iv. Current portion of subordinated loans | | | |
| | v. Current portion of long term liabilities | | | |
| | vi. Deferred Liabilities | | | |
| | vii. Provision for taxation | | | |
| | viii. Other liabilities as per accounting principles and included in the financial statements | 31,116,073 | 0% | 31,116,073 |

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut / Adjustments | Net Adjusted Value |
|--------------------------------------|---|---------------------|------------------------|--------------------|
| 2.3 | Non-Current Liabilities | | | |
| | i. Long-Term financing | | | |
| | ii. Other liabilities as per accounting principles and included in the financial statements | 200,000 | 0% | 200,000 |
| | iii. Staff retirement benefits | 7,170,120 | 0% | 7,170,120 |
| | Note: (a) 100% haircut may be allowed against long term portion of financing obtained from a financial institution including amount due against finance leases. (b) Nil in all other cases | | | |
| 2.4 | Subordinated Loans | | | |
| | i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: | | | |
| 2.5 | Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: | | | |
| | a. The existing authorized share capital allows the proposed enhanced share capital | | | |
| | b. Board of Directors of the company has approved the increase in capital | | | |
| | c. Relevant Regulatory approvals have been obtained | | | |
| | d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. | | | |
| | e. Auditor is satisfied that such advance is against the increase of capital. | | | |
| 2.6 | Total Liabilities | 57,959,750 | - | 57,959,750 |
| 3. Ranking Liabilities Relating to : | | | | |
| 3.1 | Concentration in Margin Financing | | | |
| | The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total finances. (Provided that above prescribed adjustments shall not be applicable where the aggregate amount of receivable against margin financing does not exceed Rs 5 million) Note: Only amount exceeding by 10% of each financee from aggregate amount shall be include in the ranking liabilities | | | |
| 3.2 | Concentration in securities lending and borrowing | | | |
| | The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed (Note only amount exceeding by 110% of each borrower from market value of shares borrowed shall be included in the ranking liabilities) | | | |
| 3.3 | Net underwriting Commitments | | | |
| | (a) in the case of right issues : if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issues where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting commitment | | | |
| | (b) in any other case : 12.5% of the net underwriting commitments | | | |
| 3.4 | Negative equity of subsidiary | | | |
| | The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary | | | |
| 3.5 | Foreign exchange agreements and foreign currency positions | | | |
| | 5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency | | | |
| 3.6 | Amount Payable under REPO | | | |

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut / Adjustments | Net Adjusted Value |
|--------|---|---------------------|------------------------|--------------------|
| 3.7 | Repo adjustment In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received ,less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser. | | | |
| 3.8 | Concentrated proprietary positions If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security | | | |
| 3.9 | Opening Positions in futures and options i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met | | | |
| 3.10 | Short sell positions i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts ii. Incase of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts. | | | |
| 3.1 | Total Ranking Liabilities | - | - | - |

Calculations Summary of Liquid Capital

| | |
|--|--------------|
| (i) Adjusted value of Assets (serial number 1.20) | 82,602,031 |
| (ii) Less: Adjusted value of liabilities (serial number 2.6) | (57,959,750) |
| (iii) Less: Total ranking liabilities (series number 3.11) | - |
| | 24,642,281 |



**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

36. NUMBER OF EMPLOYEES

Total number of employees of the Modaraba as at June 30, 2024 are 7 (2023: 7). Average number of employees of the Modaraba during the year 7 (2023: 7).

| | 2024 | 2023 |
|---|--------------------|--------------|
| | ----- Rupees ----- | |
| 37. CAPITAL ADEQUACY LEVEL | | |
| Total assets | 614,663,515 | 578,845,529 |
| Less: Total liabilities | (57,959,750) | (48,348,857) |
| Revaluation reserves (created upon revaluation of fixed assets) | - | - |
| Capital adequacy level | 556,703,765 | 530,496,672 |

38. CORRESPONDING FIGURES

Figures have been rounded off to the nearest rupee.

39. AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 07, 2024.

40. GENERAL

40.1 Figures in these financial statements have been rounded off to the nearest rupee.

40.2 The corresponding figures, wherever necessary, have been re-arranged / re-classified for the purpose of comparison.

40.3 Prior year figures have been reclassified for the purpose of better presentation and comparison.

| | | | |
|---|---|---|---|
| Qazi Obaid Ullah Chief Financial Officer | Adil A. Ghaffar Chief Executive Officer Premier Financial Services (Private) Limited | Director Premier Financial Services (Private) Limited | Director Premier Financial Services (Private) Limited |
|---|---|---|---|

*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, 2024*



**INDEPENDENT AUDITOR'S 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 statement of financial position as at June 30, 2024, and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated 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.

In our opinion, except for the effects of the matter described in "Basis for Qualified Opinion", the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2024, 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 gain of Rs. 56.14 million, in respect of investment classified as financial asset at fair value through profit and loss, in other comprehensive income instead of statement of profit and loss as required under IFRS - 9.

Had the Modaraba and two above mentioned subsidiaries charged the gain to the statement of profit and loss, its loss for the year would have been decreased by Rs. 56.14 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.

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 4.9 and 31.1 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; |



| 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 and 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 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 of the Modaraba for the Consolidated Financial Statements

Management of the Modaraba Company 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 of the Modaraba Company 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 of the Modaraba Company either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors of the Modaraba Company 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.
- 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 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.

Other Matter

The consolidated 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.

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

Baker Tilly Mehmood Idrees Qamar

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Karachi

Date: October 07, 2024

UDIN: AR2024105420r8ycnKsR



CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2024

| | 2024 | 2023 |
|--|----------------------|----------------------|
| Note | ----- Rupees ----- | |
| EQUITY AND LIABILITIES | | |
| Authorized certificate capital | | |
| 60,000,000 Modaraba certificates of Rs. 10 each | 600,000,000 | 600,000,000 |
| Certificate holders' equity | | |
| Certificate capital | 5 524,400,000 | 524,400,000 |
| Reserves | 6 124,347,917 | 492,133,820 |
| Remeasurement of defined benefit liability - actuarial gain | 2,873,713 | 1,688,143 |
| Surplus on revaluation of fixed assets | 7 416,785,158 | 463,094,620 |
| Unrealised loss on remeasurement of investments | (68,059,803) | (135,380,982) |
| Total certificates holders' equity | 1,000,346,985 | 1,345,935,601 |
| Non-current liabilities | | |
| Liability against assets subject to finance lease | 8 7,304,667 | 15,405,431 |
| Deferred liabilities | 9 19,944,264 | 182,882,554 |
| GIDC payable | 10 - | 12,023,281 |
| Security deposit | 200,000 | 200,000 |
| Total non-current liabilities | 27,448,931 | 210,511,266 |
| Current liabilities | | |
| Short term borrowings | 11 210,530,034 | 92,491,516 |
| Current portion of long term liabilities | 12 309,466,334 | 297,682,342 |
| Creditors, accrued and other liabilities | 13 631,282,616 | 870,922,525 |
| Accrued mark up | 14 17,092,518 | 3,643,631 |
| Unclaimed profit distribution | 31,116,072 | 31,127,871 |
| Total current liabilities | 1,199,487,574 | 1,295,867,885 |
| Total equity and liabilities | 2,227,283,490 | 2,852,314,752 |
| Contingencies and commitments | 15 | |

Qazi Obaid Ullah
Chief Financial Officer

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

Director
Premier Financial Services
(Private) Limited

Director
Premier Financial Services
(Private) Limited

**CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2024**

| ASSETS | Note | 2024 ----- Rupees ----- | 2023 ----- |
|--|------|-----------------------------|-----------------------------|
| Non-current assets | | | |
| Fixed assets | | | |
| - tangible | 16 | 1,117,579,973 | 1,194,544,668 |
| - intangible | 17 | 18,193,103 | 13,412,604 |
| Investment property | 18 | 871,667 | 991,667 |
| Long term investments | 19 | 77,559,787 | 66,400,780 |
| Advances | 20 | 2,510,000 | 2,510,000 |
| Deposits | | 8,410,800 | 8,987,800 |
| Total non-current assets | | 1,225,125,330 | 1,286,847,519 |
| Current assets | | | |
| Stores and spares | 21 | 63,849,439 | 60,052,329 |
| Stock in trade | 22 | 343,303,062 | 571,136,706 |
| Trade debts | 23 | 79,285,180 | 550,024,951 |
| Short term investments | 24 | 119,995,949 | 97,880,565 |
| Advances - considered good | 25 | 4,793,955 | 12,154,980 |
| Trade deposits and prepayments | 26 | 118,021,850 | 112,003,567 |
| Other receivables | 27 | 204,981,174 | 26,742,327 |
| Tax refund from government authorities | 28 | 21,813,739 | 73,147,156 |
| Taxation - net | 29 | 26,509,062 | 20,847,434 |
| Cash and bank balances | 30 | 19,604,750 | 41,477,218 |
| Total current assets | | 1,002,158,160 | 1,565,467,233 |
| Total assets | | <u>2,227,283,490</u> | <u>2,852,314,752</u> |

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



**CONSOLIDATED PROFIT AND LOSS ACCOUNT
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 | | (3,326,227) | (6,607,466) |
| For the year | | (3,326,227) | (6,607,466) |
| Prior year | | | |
| - 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) |

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2024**

| | 2024 | 2023 |
|---|-----------------------------|-----------------------------|
| | ----- Rupees ----- | |
| Other comprehensive income | | |
| <i>Items that will be subsequently reclassified:</i> | | |
| Unrealized gain / (loss) on remeasurement of investments | 66,190,380 | (10,232,363) |
| Loss realised on disposal of investments | (8,606,428) | (6,657,307) |
| <i>Items that will not be subsequently reclassified:</i> | | |
| Remeasurement of defined benefit liability | 1,185,570 | 323,177 |
| Unrealized gain on remeasurement of investment held at FVTOCI | 9,737,227 | 5,846,777 |
| Other comprehensive income / (loss) | 68,506,749 | (10,719,716) |
| Total comprehensive loss for the year | <u>(345,588,616)</u> | <u>(262,792,891)</u> |

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

Qazi Obaid Ullah
Chief Financial Officer

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

Director
Premier Financial Services
(Private) Limited

Director
Premier Financial Services
(Private) Limited



CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2024

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Note | Rupees | |
| CASHFLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | (510,449,367) | (303,490,462) |
| Adjustments for non-cash and other items: | | |
| Depreciation | 121,573,958 | 133,528,914 |
| Amortization on intangible asset | 707,102 | 369,770 |
| Provision for gratuity | 1,575,363 | 1,205,845 |
| Dividend income | (5,145,758) | (5,201,121) |
| Gain on sale of asset | - | (495,609) |
| Financial charges | 115,922,490 | 61,829,716 |
| | <u>234,633,155</u> | <u>191,237,515</u> |
| Cash used in operations before working capital changes | (275,816,212) | (112,252,947) |
| Working capital changes | | |
| (Increase) / decrease in operating assets | | |
| Store, spares and loose tools | (3,797,110) | (11,793,538) |
| Stock-in-trade | 227,833,644 | 6,778,220 |
| Trade debts | 470,739,771 | (123,102,377) |
| Morabaha / musharaka receivables | - | 9,560,623 |
| Advances | 7,361,025 | (193,496) |
| Trade deposits and prepayments | (6,018,283) | (10,254,777) |
| Other receivables | (178,238,847) | 56,908,350 |
| Tax refund from government authorities | 51,333,417 | (27,424,296) |
| | <u>569,213,617</u> | <u>(99,521,291)</u> |
| (Decrease) / increase in operating liabilities | | |
| Short term borrowing | 118,038,518 | (132,607,384) |
| Creditors, accrued and other liabilities | (239,639,909) | 451,023,430 |
| | <u>(121,601,391)</u> | <u>318,416,046</u> |
| Financial charges paid | (102,473,603) | (64,954,481) |
| Dividend paid | (11,799) | 679,620 |
| Taxes paid | (72,635,709) | (39,741,204) |
| Net cash (used in) / generated from operating activities | (3,325,097) | 2,625,743 |

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2024**

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|---------------------|---------------------|
| Investments - net | 34,046,788 | 17,880,134 |
| Long term deposits | 577,000 | - |
| Purchases of intangible assets | (5,487,601) | - |
| Proceeds from sale of tangible assets | - | 562,786 |
| Dividend received | 5,145,758 | 5,201,121 |
| Purchases of tangible assets | (44,489,263) | (33,692,566) |
| Net cash used in investing activities | (10,207,318) | (10,048,525) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---|---------------------|---------------------|
| Additions in liabilities against asset subject to finance lease | (16,353,872) | (14,642,828) |
| GIDC payable | 8,013,819 | 7,578,021 |
| Long term financing | - | (46,175,134) |
| Net cash used in financing activities | (8,340,053) | (53,239,941) |
| Net decrease in cash and cash equivalents | (21,872,468) | (60,662,723) |
| Cash and cash equivalents at beginning of the year | 41,477,218 | 102,139,941 |
| Cash and cash equivalents at the end of the year | 19,604,750 | 41,477,218 |

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

Qazi Obaid Ullah
Chief Financial Officer

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

Director
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Director
Premier Financial Services
(Private) Limited



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2024

| | Certificate Capital | | | | Reserves | | | Total reserves | Remeasurement of defined benefit liability | Surplus on revaluation of fixed assets | Unrealised loss on remeasurement of investments | Total |
|--|---------------------|-----------------------------|--------------------|----------------------|--------------------|------------------|--------------------|----------------------|--|--|---|---------------|
| | Statutory reserve* | Certificate premium account | General reserve | Accumulated loss | | | | | | | | |
| | ----- Rupees ----- | | | | | | | | | | | |
| Balance as at July 01, 2022 | 524,400,000 | 164,334,210 | 131,100,000 | 379,996,791 | 692,752,037 | 1,364,966 | 514,549,578 | (124,338,089) | 1,608,728,492 | | | |
| Loss for the year | - | - | - | (252,073,175) | (252,073,175) | - | - | - | - | - | - | (252,073,175) |
| Other comprehensive loss for the year | - | - | - | - | - | 323,177 | - | - | 323,177 | - | - | (11,042,893) |
| Incremental depreciation on revaluation surplus net off deferred tax | - | - | - | 51,454,958 | 51,454,958 | - | (51,454,958) | - | - | (51,454,958) | - | - |
| Balance as at June 30, 2023 | 524,400,000 | 164,334,210 | 131,100,000 | 179,378,574 | 492,133,820 | 1,688,143 | 463,094,620 | (135,380,982) | 1,345,935,601 | | | |
| Loss for the year | - | - | - | (414,095,365) | (414,095,365) | - | - | - | - | - | - | (414,095,365) |
| Other comprehensive income for the year | - | - | - | - | - | 1,185,570 | - | - | 1,185,570 | - | 67,321,179 | 68,506,749 |
| Incremental depreciation on revaluation surplus net off deferred tax | - | - | - | 46,309,462 | 46,309,462 | - | (46,309,462) | - | - | (46,309,462) | - | - |
| Balance as at June 30, 2024 | 524,400,000 | 164,334,210 | 131,100,000 | (188,407,329) | 124,347,917 | 2,873,713 | 416,785,158 | (68,059,803) | 1,000,346,985 | | | |

* 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

1. LEGAL STATUS AND NATURE OF BUSINESS

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 a Trading Right Entitlement Certificate (TREC) holder of the Pakistan Stock Exchange Limited and is currently operating its brokerage activities in Pakistan Stock Exchange Limited.

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 its commercial operations on April 1, 2007.

1.3 Capital Financial Services (Private) Limited

Capital Financial Services (Private) Limited 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 Pakistan Stock Exchange and to carry on the business of brokerage services in stock, shares etc.

1.4 Apex Financial Services (Private) Limited

Apex Financial Services (Private) Limited 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 Pakistan Stock Exchange and to carry on the business of brokerage services in stock, shares etc.

1.5 Consolidation procedures

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 Act, 2017. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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 companies 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. BASIS OF PREPARATION

2.1 Statement of compliance

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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountant 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 the SECP differ with the requirements of IFRSs, 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 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements have been presented in Pakistan Rupees, which is the functional and presentation currency of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

2.4 Significant accounting estimates and judgments

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

| | Note |
|---|--------------|
| a) Useful life of depreciable assets/amortizable assets | 4.1 & 4.2 |
| b) Impairment of assets | 4.18 |
| c) Classification of investments | 4.3 |
| d) Income tax | 4.11 |
| e) Provision for staff gratuity | 4.13 |

3. NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

During the year the Institute of Chartered Accountants of Pakistan (ICAP) have withdrawn the Technical Release 27 "IAS 12, Income Taxes (Revised 2012)" and issued guidance – "IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes". The said guidance requires taxes paid under final tax regime to be shown separately as a levy instead of showing it in current tax. Further the treatment of minimum taxes has been presented differently in this guidance.

Accordingly, the impact has been incorporated in these financial statements retrospectively in accordance with the requirement of International Accounting Standard (IAS 8) – 'Accounting Policies, Change in Accounting Estimates and Errors'. There has been no effect on the Statement of Financial Position, Earnings per share and Statement of Changes in Equity as a result of this change.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Effect on statement of profit or loss and other comprehensive income

| | Had there been no Change in accounting policy | Impact of Change in accounting policy | After incorporating effects of change in accounting policy |
|---|--|--|--|
| | ----- Rupees ----- | | |
| For the year ended June 30, 2024 | | | |
| Taxation - final taxes | | (7,881,337) | (7,881,337) |
| Taxation - minimum taxes | - | (55,766,518) | (55,766,518) |
| Loss before taxation | (510,449,367) | - | (510,449,367) |
| Taxation - income tax | 96,354,002 | 63,647,855 | 160,001,857 |
| | (414,095,365) | - | (414,095,365) |
| For the year ended June 30, 2023 | | | |
| Taxation - final taxes | - | (8,756,839) | (8,756,839) |
| Taxation - minimum taxes | - | (42,200,713) | (42,200,713) |
| Loss before taxation | (303,490,462) | - | (303,490,462) |
| Taxation - income tax | 51,417,287 | 50,957,552 | 102,374,839 |
| | (252,073,175) | - | (252,073,175) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2024

The following standards, amendments and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the financial statements other than certain additional disclosures.

| | Effective date (annual periods beginning on or after) |
|--|--|
| Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice | January 01, 2023 |
| Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates | January 01, 2023 |
| Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction | January 01, 2023 |
| Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes | January 01, 2023 |

The Company adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the Company to provide useful entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and updates to the information disclosed in Note 4 Material accounting policy information (2023: Significant accounting policies) in certain instances in line with the amendments and concluded that all its accounting policies are material for disclosure.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

3.2 New accounting standards, amendments and interpretations that are either not yet effective or relevant to the Company

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

| | Effective date (annual periods beginning on or after) |
|--|--|
| Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements | January 01, 2024 |
| Amendments to IFRS 7 'Financial Instruments: Disclosures'- Amendments regarding the classification and measurement of financial instruments | January 01, 2024 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding the classification and measurement of financial instruments | January 01, 2024 |
| Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions | January 01, 2024 |
| Amendments to IAS 1 'Presentation of Financial Statements Classification of liabilities as current or non-current | January 01, 2024 |
| | Effective date (annual periods beginning on or after) |
| Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants | January 01, 2024 |
| Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements | January 01, 2024 |
| Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability | January 01, 2024 |
| IFRS 17 Insurance Contracts | January 01, 2026 |
| IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been issued by IASB effective from July 01, 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP). | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

IFRS 18 'Presentation and Disclosures in Financial Statements' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by SECP.

IFRS 19 'Subsidiaries without Public Accountability: Disclosures' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by SECP.

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the timeframe for the adoption.

4. MATERIAL ACCOUNTING POLICIES INFORMATION

The material 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.

4.1 Fixed assets

4.1.1 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 Group charges depreciation on 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 18. 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. Group 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. The Group 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 reporting 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 profit and loss account. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

4.1.2 Capital work-in-progress

Capital work-in-progress is 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.

4.1.3 Finance lease

Assets held under finance leases are recognized as assets of the Group 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.

4.1.4 Operating lease

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.

4.1.5 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.

4.2 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 20. 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 Group 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 recognized 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 recognized, 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 recognized as an income or expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

4.3 Financial instruments

4.3.1 Financial assets

4.3 Financial instruments

4.3.1 Financial assets

Initial Measurement

The Group classifies its financial assets into following three categories:

- measured at amortized cost.
- fair value through profit or 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 recognized in the statement of profit or loss account. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit and loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in the statement of profit and loss.

Financial assets measured at amortized cost

Financial assets measured at these assets are subsequently measured at amortized cost using the effective amortized cost interest method. The amortized cost is reduced by impairment losses. Interest / markup income, and impairment are recognized in the statement of profit and loss.

Equity Investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit and loss.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize 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 amortized cost and FVOCI that are not measured at fair value through profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group 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 instrument.

4.3.2 Financial liabilities

Financial liabilities are initially recognized on trade date i.e. date on which the Group becomes party to the respective contractual provisions. The Group derecognizes 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 amortized cost using effective interest rate method.

4.4 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.

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

4.6 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.

4.7 Other receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

4.9 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. Scrap sales are recognized at realized amount 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.

4.10 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

4.11 Taxation

4.11.1 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 substantially 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 utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

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.

4.11.2 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

4.12 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.

4.13 Retirement benefits

Defined benefit plan

The Group 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 10 of these financial statements. Actuarial gains / losses are recognized over the average lives of the employees.

Defined contribution plan

The subsidiary 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.

4.14 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 Group 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.

4.15 Derivative financial instruments

The Group enters into 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

4.16 Provisions

Provisions are recognized in the balance sheet when the Group 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.

4.17 Profit distribution to certificates holders

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

4.18 Impairment

The carrying amount of Group'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.

4.19 Segment reporting

A segment is a distinguishable component of the Group that is engaged in business activities from which the Group earns revenues and incur expenses and its results are regularly reviewed by the Group'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 Group is organized into the following four operating segments:

- 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.

4.20 Related party transactions

Parent

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

Subsidiary companies

Transactions and contracts with the related parties are based on the policy that all transactions between the Companies 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

4.21 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.

4.22 Functional and reporting currency

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

4.23 Capital Risk Management

The Group's objective when managing capital is to safeguard the Group'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 Group may adjust the amount of dividend paid to certificate holders or issue new certificates.

4.24 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 Group'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 Companies 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

5. CERTIFICATE CAPITAL

| 2024 | 2023 | | 2024 | 2023 |
|--------------------------------|-------------------|------|--------------------|--------------------|
| --- Number of certificates --- | | Note | ----- Rupees ----- | |
| 46,220,000 | 46,220,000 | 5.1 | 462,200,000 | 462,200,000 |
| 6,220,000 | 6,220,000 | 5.2 | 62,200,000 | 62,200,000 |
| <u>52,440,000</u> | <u>52,440,000</u> | | <u>524,400,000</u> | <u>524,400,000</u> |

5.1 Modaraba certificates of Rs. 10 each fully paid-up in cash.

5.2 Modaraba certificates of Rs. 10 each issued as fully paid-up bonus certificates.

5.3 Certificates held by the Management Company: 5,532,296 (2023: 5,532,296).

6. RESERVES

| | 2024 | 2023 |
|-----------------------------|--------------------|--------------------|
| | ----- Rupees ----- | |
| Capital reserves | | |
| Statutory reserve | 164,334,210 | 64,334,210 |
| Certificate premium account | 131,100,000 | 131,100,000 |
| Revenue reserve | | |
| Accumulated profit | (188,407,329) | 179,378,574 |
| General reserve | 17,321,036 | 7,321,036 |
| | <u>124,347,917</u> | <u>492,133,820</u> |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

6.1 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 fund equals the certificate capital.

| | | 2024 | 2023 |
|---|-------------|----------------------------|---------------------|
| | Note | ----- Rupees ----- | |
| 7. SURPLUS ON REVALUATION OF FIXED ASSETS | | | |
| Opening balance | | 652,245,943 | 724,717,715 |
| Movement of revaluation surplus during the year | 7.1 | | (72,471,772) |
| Movement of deferred tax during the year | 7.2 | (65,224,594) | (189,151,323) |
| | | (170,236,191) | |
| Closing balance | | <u>416,785,158</u> | <u>463,094,620</u> |
| 7.1 Movement of revaluation surplus | | | |
| Less: transfer to unappropriated profit in respect of incremental depreciation charged during the year - (net of deferred tax) | | (46,309,462) | (51,454,958) |
| Related deferred tax liability | | 18,915,132) | (21,016,814) |
| | | <u>(65,224,594)</u> | <u>(72,471,772)</u> |
| | | 2024 | 2023 |
| 7.2 Movement of deferred tax liability | | | |
| Opening balance | | (189,151,323) | 210,168,137 |
| Less: incremental depreciation charged during the year transferred to the profit and loss | | 18,915,132 | (21,016,814) |
| Closing balance | | <u>170,236,191)</u> | <u>189,151,323</u> |
| 7.3 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. | | | |
| | | 2024 | 2023 |
| 8. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE | | | |
| Opening balance | | 38,951,091 | 53,593,919 |
| Payments / adjustments during the year | | (16,353,872) | (14,642,828) |
| | | 22,597,219 | 38,951,091 |
| Less: Payable within one year shown under current liabilities | | 15,292,552) | (23,545,660) |
| | | <u>7,304,667</u> | <u>15,405,431</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

- 8.1** This represents finance lease entered into with financial institution for vehicles and plant and machinery. Financing at the rate of 3 and 6 month KIBOR plus ranging from 2.50% to 3.00% 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 upon the 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:

| | 2024 | | | 2023 | | |
|---|--------------------|-------------------|--------------|---------------|-------------------|--------------|
| | Upto one year | One to five years | Total | Upto one year | One to five years | Total |
| | ----- Rupees ----- | | | | | |
| Minimum outstanding lease payments | 17,367,780 | 7,309,829 | 24,677,609 | 26,009,547 | 16,198,924 | 42,208,471 |
| Financial charges not due | (2,075,228) | (5,162) | (2,080,390) | (2,463,887) | (793,493) | (3,257,380) |
| Present value of minimum lease payments | 15,292,552 | 7,304,667 | 22,597,219 | 23,545,660 | 15,405,431 | 38,951,091 |
| Payable within one year shown under current liabilities | (15,292,552) | - | (15,292,552) | (23,545,660) | - | (23,545,660) |
| | - | 7,304,667 | 7,304,667 | - | 15,405,431 | 15,405,431 |

| 9. DEFERRED LIABILITIES | Note | 2024 | 2023 |
|-------------------------|------|--------------------|--------------------|
| | | ----- Rupees ----- | ----- |
| Deferred taxation | 9.1 | 2,774,144 | 176,102,227 |
| Staff gratuity | 9.2 | 7,170,120 | 6,780,327 |
| | | <u>19,944,264</u> | <u>182,882,554</u> |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

9.1 Deferred taxation liability / asset

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

| | Note | 2024 ----- Rupees ----- | 2023 ----- |
|---|------|----------------------------|---------------|
| Deferred tax liabilities | | | |
| Accelerated tax depreciation allowance | | 79,646,628 | 69,833,035 |
| Revaluation of operating fixed assets | | 170,236,191 | 189,151,323 |
| Lease rentals | | 7,353,890 | 5,898,854 |
| | | 257,236,709 | 264,883,212 |
| Deferred tax assets | | | |
| Provision for bad debts against local debtors | | 3,019,954 | 3,019,954) |
| Tax losses | | 143,757,183 | 41,073,253) |
| GIDC Payable | | - | (2,537,966) |
| Turnover tax | | 97,685,428 | 42,149,812) |
| | | 244,462,565 | 88,780,985) |
| | | 12,774,144 | 176,102,227 |

9.2 Staff gratuity

9.2.2 7,170,120 6,780,327

9.2.1 General description

Employees, after completion of one year of service, shall be entitled for gratuity on leaving the Group'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, 2024 on September 24, 2024 using the Projected Unit Method.

9.2.2 Amount recognized in the balance sheet is as follow:

| | | 2024 ----- Rupees ----- | 2023 ----- |
|---|--|----------------------------|---------------|
| Present value of defined benefit obligation | | 7,170,120 | 6,780,327 |
| Total defined benefit obligation | | 7,170,120 | 6,780,327 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| | 2024 | 2023 |
|---|---------------------------|-------------|
| | ----- Rupees ----- | |
| 9.2.3 Movement in defined benefit obligation | | |
| Opening balance | 6,780,327 | 5,897,659 |
| Charged for the defined benefit plan | | |
| Current service cost | 473,560 | 424,405 |
| Net interest | 1,101,803 | 781,440 |
| Actuarial gain on obligation | (1,185,570) | (323,177) |
| | 389,793 | 882,668 |
| Benefits paid | - | - |
| Closing balance | 7,170,120 | 6,780,327 |
| 9.2.4 Actuarial assumptions | ----- Rate per anum ----- | |
| Valuation discount rate | 16.25% | 13.25% |
| Salary increase rate | 14.75% | 16.25% |

Mortality rates assumed were based on the SLIC 2001-2005 (Standard Life table for Pakistani insured population) mortality table.

The rates for withdrawal from service and retirement on ill-health grounds are based on industry / country experience.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| | | | 2024 | 2023 |
|--|--|--------------------|-------------------|-------|
| 10. GIDC PAYABLE | Note | ----- | Rupees | ----- |
| GIDC payable | 10.1 | - | 12,023,281 | |
| | | | | |
| 10.1 | The amount was payable in respect of Gas Infrastructure Development Cess (GIDC) levied under GIDC Act, 2015. In November 2020, the Supreme Court dismissed the review petition seeking review of its order issued in favor of recovery for GIDC arrears. The liability is recognized as per the guidelines issued by Institute of Chartered Accountants of Pakistan dated January 21, 2021. | | | |
| | | | | |
| 11. SHORT TERM BORROWING | Note | ----- | 2024 | 2023 |
| Secured - financial institutions (Running finance arrangements) | | | | |
| Habib Bank Limited - FIM | 13.1 | | | |
| Habib Bank Limited - Hypothecation | 11.1 | 9,625,488 | 9,976,398 | |
| Habib Bank Limited - Pledged | 11.2 | - | 2,784,143 | |
| Habib Metropolitan Bank - Pledged | 11.3 | - | 79,730,975 | |
| Bank of Punjab FIM | 11.4 | 200,904,546 | | - |
| | | <u>210,530,034</u> | <u>92,491,516</u> | |
| | | | | |
| 11.1 | The facility was obtained to meet the 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 markup at the rate of 1 month KIBOR plus 125 basis points to be calculated on monthly basis. The total sanctioned limit is Rs. 10 million (2023: Rs. 10 million). | | | |
| | | | | |
| 11.2 | The facility is obtained for import / purchase of local raw cotton bales and to finance working capital requirement of the company. 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. 90 million (2023: Rs. 190 million). | | | |
| | | | | |
| 11.3 | The facility is obtained for import / purchase of raw cotton bales and to finance working capital requirement of the Company with a 10% margin. This facility is secured against first pari passu charge of Rs. 302 million on stocks and receivables of the Company. The finance carries markup at the rate of 6 month KIBOR plus 200 basis points (2023: 200 basis points) to be calculated on monthly basis. The total sanctioned limit is Rs. Nil (2023: Rs. 250 million). | | | |
| | | | | |
| 11.4 | The facility is obtained for import / purchase of raw cotton bales and to finance working capital requirement of the Company with a 15% margin. This facility is secured against pledge over ginned/raw cotton of PKR 267 million. The finance carries markup at the rate of 3 month KIBOR plus 200 basis points to be calculated on monthly basis. The total sanctioned limit is Rs. 350 million (2023:350 million). | | | |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| | Note | 2024 ----- Rupees ----- | 2023 ----- |
|---|------|----------------------------|--------------------|
| 12. CURRENT PORTION OF LONG TERM LIABILITIES | | | |
| Liabilities against asset subject to finance lease | 8 | 15,292,552 | 23,545,660 |
| Current portion of GIDC payable | | 294,173,782 | 274,136,682 |
| | | <u>309,466,334</u> | <u>297,682,342</u> |
| 13. CREDITORS, ACCRUED AND OTHER LIABILITIES | | | |
| Creditors | | 368,215,306 | 601,914,764 |
| Accrued expenses | | 178,522,208 | 221,313,956 |
| Payable to clients | | 11,497,178 | 4,193,241 |
| Advance from customer | | - | 1,438,479 |
| Sale tax payable | | 136,794 | 5,035,261 |
| Withholding tax payable | | 2,661,377 | 35,613,230 |
| Minimum Tax levy | | 55,602,306 | - |
| Other liabilities | | 14,647,447 | 1,413,594 |
| | | <u>631,282,616</u> | <u>870,922,525</u> |
| 14. ACCRUED MARK-UP | | | |
| Short Term borrowing | | 17,092,518 | 3,518,833 |
| Long term borrowing | | - | 124,798 |
| | | <u>17,092,518</u> | <u>3,643,631</u> |

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

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

An appeal is pending before the Appellate Tribunal Revenue (ATIR) - Sindh Revenue Board (SRB) on the issue of charging provincial tax on the reimbursement cost received by the Modaraba from the client. Appeal is pending adjudication and the management is expecting favourable outcome of the same.

Modaraba has filed a suit against SECP for declaration and permanent injunction before the High Court of Sindh restraining SECP from cancelling, lapsing, extinguishing or affecting its Trading Right Entitlement Certificate issued by Karachi Stock Exchange or any right of the Company under the same and directing SECP to grant permission for incorporating a wholly owned subsidiary company for transfer of the Certificate to such company. The Court passed ad interim orders restraining SECP from taking any coercive action against the Company and to maintain status quo. The matter is at the stage of hearing of applications.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

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, Excise and Taxation and HESCO aggregating to Rs. 86.689 million (2023: Rs. 78.689 million).

In prior years, 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. This pertains to Further tax on zero rated supply and according to provisions of Sales tax Act, 1990 further tax cannot be imposed on zero rated supplies. The Company had filed appeal to the Honorable High Court of Sindh and subsequently, the 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. The matter is pending in the High Court of Sindh.

In prior years, the Assistant Commissioner of Inland Revenue (ACIR) has issued show cause notice for payment of sales tax and further tax amounting to Rs. 5.271 million under section 11 of Sales Tax Act, 1990 on the sale of goods to M/s Vezel Enterprises. The Company has filed appeal to the High Court of Sindh and subsequently, the High Court of Sindh has passed restraining order against the notice. This pertains to blacklisting issue of Vezel Enterprises. Actually, customer had blacklisted after supply of goods and there are number of rulings of High Court that supplier cannot be panelized if the customer blacklisted after the date of actual supply. The matter is pending with High Court of Sindh. 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.

In prior year, the Officer Inland Revenue, (OIR) has issued show cause notice u/s 11((I) Read with Section 33(I)/5 of the Sales tax Act, 1990 for late payment and filing of Sales tax for the period July-2019 to November-2020. Subsequently, has passed an order No.100 of 2021 for recovery of demand for Rs.1.059 million. This pertains to late filing issue of Sales tax returns. The Company has filed an appeal before the Commissioner (Appeal) for impugned demand in term of section 45-B of Sales tax Act, 1990. The Company also had also paid Rs.1.059 million towards 10% payment of the tax adjudged tax liability in terms of provisions of Law. 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. However, the commissioner of appeal had passed order in our favour. Subsequently, the department had filed the appeal with Inland Revenue Tribunal and matter is still pending with the Tribunal.

In prior year, the Assistant Commissioner / Deputy Commissioner (ACIR) has issued show cause notice u/s 11((2) of the Sales tax Act, 1990 for late payment and late filing of Sales tax for the period August-2019 to November-2019. Subsequently, has passed an order No.08/80 of 2020 for recovery of demand for Rs.0.413 million. The Company had filed an appeal before the Commissioner (Appeal) for impugned demand in term of section 45-B of Sales tax Act, 1990. This pertains to late filing of Sales tax returns. The Commissioner of Appeal restrained order passed order had passed DCIR. The Company, based on the legal advice, expects a favorable outcome of the case and accordingly, had filed an appeal to the Appellate Tribunal Inland Revenue u/s 46 of the Sales tax Act, 1990 and no provision has been made in these financial statements in respect of this matter. The Commissioner had passed order against us. However, we had filed the appeal in the Tribunal and same is pending with the Tribunal.

In prior year, the Deputy Commissioner (DCIR) has issued show cause notice u/s 11((2) of the Sales tax Act, 1990 wrong input tax for Rs.0.135 million for the period July, 2021 to November, 2021 Subsequently, he has passed an order No.30/74 of 2022 for recovery of demand for Rs.0.141 million. The Company has filed an appeal before the Commissioner (Appeal) for impugned demand in term of section 45-B of Sales tax Act, 1990. This pertains to wrong input tax adjustment. However, the Commissioner Appeal passed order in our favour. However, department has filed appeal in the tribunal. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

In prior year, the Inland Revenue Officer (IRO) has issued show cause notice u/s 11((2) of the Sales tax Act, 1990 for supplying of goods to M/s Pearl Corporation who has blacklisted by FBR after supplies made by us. Subsequently, he has passed an order No.108/ of 2021 for recovery of demand for Rs.2.970 million. This pertains to blacklisting issue of Pearl Corporation. Actually, customer had blacklisted after supply of goods. The Company has filed an appeal before the Commissioner (Appeal) for impugned demand in term of section 45-B of Sales tax Act, 1990 and also filed an appeal with High Court of Sindh for no recovery notice to be initiated till outcome of decision of Commissioner Appeal. However, the Commissioner of appeal just passed order in our favor. 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. However, the Department has filed appeal in the Tribunal and which is still pending at tribunal.

In prior year, tax year 2020, company had filed appeal at High Court of Sindh against retrospective amendment under 65(B) of Income tax Ordinance, 2001 for reduction in rates of investment credit form 10% to 5% for the tax year 2020. Subsequently, High Court of Sindh has passed order in favor of Equity Textiles Limited in the year 2023. However, the department filed an appeal in the Supreme Court of Pakistan against the order of High Court of Sindh. The Company is defending the case under C.P.L.A. # 825-K/2023 dated 8/6/2023 at Supreme Court of Pakistan. The matter is still pending with Supreme Court of Pakistan. 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. This pertains to investment credit retrospective amendment under section 65(B) of Income tax Ordinance, 2001. The matter is still pending with Supreme Court of Pakistan.

In the current year, the DCIR has passed order under section 221(1) of the Income Tax Ordinance, 2001 for tax year 2020 in respect of adjustment of brought forward refund pertaining to pervious tax years with the tax liability without having refund order under section 170(4) of the Ordinance resulting in tax demand of Rs.7.0 million. This pertains to adjustment of income tax refund of previous years. However, the company filed appeal before the Commissioner Inland Revenue Appeals (CIR-A) against the said order where hearing is pending. We are of the view that the company has fair chance of success in appeal. The matter is pending with Commissioner Appeal Inland Revenue, Karachi.

In the Current year, the ADCIR has passed order under section 122 (5A) of the Income Tax Ordinance, 2001 for tax year 2017 and disallowed the Expenses for Rs.130.5 million. The said disallowance / addition resulted in taxable income during the period 98,577,068/- and tax liability amounting to Rs.4.159 million. This pertains to assessment of income tax return for the tax year 2017. The company filed appeal before the Commissioner Inland Revenue Appeals (CIR-A) against the said order. The CIR-A modify the order of the officer by annulling the addition of salaries under section 21 (c) of the Ordinance and adjustment of brought forward business losses. However, remand back the issue relating to the allowability of tax credit under section 65B of the Ordinance. Subsequently, the officer has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of the Commissioner Appeals and the hearing in appeal is pending. The matter is pending before the Appellate Tribunal Inland Revenue.

15.2 Commitments

Commitment in respect of letters of credit as at the reporting date amounting to Rs. 24.550 million (2023: 126.7 million).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| | 2024 | 2023 |
|--|--------------------|--------------------|
| | ----- Rupees ----- | |
| 16.1 Depreciation for the year has been allocated as follows: | | |
| Modaraba business | | |
| Administrative expense | 1,268,853 | 1,268,853 |
| Brokerage business | | |
| Administrative expense | 677,860 | 677,860 |
| Textile Business | | |
| Cost of sale | 125,085,947 | 125,085,947 |
| Administrative expense | 6,376,253 | 6,376,253 |
| | 133,408,913 | 133,408,913 |

16.2 Had there been no revaluation on specific classes of fixed assets the net book value of these assets would have been as follows:

| | 2024 | 2023 |
|--------------------------------|--------------------|--------------------|
| | ----- Rupees ----- | |
| Factory building | 37,858,373 | 42,065,859 |
| Colony building | 8,253,434 | 9,170,482 |
| Plant & machinery | 348,183,913 | 367,934,448 |
| Gas generator | 48,593,124 | 11,111,304 |
| Electric installations | 7,210,453 | 8,011,614 |
| Factory equipment | 1,005,362 | 1,117,069 |
| Machinery - right of use asset | 47,955,459 | 53,283,843 |
| | 499,060,118 | 492,694,619 |

16.3 Fair value measurement

16.3.1 The Company's factory building, colony building, plant and machinery, gas generator, electric installation and factory equipment were revalued by a professional valuer namely M/s Joseph Lobo (Private) Limited as on June 30, 2021, June 30, 2017 and June 30, 2013 on the basis of market value method. The resulting revaluation surplus aggregating to Rs.343.458 Rs. 231.813 million and Rs. 411.068 million respectively are included in the carrying values of such assets with a corresponding amount appearing as "Surplus on revaluation of property, plant and equipment". Earlier, the revaluation was carried out as on December 31, 2008 by an independent valuer, M/s Iqbal A. Nanjee and Company, Valuers and Surveyors which resulted in revaluation surplus aggregating to Rs. 494.712 million. Fair value of factory building, colony building, plant and machinery, generators, electric installations and factory equipment was based on the valuation carried out on June 30, 2021 by an independent valuer M/s Joseph Lobo (Private) Limited on the basis of market value.

16.3.2 Assumptions used in determining the fair value of factory building and colony building was considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation, while an assumption in respect of fair value of plant and machinery, generators, electric installations and factory equipment are considered to be on level 3 in the fair value hierarchy due to significant unobservable inputs used in the valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Valuation techniques used to derive level 2 fair values

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.

Valuation techniques used to derive level 3 fair values

In the absence of current prices in an active market, the fair values of plant and machinery, generators, electric installations and factory equipment were 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 was adjusted against above factors.

16.3.3 A reconciliation from opening balances to closing balances of fair value measurements categorized in level 3 is provided below:

| | 2024 | 2023 |
|---------------------|---------------------------|--------------------|
| | ----- Rupees ----- | |
| Opening balance | 809,582,907 | 881,928,888 |
| Additions - cost | 44,384,056 | 17,433,567 |
| Depreciation charge | (77,156,279) | (89,779,548) |
| Closing balance | <u>776,810,684</u> | <u>809,582,907</u> |

16.3.4 There were no transfers between level 2 and level 3 for recurring fair value measurements during the year.

| | | 2024 | 2023 |
|---|-------------|--------------------------|-------------------|
| | | ----- Rupees ----- | |
| 17. INTANGIBLE | Note | | |
| Cost | 17.1 | 10,000,000 | 10,000,000 |
| Intangible asset transfer from capital work in progress | 17.2 | 8,193,103 | 3,412,604 |
| | | <u>18,193,103</u> | <u>13,412,604</u> |

17.1 This represents Trading Right Entitlement certificates (TREC) of Pakistan Stock Exchange 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| | 2024 | 2023 |
|---|--------------------|-------------|
| | ----- Rupees ----- | |
| 17.2 Intangible asset transfer from capital work in progress | | |
| Net carrying value basis | | |
| Opening book value | 3,412,604 | 3,443,664 |
| Additions (at cost) | 5,487,601 | 338,710 |
| Amortization charged | (707,102) | (369,770) |
| Closing net book value | 8,193,103 | 3,412,604 |
| Gross carrying value basis | | |
| Cost | 10,301,507 | 4,475,196 |
| Accumulated amortization | (2,108,404) | (1,031,532) |
| Net book value | 8,193,103 | 3,443,664 |
| Amortization rate per annum | 10% | 10% |

18. INVESTMENT PROPERTY

| 2 0 2 4 | | | | | | | |
|---------|---------------------|------------------------|---------------------|--|----------------------------|---------------------|---------------------|
| Rate | Cost | | | Accumulated depreciation As at July 01, 2023 | Charged during the year | Book value | |
| | As at July 01, 2023 | Addition / Transfer | As at June 30, 2024 | | | As at June 30, 2024 | As at June 30, 2024 |
| (%) | ----- Rupees ----- | | | | | | |

| | | | | | | | | |
|-----------------|---|-----------|---|-----------|-----------|---------|-----------|---------|
| Office premises | 5 | 2,400,000 | - | 2,400,000 | 1,408,333 | 120,000 | 1,528,333 | 871,667 |
| | | 2,400,000 | - | 2,400,000 | 1,408,333 | 120,000 | 1,528,333 | 871,667 |

| 2 0 2 3 | | | | | | | |
|---------|---------------------|------------------------|---------------------|--|----------------------------|---------------------|---------------------|
| Rate | Cost | | | Accumulated depreciation As at July 01, 2022 | Charged during the year | Book value | |
| | As at July 01, 2022 | Addition / Transfer | As at June 30, 2023 | | | As at June 30, 2023 | As at June 30, 2023 |
| (%) | ----- Rupees ----- | | | | | | |

| | | | | | | | | |
|-----------------|---|-----------|---|-----------|-----------|---------|-----------|---------|
| Office premises | 5 | 2,400,000 | - | 2,400,000 | 1,288,333 | 120,000 | 1,408,333 | 991,667 |
| | | 2,400,000 | - | 2,400,000 | 1,288,333 | 120,000 | 1,408,333 | 991,667 |

18.1 The fair value of investment property as at June 30, 2024 Rs. 8,869,536 (2023: Rs. 7,391,280) as per valuation report of independent valuer

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| 19. LONG TERM INVESTMENT | Note | 2024 ----- Rupees ----- | 2023 |
|--|------|----------------------------|--------------|
| <i>Investments classified at fair value through other comprehensive income</i> | | | |
| Unlisted securities | 19.1 | 68,239,233 | 58,502,006 |
| Listed securities | 19.2 | 46,374,910 | 46,374,910 |
| Less: Unrealized loss on change in fair value | | (37,054,356) | (38,476,136) |
| | | 9,320,554 | 7,898,774 |
| | | 77,559,787 | 66,400,780 |

19.1 Unlisted securities

| 2024 ----- Number ----- | 2023 | Name of investee | Note | 2024 ----- Rupees ----- | 2023 |
|----------------------------|-----------|-------------------------------------|--------|----------------------------|------------|
| 50,000 | 50,000 | Sapphire Power Generation Limited | 19.1.1 | 5,559,744 | 4,990,500 |
| 3,034,603 | 3,034,603 | ISE Towers REIT Management Co. Ltd. | 19.1.2 | 62,637,688 | 53,469,705 |
| 78,150 | 78,150 | Callmate Telips Telecom Limited | 19.1.3 | 1 | 1 |
| 22,000 | 22,000 | Javed Omer Vohra & Company Limited | 19.1.4 | 41,800 | 41,800 |
| 3,184,753 | 3,184,753 | | | 68,239,233 | 58,502,006 |

19.1.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 111.19 (2023: Rs. 99.81) as per financial statements as at June 30, 2023 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.

19.1.2 Net assets value per share of ISE Towers REIT Management Company Limited Rs. 20.64 (June 30, 2023: Rs. 17.62) as per financial statements as at March 31, 2023. The auditors are BDO Ebrahim & Company, Chartered Accountants.

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

19.1.4 The investee company had been de-listed in prior year. Therefore, the investment has been reclassified from listed securities to un-listed securities. Currently, the investment is carried at Rs. 1.90 per share (quoted price of last trading day before de-listing)



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

19.2 Listed securities

| 2024 ----- Number ----- | 2023 | Name of investee | 2024 ----- Rupees ----- | 2023 |
|----------------------------|-----------|---------------------------|----------------------------|-------------------|
| 1,579,749 | 1,579,749 | Premier Insurance Limited | <u>46,374,910</u> | <u>46,374,910</u> |

20. ADVANCES

This represents an amount paid to PMEX against purchase of one room in PMEX building (Formerly: Hyatt Regency) location at M.T. Road, Karachi.

| | Note | 2024 ----- Rupees ----- | 2023 |
|------------------------------|------|----------------------------|--------------------|
| 21. STORES AND SPARES | | | |
| Store in hand | | <u>63,849,439</u> | <u>60,052,329</u> |
| 22. STOCK IN TRADE | | | |
| Raw material - in hand | | 279,027,201 | 392,521,920 |
| Work in process | | 173,049 | 44,575,959 |
| Finished goods | 22.1 | 64,102,812 | 134,038,827 |
| | | <u>343,303,062</u> | <u>571,136,706</u> |

22.1 The carrying amount of finished goods includes inventories amounting to Rs. 61.944 million (2023: 102.983 million) which were carried at net realizable value.

| | Note | 2024 ----- Rupees ----- | 2023 |
|--|------|----------------------------|--------------------|
| 23. TRADE DEBTS | | | |
| Unsecured - considered good | | 89,698,813 | 560,438,584 |
| Less: Allowance for expected credit loss | | (10,413,633) | (10,413,633) |
| | | <u>79,285,180</u> | <u>550,024,951</u> |

24. SHORT TERM INVESTMENTS

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

| | | | |
|-------------------|------|--------------------|-------------------|
| Listed securities | 24.1 | <u>119,995,949</u> | <u>97,880,565</u> |
|-------------------|------|--------------------|-------------------|

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

24.1 Listed securities

| 2024 | 2023 | Name of investee | 2024 | 2023 |
|--|-----------|---|--------------------|-----------|
| ----- Numbers ----- | | | ----- Rupees ----- | |
| Automobile | | | | |
| 1,852 | 1,852 | Millat Tractors Limited | 1,178,020 | 722,854 |
| 22,500 | 59,325 | Ghani Automobile Limited | 919,800 | 2,326,726 |
| 25,999 | 29,499 | Gandhara Industries Limited | 7,107,867 | 2,375,849 |
| Oil and Gas Marketing Companies | | | | |
| 247,028 | 15,174 | Sui Northern Gas Pipeline Limited | 601,124 | 9,961,712 |
| 13,698 | 13,500 | Oil & Gas Development Company Limited | 676,850 | 1,731,444 |
| 697,502 | 697,502 | Hascol Petroleum Limited | 4,317,537 | 3,871,136 |
| 30,000 | 30,000 | Hi-Tech Lubricants Limited | 1,069,800 | 636,900 |
| 2,000 | 2,500 | Attock Refinery Limited | 703,180 | 429,075 |
| 2,100 | 10,500 | Pakistan Petroleum Limited | 245,931 | 620,970 |
| 38,400 | 38,400 | Hi-Tech Lubricants Limited | 1,369,344 | 815,232 |
| 88,400 | 88,400 | Cnergyi Co. PK Limited | 340,340 | 251,056 |
| Food and Personal Care Products | | | | |
| 115,675 | 155,675 | Unity Foods | 3,487,601 | 2,433,200 |
| - | 1,600 | Frieslandcampina Engro Pakistan Limited | - | 94,448 |
| Cement | | | | |
| 12,500 | 500 | Bestway Cement Limited | 112,140 | 1,812,500 |
| 469,000 | 469,000 | Dewan Cement Limited | 4,005,260 | 1,946,350 |
| 362,775 | 362,775 | Fly Cement Limited | 3,018,288 | 2,009,774 |
| 3,400 | 3,400 | Cherat Cement Company Limited | 554,642 | 408,952 |
| 1,756,500 | 1,756,500 | Power Cement Limited | 9,660,750 | 7,201,650 |
| 90,000 | 90,000 | Fauji Cement Company Limited | 2,061,900 | 1,058,400 |
| 158,222 | 83,222 | Maple Leaf Cement Factory Limited | 3,162,436 | 4,482,429 |
| 1,845 | - | Pioneer Cement Limited | - | 159,832 |
| 15,750 | 15,750 | Flying Cement Limited | 131,040 | 87,255 |
| Modaraba | | | | |
| 38,000 | 38,000 | First UDL Modaraba | 304,000 | 190,000 |
| Transport | | | | |
| 718,433 | 718,433 | Pakistan International Bulk Terminals Limited | 4,432,732 | 2,952,759 |
| Engineering | | | | |
| 107,100 | 107,100 | Amreli Streel Limited | 2,890,629 | 1,643,985 |
| 5,000 | - | LALPIR Limited | 127,100 | - |
| - | 4,000 | Bolan Casting | - | 132,000 |
| 13,375 | 13,375 | Agha Steel Industries Limited | 134,018 | 130,005 |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| 2024 | 2023 | Name of investee | 2024 | 2023 |
|---|-------------------|--|--------------------|-------------------|
| ----- Numbers ----- | | | ----- Rupees ----- | |
| Textile | | | | |
| 25,453 | 9,498 | Nishat Mills Limited | 318,683 | 1,529,717 |
| 237,000 | 237,000 | Azgard Nine Limited | 1,789,350 | 1,422,000 |
| 4,500 | | - Amtex Limited | 14,220 | - |
| 210,000 | 209,000 | International Knitwear Limited | 2,752,530 | 2,835,000 |
| Paper & Board | | | | |
| 70,000 | 70,000 | Merit Packaging Limited | 909,300 | 616,000 |
| 59,400 | 59,400 | Roshan Packages Limited | 837,540 | 528,066 |
| Technology and telecommunication | | | | |
| 84,387 | 84,387 | Tele Card Limited | 609,274 | 556,954 |
| 39,500 | 39,500 | Netsol Technologies Limited | 5,362,520 | 2,955,786 |
| 310,500 | 310,500 | World Call Telecom Limited | 391,231 | 338,445 |
| 708,500 | 708,500 | Pakistan Telecommunication Company Limited | 8,509,085 | 4,258,086 |
| 1,549,000 | ,549,000 | Worldcall Telecom Limited | 1,951,740 | 1,688,410 |
| 2,500 | 2,500 | TRG Pakistan Limited | 155,125 | 230,325 |
| 15,600 | 15,600 | Netsol Technologies Limited | 2,117,856 | 1,167,348 |
| Personal Care | | | | |
| 67,500 | 67,500 | Treet Corporation Limited | 1,050,300 | 1,068,525 |
| Cable and Electric Goods | | | | |
| 596,750 | 696,750 | Waves Singer Pakistan Limited | 4,189,185 | 4,285,013 |
| 450 | | - Waves Home Appliances Ltd | - | 1,994 |
| 100,000 | | - Waves Corporation Limited | 702,000 | - |
| - | 49,900 | Waves Home Appliances Limited | - | 221,057 |
| 122,000 | | - Pak Elektron Limited | - | 1,104,100 |
| Inv. Banks / Inv. Cos. / Securities Cos. | | | | |
| 1,758,453 | 1,758,453 | Pakistan Stock Exchange Limited | 22,525,783 | 13,012,552 |
| Miscellaneous | | | | |
| 98,500 | 98,500 | Ghani Global Glass Limited | 592,970 | 575,240 |
| 27,850 | 27,850 | Ghani Global Holdings Limited | 265,132 | 274,880 |
| 639,000 | 639,000 | Al-Shaheer Corporation Limited | 5,156,730 | 4,619,970 |
| 53,647 | 53,647 | EcoPack Limited | 835,820 | 777,882 |
| 2,500 | | -Pakistan Hotel Developers Limited | - | 200,000 |
| 1,010,000 | 1,010,000 | K-Electric Limited | 4,676,300 | 1,737,200 |
| 200 | 21,000 | Clover Pakistan Limited | 9,524 | 266,700 |
| 250,000 | 250,000 | Pace Pakistan Limited | 755,000 | 490,000 |
| 2,000 | 2,000 | EMCO Industries | 68,940 | 60,000 |
| 2,461 | 2,461 | United Distributors Pakistan Limited | 92,066 | 72,747 |
| Pharma & Biotech | | | | |
| 13,050 | 13,050 | The Searle Pakistan Limited | 745,416 | 500,075 |
| <u>13,129,755</u> | <u>12,790,978</u> | | <u>119,995,949</u> | <u>97,880,565</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| | 2024 | 2023 |
|---|--------------------|--------------------|
| 25. ADVANCES - CONSIDERED GOOD | ----- Rupees ----- | ----- |
| Note | | |
| To employees | 3,603,310 | 8,554,631 |
| To supplier of goods | - | 500,000 |
| Against letter of credit | 989,625 | 3,100,349 |
| Others | 201,020 | - |
| | 4,793,955 | 12,154,980 |
| 26. TRADE DEPOSITS AND PREPAYMENTS | | |
| Deposits | 16,439,088 | 14,966,856 |
| Margin deposit | 101,113,068 | 96,710,100 |
| Security deposit | 124,800 | - |
| Prepayments | 344,894 | 326,611 |
| | 118,021,850 | 112,003,567 |
| 27. OTHER RECEIVABLES | | |
| Receivable from clients | 27.1 19,205,797 | 19,134,756 |
| Sale tax receivables | 58,454,736 | - |
| Musharakah profit receivable | 1,795,152 | 1,795,152 |
| Cotton claims | 64,148,549 | 99,918 |
| Minumum tax levy | 55,602,306 | - |
| Others | 5,774,634 | 5,712,501 |
| | 204,981,174 | 26,742,327 |
| 27.1 Receivable from clients | | |
| Considered good | 19,205,797 | 19,134,756 |
| Considered doubtful | - | 12,500,000 |
| | 19,205,797 | 31,634,756 |
| Less: Bad debt written off | - | (12,500,000) |
| | 19,205,797 | 19,134,756 |
| 28. TAX REFUND FROM GOVERNMENT AUTHORITIES | | |
| Income tax refundable | 21,813,739 | 73,147,156 |
| | 21,813,739 | 73,147,156 |
| 29. TAXATION - NET | | |
| Advance income tax | 32,214,486 | 70,973,917 |
| Less: Provision for taxation | (5,705,424) | (50,126,483) |
| | 26,509,062 | 20,847,434 |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| | | 2024 | 2023 |
|---|-------------|-----------------------------|----------------------|
| 30. CASH AND BANK BALANCE | Note | ----- Rupees ----- | |
| Cash in hand | | 800,000 | 650,000 |
| Bank balances: | | | |
| -in current accounts | | 1,879,912 | 13,002,958 |
| -in saving accounts | 30.1 | 16,924,838 | 27,824,260 |
| | | <u>19,604,750</u> | <u>41,477,218</u> |
| 30.1 Effective mark-up rate in respect of PLS accounts ranges from 13% to 18% (2023: 8% to 14%) per annum. | | | |
| 31. INCOME - NET | Note | 2024 | 2023 |
| | | ----- Rupees ----- | |
| Income from modaraba's business | 31.1 | (10,818,648) | 3,788,427 |
| Income from textile's business | 31.2 | (264,912,050) | (123,101,636) |
| | | <u>(275,730,698)</u> | <u>(119,313,209)</u> |
| 31.1 Income from modaraba's business | | | |
| Profit on musharaka | | - | 734,529 |
| Brokerage commission | | 1,075,096 | 760,315 |
| Capital loss | | (20,244,477) | (5,869,721) |
| Dividends | | 5,534,733 | 5,603,304 |
| Rentals | | 2,816,000 | 2,560,000 |
| | | <u>(10,818,648)</u> | <u>3,788,427</u> |
| 31.2 Income from textile's business | | | |
| Sales | | | |
| - Local | | 5,563,818,296 | 4,577,957,788 |
| - Exports | | 1,411,130 | 81,585,006 |
| - Waste sales | | 212,933,675 | 137,855,706 |
| - Scrap Sales | | 4,123,160 | 3,522,257 |
| | | <u>5,782,286,261</u> | <u>4,800,920,757</u> |
| Sale Tax | | (628,989,282) | (638,704,813) |
| Commission to selling agent | | (72,285,780) | (82,807,890) |
| | | <u>5,081,011,199</u> | <u>4,079,408,054</u> |
| Cost of sale | 31.3 | (5,345,923,249) | (4,202,509,690) |
| | | <u>(264,912,050)</u> | <u>(123,101,636)</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| 31.3 Cost of sale | Note | 2024 | 2023 |
|--|---------------|----------------------|---------------|
| | | ----- Rupees ----- | |
| Raw material consumed | 31.3.1 | 4,278,840,000 | 3,600,231,658 |
| Store consumed | | 66,284,695 | 44,498,181 |
| Packing material consumed | | 45,364,438 | 31,740,241 |
| Salaries, wages and other benefits | | 278,318,847 | 263,458,236 |
| Fuel and power | | 415,607,877 | 172,612,477 |
| Insurance | | 15,768,432 | 10,661,054 |
| Repair and maintenance | | 5,513,998 | 4,457,655 |
| Depreciation expense | 16.1 | 114,994,832 | 124,961,380 |
| Other manufacturing overheads | | 10,891,205 | 9,447,184 |
| | | 5,231,584,324 | 4,262,068,066 |
| Work in Process | | | |
| -opening stock | | 4,575,959 | 13,607,655 |
| -closing Stock | | (173,049) | (44,575,959) |
| Cost of goods manufactured | | 5,275,987,234 | 4,231,099,762 |
| Finished goods | | | |
| -opening stock | | 134,038,827 | 105,448,755 |
| -closing Stock | | (64,102,812) | (134,038,827) |
| | | 5,345,923,249 | 4,202,509,690 |
| 31.3.1 Raw material consumed | | | |
| Opening stock | | 392,521,920 | 458,858,515 |
| Purchased during the year | | 4,165,345,281 | 3,533,895,063 |
| | | 4,557,867,201 | 3,992,753,578 |
| Closing stock | | (279,027,201) | (392,521,920) |
| | | 4,278,840,000 | 3,600,231,658 |
| 32. OPERATING EXPENSES | Note | 2024 | 2023 |
| | | ----- Rupees ----- | |
| Salaries, allowances and benefits | 32.2 | 44,187,324 | 36,767,625 |
| Director & CEO fee | | 6,552,801 | 5,525,021 |
| Travelling, conveyance and entertainment | | 2,423,661 | 3,633,921 |
| Telephone and postage | | 1,103,573 | 1,679,340 |
| Rent, rates and taxes | | 5,169,828 | 4,946,871 |
| Electricity | | 2,030,327 | 2,100,607 |
| Insurance | | 1,954,637 | 1,481,198 |
| Printing, stationery and advertising | | 764,169 | 1,309,343 |
| Fees and subscriptions | | 6,289,206 | 11,812,507 |
| Vehicle running and maintenance | | 9,034,442 | 8,299,763 |
| Depreciation | 16.1 | 6,579,127 | 8,442,966 |
| Facilities and utilities | | 4,768,040 | 4,768,040 |
| Repair and maintenance | | 3,663,481 | 3,158,474 |
| Annual review meeting | | 48,241 | 12,698 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| | | | |
|------------------------|-------------|--------------------|--------------------|
| Auditors' remuneration | 32.3 | 1,201,294 | 988,478 |
| Legal and professional | | 4,874,399 | 5,348,634 |
| Shariah Advisor | | 231,250 | 225,000 |
| Donation | | - | 2,000,000 |
| PSX & SECP charges | | 480,039 | 419,707 |
| Amortization Expense | | 707,100 | 369,770 |
| Cartage expense | | 7,450 | 57,700 |
| Others | | 978,959 | 712,667 |
| | | 103,089,348 | 104,060,330 |

32.1 Remuneration of officers and other employees

| | 2024 | | 2023 | |
|----------------------------|--------------------|------------------|-----------|-----------------|
| | Officers | Other employees | Officers | Other employees |
| | ----- Rupees ----- | | | |
| Salaries and allowances | 2,798,960 | 2,132,240 | 2,666,160 | 1,790,640 |
| Leave fare and encashments | 371,680 | 147,417 | 582,500 | 139,060 |
| Expenses reimbursed: | | | | |
| - Medical | 367,100 | 213,541 | 406,850 | 247,090 |
| | 3,537,740 | 2,493,198 | 3,655,510 | 2,176,790 |

32.2 Salaries, allowances and benefits include provision for gratuity of Rs. 1,575,363 (2023: Rs. 1,205,845). Officers are also provided with free use of the Modaraba maintained cars.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| 32.3 Auditor's remuneration | Note | 2024 | 2023 |
|--|--|---------------------------|-------------------|
| | | ----- Rupees ----- | |
| Audit fee | | 880,800 | 910,698 |
| Half yearly review | | 40,000 | 40,000 |
| Other fees | | 280,494 | 37,780 |
| | | <u>1,201,294</u> | <u>988,478</u> |
| 33. DISTRIBUTION AND SELLING EXPENSES | | | |
| Freight loading and unloading | | 24,418,315 | 21,289,801 |
| Clearing forwarding exports | | 234,844 | 3,547,649 |
| | | <u>24,653,159</u> | <u>24,837,450</u> |
| 34. FINANCIAL CHARGES | | | |
| Mark up / interest on: | | | |
| Long term loan - secured | | - | 597,985 |
| Short term loan & running finance - secured | | 54,957,374 | 41,699,201 |
| Finance lease | | 6,020,035 | 7,383,659 |
| Local LC | | 42,124,267 | - |
| GIDC Net | | 8,013,819 | 7,578,021 |
| Bank charges | | 4,806,995 | 4,570,850 |
| | | <u>115,922,490</u> | <u>61,829,716</u> |
| 35. OTHER INCOME | | | |
| Profit on PLS deposits | | 169,190 | 123,317 |
| Gain on sale of fixed assets | | - | 495,609 |
| Interest income | | 8,777,138 | 5,931,317 |
| | | <u>8,946,328</u> | <u>6,550,243</u> |
| 36. TAXATION | | | |
| 36.1 | The income tax returns of the Group have been filed up to tax year 2023 under the Universal Self Assessment Scheme. This scheme provides that the return filed is deemed to be an assessment order. The returns may be selected for audit within five years. The Income Tax Commissioner may amend assessment if any objection is raised during audit. | | |
| 36.2 | Since, there is no accounting profit during the year ended June 30, 2024 and tax has been charged under minimum tax provisions therefore, no tax reconciliation is prepared for the year then ended. | | |
| 36.3 | This represents final taxes paid under section 150 & 37A of Income Tax Ordinance (ITO, 2001) representing levy in terms of requirements of IFRIC - 21 / IAS - 37. | | |
| 36.4 | This represents portion of minimum tax paid under section 113, 233 & 153(1)(b) of Income Tax Ordinance (ITO, 2001), representing levy in terms of requirements of IFRIC - 21 / IAS - 37. | | |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| | 2024 | 2023 |
|---|----------------------|----------------------|
| | ----- Rupees ----- | |
| 37. LOSS PER CERTIFICATE - BASIC AND DILUTED | | |
| Loss for the year | <u>(414,095,365)</u> | <u>(252,073,175)</u> |
| | ----- Numbers ----- | |
| Weighted average number of certificates outstanding during the year | <u>52,440,000</u> | <u>52,440,000</u> |
| | ----- Rupees ----- | |
| Loss per certificate - basic and diluted | <u>(7.90)</u> | <u>(4.81)</u> |

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

38. RISK MANAGEMENT POLICIES AND OBJECTIVES

Financial risk management

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group 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 Group's performance to developments affecting a particular industry.

Credit risk of the Group 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 Group 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 represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| | 2024 | 2023 |
|--------------------------------|--------------------|-------------|
| | ----- Rupees ----- | |
| Investment | 197,555,736 | 164,281,345 |
| Trade debts | 79,285,180 | 550,024,951 |
| Advances-considered good | 7,303,955 | 14,664,980 |
| Trade deposits and prepayments | 126,432,650 | 120,991,367 |
| Other receivables | 204,981,174 | 26,742,327 |
| | 615,558,695 | 876,704,970 |

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 Group 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 Group'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 Group's reputation.

| 2 0 2 4 | | | |
|--------------------|--|-----------------|-------|
| Less than one year | Over one year but less than five years | Over five years | Total |
| | | | |
| | | | |
| ----- Rupees ----- | | | |

Assets

| | | | | |
|------------------------|-------------|------------|---|-------------|
| Long term investments | - | 77,559,787 | - | 77,559,787 |
| Trade debts | 79,285,180 | - | - | 79,285,180 |
| Short term investments | 119,995,949 | - | - | 119,995,949 |
| Advances | 4,793,955 | 2,510,000 | - | 7,303,955 |
| Trade deposits | 117,542,752 | 8,410,800 | - | 125,953,552 |
| Other receivables | 204,981,174 | - | - | 204,981,174 |
| Bank balances | 19,604,750 | - | - | 19,604,750 |
| | 546,203,760 | 88,480,587 | - | 634,684,347 |

Liabilities

| | | | | |
|--|-------------|-----------|---|-------------|
| Security deposit | - | 200,000 | - | 200,000 |
| Liabilities against asset subject to finance lease | 14,642,828 | 7,304,667 | - | 21,947,495 |
| Short term borrowings | 210,530,034 | - | - | 210,530,034 |
| Creditors, accrued and other liabilities | 631,282,616 | - | - | 631,282,616 |
| Accrued mark up | 17,092,518 | - | - | 17,092,518 |
| Unclaimed profit distribution | 31,116,072 | - | - | 31,116,072 |
| | 904,664,068 | 7,704,667 | - | 912,368,735 |

Net balance

| | | | | |
|--|---------------|------------|---|---------------|
| | (358,460,308) | 80,775,920 | - | (277,684,388) |
|--|---------------|------------|---|---------------|



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

| | 2 0 2 3 | | | Total |
|--|-----------------------|--|-----------------|---------------|
| | Less than one year | Over one year but less than five years | Over five years | |
| ----- Rupees ----- | | | | |
| Assets | | | | |
| Long term investments | - | 58,502,006 | - | 58,502,006 |
| Trade debts | 550,024,951 | - | - | 550,024,951 |
| Short term investments | 105,779,339 | - | - | 105,779,339 |
| Advances | 12,154,980 | 2,510,000 | - | 14,664,980 |
| Trade deposits | 111,524,469 | 8,987,800 | - | 120,512,269 |
| Other receivables | 26,742,327 | - | - | 26,742,327 |
| Bank balances | 41,477,218 | - | - | 41,477,218 |
| | 847,703,284 | 69,999,806 | - | 917,703,090 |
| Liabilities | | | | |
| Security deposit | - | 200,000 | - | 200,000 |
| Liabilities against asset subject to finance lease | 14,642,828 | 15,405,431 | - | 30,048,259 |
| Short term borrowings | 92,491,516 | - | - | 92,491,516 |
| Creditors, accrued and other liabilities | 870,922,525 | - | - | 870,922,525 |
| Accrued mark-up | 3,643,631 | - | - | 3,643,631 |
| Unclaimed profit distribution | 31,127,871 | - | - | 31,127,871 |
| | 1,012,828,371 | 15,605,431 | - | 1,028,433,802 |
| Net balance | (165,125,087) | 54,394,375 | - | (110,730,712) |

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 Group's operations either internally within the Group 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 behaviour. Operational risks arise from all of the Group's activities.

The Group'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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

- 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; and
- 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 receivables and payables exist due to transactions entered into foreign currencies.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group 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.

| | 2024 | 2023 |
|---|----------------------|-------------|
| | ----- Rupees ----- | |
| 39.1 Financial instruments by category | | |
| Financial assets | | |
| <i>At amortized cost</i> | | |
| Morabaha/Musharaka receivables | - | 9,560,622 |
| Trade debts | 79,285,180 | 426,922,574 |
| Advances | 7,303,955 | 14,471,484 |
| Trade deposits | 126,432,650 | 110,736,590 |
| Other receivables | 204,981,174 | 83,650,677 |
| Bank balances | 19,604,750 | 102,139,941 |
| <i>Financial assets at fair value through profit or loss</i> | | |
| Short term investments | 119,995,949 | 142,431,293 |
| <i>Financial assets at fair value through OCI</i> | | |
| Long term investments | 77,559,787 | 52,655,229 |
| | 635,163,445 | 942,568,410 |
| Financial liabilities | | |
| <i>Financial liabilities at amortized cost</i> | | |
| Security Deposit | 200,000 | 200,000 |
| Long term financing | - | 468,564 |
| Liabilities against asset subject to finance lease | 7,304,667 | 38,951,091 |
| Short term borrowing | 210,530,034 | 225,098,900 |
| Current portion of long term liabilities | 309,466,334 | 60,349,397 |
| Creditors, accrued and other liabilities | 631,282,616 | 493,626,987 |
| Accrued mark up | 17,092,518 | 6,768,395 |
| Unclaimed profit distribution | 31,116,072 | 30,448,251 |
| | 1,206,992,241 | 855,911,585 |
| On balance sheet gap | (571,828,796) | 86,656,825 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

40. 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.

| | 2024 | | | | |
|--|-------------------|----------------------------------|-----------------------------------|--------------------|---------------|
| | Upto one month | over one month to one year | over one year to five years | over five years | Total |
| ----- Rupees ----- | | | | | |
| Assets | | | | | |
| Long term investments | - | - | 77,559,787 | - | 77,559,787 |
| Trade debts | - | 79,285,180 | - | - | 79,285,180 |
| Short term investments | - | 119,995,949 | - | - | 119,995,949 |
| Advances | - | 4,793,955 | 2,510,000 | - | 7,303,955 |
| Trade deposits | - | 117,542,752 | 8,410,800 | - | 125,953,552 |
| Other receivables | - | 204,981,174 | - | - | 204,981,174 |
| Bank balances | - | 19,604,750 | - | - | 19,604,750 |
| | - | 546,203,760 | 88,480,587 | - | 634,684,347 |
| Liabilities | | | | | |
| Liabilities against asset subject to finance lease | - | - | 7,304,667 | - | 7,304,667 |
| Deferred liabilities | - | - | 5,897,659 | - | 5,897,659 |
| Short term borrowings | - | 210,530,034 | - | - | 210,530,034 |
| Current portion of long term liabilities | - | 309,466,334 | - | - | 309,466,334 |
| Creditors, accrued and other liabilities | - | 631,282,616 | - | - | 631,282,616 |
| Accrued mark up | - | 17,092,518 | - | - | 17,092,518 |
| Unclaimed profit distribution | - | 31,116,072 | - | - | 31,116,072 |
| | - | 1,199,487,574 | 13,202,326 | - | 1,212,689,900 |
| Net balance | - | (653,283,814) | 75,278,261 | - | (578,005,553) |

| | 2023 | | | | |
|--|-------------------|----------------------------------|-----------------------------------|--------------------|---------------|
| | Upto one month | over one month to one year | over one year to five years | over five years | Total |
| ----- Rupees ----- | | | | | |
| Assets | | | | | |
| Long term investments | - | - | 58,502,006 | - | 58,502,006 |
| Trade debts | - | 550,024,951 | - | - | 550,024,951 |
| Short term investments | - | 105,779,339 | - | - | 105,779,339 |
| Advances | - | 12,154,980 | 2,510,000 | - | 14,664,980 |
| Trade deposits | - | 111,524,469 | 8,987,800 | - | 120,512,269 |
| Other receivables | - | 26,742,327 | - | - | 26,742,327 |
| Bank balances | - | 41,477,218 | - | - | 41,477,218 |
| | - | 847,703,284 | 69,999,806 | - | 917,703,090 |
| Liabilities | | | | | |
| Liabilities against asset subject to finance lease | - | - | 15,405,431 | - | 15,405,431 |
| Deferred liabilities | - | - | 5,897,659 | - | 5,897,659 |
| Short term borrowings | - | 92,491,516 | - | - | 92,491,516 |
| Current portion of long term liabilities | - | 23,545,660 | - | - | 23,545,660 |
| Creditors, accrued and other liabilities | - | 870,922,525 | - | - | 870,922,525 |
| Accrued mark up | - | 3,643,631 | - | - | 3,643,631 |
| Unclaimed profit distribution | - | 31,127,871 | - | - | 31,127,871 |
| | - | 1,021,731,203 | 21,303,090 | - | 1,043,034,293 |
| Net balance | - | (174,027,919) | 48,696,716 | - | (125,331,203) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

41. YIELD / PROFIT RATE RISK EXPOSURE

| Effective yield / profit risk % age | 2024 | | | | | | Total |
|--|---------------------------------|--------------------|----------------------|-------------------------------------|-------------------|---------------------|----------------------|
| | Yield / profit bearing maturing | | | Non yield / profit bearing maturing | | | |
| | Within one year | After one year | Sub-total | Within one year | After one year | Sub-total | |
| | Rupees | | | | | | |
| Financial assets | | | | | | | |
| Long term Investments | - | - | - | - | 77,559,787 | 77,559,787 | 77,559,787 |
| Trade debts | - | - | - | 79,285,180 | - | 79,285,180 | 79,285,180 |
| Short term Investments | - | - | - | 119,995,949 | - | 119,995,949 | 119,995,949 |
| Advances | - | - | - | 4,793,955 | 2,510,000 | 7,303,955 | 7,303,955 |
| Trade deposits | - | - | - | 117,676,956 | 8,410,800 | 126,087,756 | 126,087,756 |
| Other receivables | - | - | - | 204,981,174 | - | 204,981,174 | 204,981,174 |
| Bank balances | 16,924,838 | - | 16,924,838 | 1,879,912 | - | 1,879,912 | 18,804,750 |
| | <u>16,924,838</u> | - | <u>16,924,838</u> | <u>528,613,126</u> | <u>88,480,587</u> | <u>617,093,713</u> | <u>634,018,551</u> |
| Financial Liabilities | | | | | | | |
| Security deposit | - | - | - | - | 200,000 | - | 200,000 |
| Liabilities against asset subject to finance lease | - | 7,304,667 | 7,304,667 | - | - | - | 7,304,667 |
| Short term borrowings | 210,530,034 | - | 210,530,034 | - | - | - | 210,530,034 |
| Current portion of long term liabilities | 309,466,334 | - | 309,466,334 | - | - | - | 309,466,334 |
| Creditors, accrued and other liabilities | - | - | - | 631,282,616 | - | 631,282,616 | 631,282,616 |
| Accrued markup | - | - | - | 17,092,518 | - | 17,092,518 | 17,092,518 |
| Unclaimed profit distribution | - | - | - | 31,116,072 | - | 31,116,072 | 31,116,072 |
| | <u>519,996,368</u> | <u>7,304,667</u> | <u>527,301,035</u> | <u>679,491,206</u> | <u>200,000</u> | <u>679,491,206</u> | <u>1,206,992,241</u> |
| On balance sheet gap | <u>(503,071,530)</u> | <u>(7,304,667)</u> | <u>(510,376,197)</u> | <u>(150,878,080)</u> | <u>88,280,587</u> | <u>(62,397,493)</u> | <u>(572,973,690)</u> |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

| | | 2023 | | | | | | |
|--|---------------------------------------|---------------------|---|---------------------|-------------------|---------------------|----------------------|--|
| Effective yield / profit risk % age | Yield / profit bearing maturity | | Non yield / profit bearing maturity | | Total | | | |
| | Within one year | After one year | Within one year | After one year | Sub-total | Sub-total | Total | |
| ----- Rupees ----- | | | | | | | | |
| Financial assets | | | | | | | | |
| Long term Investments | - | - | - | 66,400,780 | 66,400,780 | 66,400,780 | 66,400,780 | |
| Trade debts | - | - | 550,024,951 | - | 550,024,951 | 550,024,951 | 550,024,951 | |
| Short term Investments | - | - | 97,880,565 | - | 97,880,565 | 97,880,565 | 97,880,565 | |
| Advances | - | - | 12,154,980 | 2,510,000 | 14,664,980 | 14,664,980 | 14,664,980 | |
| Trade deposits | - | - | 111,676,956 | 8,987,800 | 120,664,756 | 120,664,756 | 120,664,756 | |
| Other receivables | - | - | 26,742,327 | - | 26,742,327 | 26,742,327 | 26,742,327 | |
| Bank balances | 27,824,260 | - | 27,824,260 | - | 13,002,958 | 13,002,958 | 40,827,218 | |
| 8% to 14% | 27,824,260 | - | 27,824,260 | 811,482,737 | 77,898,580 | 889,381,317 | 917,205,577 | |
| Financial Liabilities | | | | | | | | |
| Security deposit | - | - | - | 200,000 | 200,000 | 200,000 | 200,000 | |
| Liabilities against asset subject to finance lease | - | 15,405,431 | 15,405,431 | - | - | - | 15,405,431 | |
| Short term borrowings | 92,491,516 | - | 92,491,516 | - | - | - | 92,491,516 | |
| Current portion of long term liabilities | 297,682,342 | - | 297,682,342 | - | - | - | 297,682,342 | |
| Creditors, accrued and other liabilities | - | - | 870,922,525 | - | 870,922,525 | 870,922,525 | 870,922,525 | |
| Accrued markup | - | - | 3,643,631 | - | 3,643,631 | 3,643,631 | 3,643,631 | |
| Unclaimed profit distribution | - | - | 31,127,871 | - | 31,127,871 | 31,127,871 | 31,127,871 | |
| | 390,173,858 | 15,405,431 | 405,579,289 | 905,694,027 | 200,000 | 905,894,027 | 1,311,473,316 | |
| On balance sheet gap | (362,349,598) | (15,405,431) | (377,755,029) | (94,211,290) | 77,698,580 | (16,512,710) | (394,267,739) | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

42. SEGMENT INFORMATION

The Group 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.

| | 2024 | | | | | 2023 | |
|-----------------------------------|--------------------|----------------------|--------------------|----------------------|------------------|----------------------|---------------|
| | Musharaka facility | Brokerage operations | Capital market | Textile business | Others | Total | |
| | | | | | | | |
| | ----- Rupees ----- | | | | | | |
| Segment revenues | - | 1,075,096 | 4,988,246 | 5,153,296,979 | 9,025,405 | 5,168,385,726 | 4,089,746,721 |
| Segment result | - | (4,170,105) | 4,988,246 | (192,626,269) | 9,025,405 | (182,782,723) | (118,865,727) |
| Unallocated cost | | | | | | | |
| Operating expenses | | | | | | (187,090,995) | (97,956,922) |
| Distribution and selling expenses | | | | | | (24,653,159) | (24,837,450) |
| Financial charges | | | | | | (115,922,490) | (61,829,716) |
| Loss before taxation | | | | | | (510,449,367) | (303,489,815) |
| Taxation | | | | | | 96,354,002 | 51,417,287 |
| Loss for the year | | | | | | (414,095,365) | (252,072,528) |
| Other information | | | | | | | |
| Segment assets | - | 20,511,527 | 145,903,305 | 1,944,860,949 | 871,667 | 2,112,147,448 | 2,783,860,358 |
| Unallocated assets | - | - | - | - | - | 115,136,042 | 68,354,405 |
| Total assets | - | 20,511,527 | 145,903,305 | 1,944,860,949 | 871,667 | 2,227,283,490 | 2,852,214,763 |
| Segment liabilities | - | 11,497,178 | - | 1,166,657,791 | 442,000 | 1,178,596,969 | 1,460,321,649 |
| Unallocated liabilities | - | - | - | - | - | 48,339,536 | 46,057,503 |
| Total liabilities | - | 11,497,178 | - | 1,166,657,791 | 442,000 | 1,226,936,505 | 1,506,379,152 |
| | | | | | | 1,000,346,985 | 1,345,835,611 |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

43. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Group comprise the modaraba's 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:

| | 2024 | 2023 |
|--|-------------------|------------|
| | ----- | ----- |
| 43.1 Balance outstanding at year end | Rupees | |
| Modaraba Management Company | | |
| - Current account payable | 1,190,745 | 1,193,594 |
| Other related parties (other than key management personnel) | | |
| - Deferred liability staff gratuity | 7,170,120 | 6,780,327 |
| - Brokerage house clients receivables | 59,882 | 29,402 |
| - Trade and other payable | 13,274,584 | 50,575,564 |
| - Receivable | - | 349,099 |
| 43.2 Transactions during the year | | |
| Modaraba Management Company | | |
| Facilities & services and electricity | 4,768,040 | 4,768,040 |
| Other related parties | | |
| Services acquired | 520,886 | - |
| Brokerage commission earned | 821,038 | 123,632 |
| Insurance Claim receivable | 1,981,339 | 861,203 |
| Services rendered | 12,311,172 | 39,002,262 |
| Contribution towards employees' | 8,595,103 | 8,303,100 |
| Contribution to staff gratuity fund | 1,575,363 | 1,205,845 |
| Purchase of Goods and Services | 790,627 | - |
| Office rent | 3,000,000 | - |
| Purchase of raw material | 2,277,211 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

35. COMPUTATION OF LIQUID CAPITAL

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut / Adjustments | Net Adjusted Value |
|------------------|---|---------------------|------------------------|--------------------|
| I. Assets | | | | |
| 1.1 | Property & Equipment | 3,160,254 | 100% | - |
| 1.2 | Intangible Assets | - | | |
| 1.3 | Investment in Govt. Securities | | | |
| 1.4 | Investment in Debt. Securities | | | |
| | If listed than: | | | |
| | i. 5% of the balance sheet value in the case of tenure upto 1 year. | | | |
| | ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years. | | | |
| | iii. 10% of the balance sheet value, in the case of tenure of more than 3 years. | | | |
| | If unlisted than: | | | |
| | i. 10% of the balance sheet value in the case of tenure upto 1 year. | | | |
| | ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years. | | | |
| | iii. 15% of the balance sheet value, in the case of tenure of more than 3 years. | | | |
| 1.5 | Investment in Equity Securities | | | |
| | i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher. (Provided that if any of these securities are pledged with the securities exchange for base minimum capital requirement, 100% haircut on the value of eligible securities to the extent of minimum required value of Base minimum capital | 77,664,074 | 15,914,479 | 61,749,595 |
| | ii. If unlisted, 100% of carrying value. | 68,239,233 | 100% | - |
| 1.6 | Investment in subsidiaries | 50,000,000 | 100% | - |
| 1.7 | Investment in associated companies/undertaking | | | |
| | i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher. | | | |
| | ii. If unlisted, 100% of net value. | | | |
| 1.8 | Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity. | | | |
| | (i) 100% of net value, however any excess amount of cash deposited with securities exchange to comply with requirements of base minimum capital may be taken in the calculation of LC | 4,285,000 | 100% | - |
| 1.9 | Margin deposits with exchange and clearing house. | 350,000 | - | 350,000 |
| 1.10 | Deposit with authorized intermediary against borrowed securities under SLB. | | | |
| 1.11 | Other deposits and prepayments | 14,936,748 | 100% | - |
| 1.12 | Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil) | | | |
| | 100% in respect of markup accrued on loans to directors, subsidiaries and other related parties | | | |
| 1.13 | Dividends receivables. | - | | - |
| 1.14 | Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.) | | | |
| 1.15 | Advances and receivables other than trade Receivables; | | | |
| | (i) No haircut may be applied on the short term loan to employees provided these loans are secured and due for repayments within 12 months. | 168,422 | 0% | 168,422 |
| | (ii) No haircut may be applied to the advance tax to the extent it is netted with provision of taxation . | 1,2,256,707 | 100% | - |
| | (iii) In all other cases 100% of net value | 52,851,759 | 100% | - |
| 1.16 | Receivables from clearing house or securities exchange(s) | | | |
| | 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains. | - | - | - |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut / Adjustments | Net Adjusted Value |
|-----------------------|---|---------------------|------------------------|--------------------|
| 1.17 | Receivables from customers | | | |
| | i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. <i>i. Lower of net balance sheet value or value determined through adjustments.</i> | | | |
| | ii. In case receivables are against margin trading, 5% of the net balance sheet value. <i>ii. Net amount after deducting haircut</i> | | | |
| | iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, <i>iii. Net amount after deducting haircut</i> | | | |
| | iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <i>iv. Balance sheet value</i> | | | |
| | v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. <i>v. Lower of net balance sheet value or value determined through adjustments</i> | 19,205,797 | 3,788,493 | 3,788,493 |
| | vi. In the case of amount of receivables from related parties, values determined after applying applicable haircuts on underlying securities readily available in respective CDS account of the related party in the following manner; (a) Up to 30 days, values determined after applying var based haircuts. (b) Above 30 days but upto 90 days, values determined after applying 50% or var based haircuts whichever is higher. (c) above 90 days 100% haircut shall be applicable. <i>vi. Lower of net balance sheet value or value determined through adjustments</i> | - | | |
| 1.18 | Cash and Bank balances | | | |
| | i. Bank Balance-proprietary accounts | 4,674,310 | - | 4,674,310 |
| | ii. Bank balance-customer accounts | 11,871,211 | - | 11,871,211 |
| | iii. Cash in hand | - | - | - |
| 1.19 | Subscription money against investment in IPO/ offer for sale (asset) | | | |
| | (i) No haircut may be applied in respect of amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker. | | | |
| | (ii) In case of Investment in IPO where shares have been allotted but not yet credited in CDS Account, 25% haircuts will be applicable on the value of such securities. | | | |
| | (iii) In case of subscription in right shares where the shares have not yet been credited in CDS account, 15% or VAR based haircut whichever is higher, will be applied on Right Shares. | | | |
| 1.20 | Total Assets | 619,663,515 | 19,702,979 | 82,602,031 |
| 2. Liabilities | | | | |
| 2.1 | Trade Payables | | | |
| | i. Payable to exchanges and clearing house | | - | - |
| | ii. Payable against leveraged market products | | | |
| | iii. Payable to customers | 11,497,179 | 0% | 1,497,179 |
| 2.2 | Current Liabilities | | | |
| | i. Statutory and regulatory dues | | | |
| | ii. Accruals and other payables | 7,976,378 | 0% | 7,976,378 |
| | iii. Short-term borrowings | | | |
| | iv. Current portion of subordinated loans | | | |
| | v. Current portion of long term liabilities | | | |
| | vi. Deferred Liabilities | | | |
| | vii. Provision for taxation | | | |
| | viii. Other liabilities as per accounting principles and included in the financial statements | 31,116,073 | 0% | 31,116,073 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut / Adjustments | Net Adjusted Value |
|--------------------------------------|---|---------------------|------------------------|--------------------|
| 2.3 | Non-Current Liabilities | | | |
| | i. Long-Term financing | | | |
| | ii. Other liabilities as per accounting principles and included in the financial statements | 200,000 | 0% | 200,000 |
| | iii. Staff retirement benefits | 7,170,120 | 0% | 7,170,120 |
| | Note: (a) 100% haircut may be allowed against long term portion of financing obtained from a financial institution including amount due against finance leases. (b) Nil in all other cases | | | |
| 2.4 | Subordinated Loans | | | |
| | i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: | | | |
| 2.5 | Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital. | | | |
| 2.6 | Total Liabilities | 57,959,750 | - | 57,959,750 |
| 3. Ranking Liabilities Relating to : | | | | |
| 3.1 | Concentration in Margin Financing | | | |
| | The amount calculated client-to-client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees. (Provided that above prescribed adjustments shall not be applicable where the aggregate amount of receivable against margin financing does not exceed Rs 5 million) Note: Only amount exceeding by 10% of each financee from aggregate amount shall be include in the ranking liabilities | | | |
| 3.2 | Concentration in securities lending and borrowing | | | |
| | The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed (Note only amount exceeding by 110% of each borrower from market value of shares borrowed shall be included in the ranking liabilities) | | | |
| 3.3 | Net underwriting Commitments | | | |
| | (a) in the case of right issues : if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issues where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting commitment | | | |
| | (b) in any other case : 12.5% of the net underwriting commitments | | | |
| 3.4 | Negative equity of subsidiary | | | |
| | The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary | | | |
| 3.5 | Foreign exchange agreements and foreign currency positions | | | |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut / Adjustments | Net Adjusted Value |
|--------|---|---------------------|------------------------|--------------------|
| 3.7 | Repo adjustment In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received ,less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser. | | | |
| 3.8 | Concentrated proprietary positions If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security | | | |
| 3.9 | Opening Positions in futures and options i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met | | | |
| 3.10 | Short sell positions i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts ii. Incase of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts. | | | |
| 3.1 | Total Ranking Liabilities | - | - | - |

Calculations Summary of Liquid Capital

| | |
|--|--------------|
| (i) Adjusted value of Assets (serial number 1.20) | 82,602,031 |
| (ii) Less: Adjusted value of liabilities (serial number 2.6) | (57,959,750) |
| (iii) Less: Total ranking liabilities (series number 3.11) | - |
| | 24,642,281 |

**FIRST EQUITY MODARABA
NOTICE OF TRANSFER BOOK CLOSURE
AND 24th ANNUAL REVIEW MEETING**

Schedule of 24th Annual Review Meeting

The 24th Annual Review Meeting (ARM) of certificate holders of First Equity Modaraba (FEM) will be held on Friday December 06 2024 at 11.00 am through video link and from the Modaraba registered office B-1004 Lakson Square Building # 3 Sarwar Shaheed Road Karachi.

Normal Business at ARM

To review the performance of the Modaraba for the year ended June 30, 2024.

Book Closure

The certificate transfer book of the FEM shall remain closed from Wednesday November 27 2024 to Friday December 06 2024 (both days inclusive). Transfer received at THK Associates (Pvt), Plot # 32C, 2 Jami Commercial Street 11, D.H.A. Phase 7, Karachi, the close of the business on Tuesday November 26 2024 will be treated valid.

The certificate holders who are interested to attend the ARM through Video Conference, are requested to get themselves registered at earliest but not later than 24 hours before ARM date and time at info@firstequitymodaraba.com.pk and can also give their comments and suggestion

On behalf of the Board

Qazi Obaid Ullah
Company Secretary

October 07 2024
Karachi



فرسٹ ایکویٹی مضاربہ نوٹس برائے کتاب کی بندش اور 24 ویں سالانہ جائزہ اجلاس

24 ویں سالانہ جائزہ اجلاس کا شیڈول

فرسٹ ایکویٹی مضاربہ (FEM) کے سرٹیفکیٹ ہولڈرز کا 24 واں سالانہ جائزہ اجلاس بروز جمعہ، 6 دسمبر 2024 کو صبح 11:00 بجے بذریعہ ویڈیو لنک اور مضاربہ کے رجسٹرڈ دفتر B-1004، لیکسن اسکوائر بلڈنگ نمبر 3، سرفراز شہید روڈ، کراچی سے منعقد ہوگا۔

سالانہ اجلاس کے معمولات

مضاربہ کی کارکردگی کا جائزہ برائے سال جو 30 جون 2024 کو ختم ہوا۔

کتاب کی بندش

FEM کی سرٹیفکیٹ ٹرانسفر بک بدھ، 27 نومبر 2024 سے جمعہ، 6 دسمبر 2024 تک (دونوں دن شامل) بند رہے گی۔ منگل، 26 نومبر 2024 کے کاروباری اوقات کے اختتام تک THK ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، پلاٹ نمبر C32، 2، جامی کمرشل اسٹریٹ 11، ڈی ایچ اے فیز 7، کراچی میں موصول ہونے والی ٹرانسفرز کو درست مانا جائے گا۔

ویڈیو کانفرنس کے ذریعے اجلاس میں شرکت کے خواہشمند سرٹیفکیٹ ہولڈرز سے درخواست کی جاتی ہے کہ وہ اجلاس کی تاریخ اور وقت سے کم از کم 24 گھنٹے قبل info@firstequitymodaraba.com.pk پر اپنی رجسٹریشن کروائیں اور اپنی رائے اور تجاویز بھیج سکتے ہیں۔

بورڈ کی جانب سے

قاضی عبید اللہ کمپنی سیکرٹری

17 اکتوبر 2024 کراچی

ReportID : SH0930MRG(10009)
 UserID : MANAGER

FIRST EQUITY MODARABA

Pattern of Shareholding
 As On: 30/06/2024

Page : 1
 Date : 19/07/2024

| ←←← HAVING SHARES →→→ | | | | |
|-----------------------|---------|---------------|-------------|------------|
| NO. OF SHAREHOLDERS | From | To | SHARES HELD | PERCENTAGE |
| 1844 | 1 | 100 | 101928 | 0.1944 |
| 986 | 101 | 500 | 247622 | 0.4722 |
| 1042 | 501 | 1000 | 713525 | 1.3606 |
| 600 | 1001 | 5000 | 1317716 | 2.5128 |
| 127 | 5001 | 10000 | 974560 | 1.8584 |
| 44 | 10001 | 15000 | 570483 | 1.0879 |
| 19 | 15001 | 20000 | 336587 | 0.6419 |
| 15 | 20001 | 25000 | 343008 | 0.6541 |
| 13 | 25001 | 30000 | 365815 | 0.6976 |
| 4 | 30001 | 35000 | 131962 | 0.2516 |
| 6 | 35001 | 40000 | 220158 | 0.4198 |
| 2 | 40001 | 45000 | 82160 | 0.1567 |
| 7 | 45001 | 50000 | 343831 | 0.6557 |
| 3 | 50001 | 55000 | 155500 | 0.2965 |
| 5 | 55001 | 60000 | 285872 | 0.5451 |
| 2 | 60001 | 65000 | 122550 | 0.2337 |
| 7 | 65001 | 70000 | 467550 | 0.8916 |
| 2 | 70001 | 75000 | 146100 | 0.2786 |
| 2 | 75001 | 80000 | 154717 | 0.2950 |
| 2 | 80001 | 85000 | 164344 | 0.3134 |
| 4 | 85001 | 90000 | 352710 | 0.6726 |
| 4 | 90001 | 100000 | 395906 | 0.7550 |
| 2 | 100001 | 105000 | 204542 | 0.3900 |
| 1 | 105001 | 110000 | 109940 | 0.2096 |
| 3 | 115001 | 120000 | 349180 | 0.6659 |
| 1 | 120001 | 125000 | 121000 | 0.2307 |
| 1 | 125001 | 130000 | 128875 | 0.2458 |
| 2 | 130001 | 135000 | 269160 | 0.5133 |
| 2 | 135001 | 140000 | 276380 | 0.5270 |
| 1 | 145001 | 150000 | 150000 | 0.2860 |
| 1 | 150001 | 155000 | 152812 | 0.2914 |
| 1 | 155001 | 160000 | 159516 | 0.3042 |
| 1 | 160001 | 165000 | 162745 | 0.3103 |
| 1 | 170001 | 175000 | 171630 | 0.3273 |
| 1 | 185001 | 190000 | 187500 | 0.3576 |
| 2 | 190001 | 195000 | 386195 | 0.7365 |
| 1 | 205001 | 210000 | 205994 | 0.3928 |
| 3 | 225001 | 230000 | 682653 | 1.3018 |
| 2 | 265001 | 270000 | 533179 | 1.0167 |
| 1 | 275001 | 280000 | 276697 | 0.5276 |
| 1 | 280001 | 285000 | 280835 | 0.5355 |
| 1 | 290001 | 295000 | 292214 | 0.5572 |
| 1 | 340001 | 345000 | 343000 | 0.6541 |
| 1 | 410001 | 415000 | 411184 | 0.7841 |
| 1 | 470001 | 475000 | 471538 | 0.8992 |
| 1 | 605001 | 610000 | 606356 | 1.1601 |
| 1 | 635001 | 640000 | 636500 | 1.2138 |
| 1 | 695001 | 700000 | 699694 | 1.3343 |
| 1 | 995001 | 1000000 | 1000000 | 1.9069 |
| 1 | 1005001 | 1010000 | 1006550 | 1.9194 |
| 1 | 1320001 | 1325000 | 1321804 | 2.5206 |
| 1 | 1680001 | 1685000 | 1683500 | 3.2103 |
| 1 | 1905001 | 1910000 | 1906500 | 3.6356 |
| 1 | 3020001 | 3025000 | 3023697 | 5.7660 |
| 1 | 3205001 | 3210000 | 3209171 | 6.1197 |
| 2 | 3495001 | 3500000 | 7000000 | 13.3486 |
| 1 | 4675001 | 4680000 | 4680000 | 8.9245 |
| 1 | 5530001 | 5535000 | 5533081 | 10.5513 |
| 1 | 5805001 | 5810000 | 5809794 | 11.0789 |
| 4787 | | Company Total | 52440000 | 100.0000 |



FIRST EQUITY MODARABA

Category of Shareholders

As On: 30/06/2024

| Particulars | No of Folio | Balance Share | Percentage |
|---------------------------|-------------|---------------|------------|
| DIRECTORS, CEO & CHILDREN | 5 | 852722 | 1.6261 |
| ASSOCIATE COMPANIES | 5 | 12273393 | 23.4046 |
| NIT & ICP | 2 | 1700 | 0.0032 |
| BANKS, DFI & NDFI | 8 | 40822 | 0.0950 |
| INSURANCE COMPANIES | 4 | 1323409 | 2.5237 |
| MUTUAL FUNDS | 1 | 50 | 0.0001 |
| GENERAL PUBLIC (LOCAL) | 3585 | 31088695 | 60.2843 |
| GENERAL PUBLIC (FOREIGN) | 1142 | 1050372 | 2.0030 |
| OTHERS | 33 | 3799337 | 7.1959 |
| MODARABAS | 2 | 500 | 0.0010 |
| Company Total | 4787 | 52440000 | 100.0000 |

UNDER CERTIFICATE OF POSTING

If undelivered please return to:-

THK Associates (Pvt) Ltd.

Plot No. 32-C, Jami Commercial,
Street 2, D.H.A. Phase VII, Karachi,

Tel: +92-21-35310191-2-3

Email: cst@thk.com.pk

