

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.

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FIRST EQUITY MODARABA CORPORATE INFORMATION

Modaraba Company

Premier Financial Services (Private) Limited

Board of Directors

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

Audit Committee

Qaiser Magoon
Zahid Bashir
Nadeem Maqbool

HR Committee

Zahid Bashir
Nadeem Maqbool
Adil A. Ghaffar

Registered and Business Office

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

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

Auditors

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

Bankers

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

Registrar

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

General Counsel

Moshin M. Tayebaly & Co.
Advocates & Legal Consultants

TEN YEARS AT A GLANCE

Rs. In '000

BALANCE SHEET	June 2009	June 2010	June 2011	June 2012	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018
Authorized Capital	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Issued, Subscribed & Paid-up-Capital	524,400	524,400	524,400	524,400	524,400	524,400	524,400	524,400	524,400	524,400
Reserves	75,689	74,975	75,156	81,834	110,463	115,035	117,529	119,794	130,843	126,650
Revaluation Reserve on Investments	(55,625)	(51,554)	(36,738)	(43,147)	(7,355)	(13,150)	(20,170)	(25,286)	(30,023)	(37,125)
Deferred liabilities	1,006	1,397	(1,607)	1,832	2,092	1,556	2,655	2,934	2,864	4,046
Creditors, accrued expenses and other liabilities	17,187	9,889	21,422	8,784	6,139	11,857	24,657	7,940	62,860	12,283
Profit Distribution	-	-	-	-	-	19,665	8,914	6,817	31,464	-
Unclaimed Profit Distribution	26,361	26,354	26,262	26,082	26,003	25,967	27,618	27,845	28,730	29,642
Provision for taxation	1,486	1,486	1,547	3,773	3,773	-	-	-	-	-
	590,504	586,947	613,656	603,558	665,515	686,345	685,603	664,444	751,138	659,895
Tangible Assets	15,189	19,051	18,580	19,131	19,234	17,849	17,377	16,361	8,825	7,931
Intangible Assets	58,551	53,051	53,051	53,051	19,000	19,000	19,000	19,000	10,000	-
Deferred Costs	492	-	-	-	-	-	-	-	-	-
Investments	290,805	295,237	292,584	307,017	373,192	431,784	423,890	426,898	499,291	453,889
Morabaha/Musharakah Receivables	118,590	124,755	132,542	137,621	150,039	159,320	153,003	140,333	134,320	136,668
Advances, deposits, prepayments & other receivables	96,184	74,670	59,642	52,954	54,475	48,501	52,048	51,063	57,308	49,780
Cash and Bank balance	10,756	20,183	57,257	33,784	49,575	9,889	20,285	10,789	41,394	11,626
	590,504	586,947	613,656	603,558	665,515	686,345	685,603	664,444	751,138	659,895
PROFIT & LOSS ACCOUNT										
Income	23,612	29,256	18,423	30,393	53,722	46,938	34,684	30,680	82,329	17,246
Operating expenses	(20,967)	(16,148)	(16,567)	(20,500)	(25,093)	(22,242)	(21,775)	(21,587)	(34,290)	(21,439)
Provision for diminution in value of investments	(2,298)	(6,699)	(1,615)	-	-	-	-	-	-	-
Provision for non performing assets	(5,500)	(7,000)	-	-	-	-	-	-	-	-
Modaraba Company's management fee	-	-	-	(989)	-	(3,307)	(1,511)	-	(5,526)	-
Taxation	(200)	(123)	(60)	(2,226)	-	-	-	-	-	-
Profit / (loss) for the year	146	(714)	181	6,678	28,629	24,696	11,398	9,093	42,513	(4,193)
Cash Distribution	-	-	-	-	-	3.75%	1.70%	1.30%	6.00%	-
Earnings per certificate	0.003	(0.014)	0.003	0.127	0.546	0.471	0.217	0.173	0.81	(0.08)
Breakup value	10.57	10.45	10.73	10.74	11.97	12.33	12.03	11.93	12.52	11.71

**ANNUAL SHARI'AH REVIEW REPORT OF
FIRST EQUITY MODARABA (FEM)
FOR THE YEAR ENDED JUNE 30, 2018**

Mufti Abdul Qadir

Shariah Advisor

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

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

Ref: ASR - 06 - 18

Date: 05 - 10 - 18

**Annual Shari'ah Review Report of
First Equity Modaraba (FEM)
For the year ended June 30, 2018**

*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, 2018 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism (SCSAM) for Modarabas and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles.
- ii. Following were the major developments that took place during the year:

Training and Development:

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

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

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

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

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

Mufti Abdul Qadir

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**ANNUAL SHARI'AH REVIEW REPORT OF
FIRST EQUITY MODARABA (FEM)
FOR THE YEAR ENDED JUNE 30, 2018**

Charity:

An amount of Rs. 3,797/- was collected in charity account of which a sum of Rs. 1,040/- has already been paid on account of charity with the approval of Shari'ah Advisor. Rs 2,757/- is payable at the reporting date.

Observations:

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

With reference to the settlement of the issues:

1. As regard to the investment in shares and securities, it has been confirmed that First Equity Modaraba has only Shari'ah Compliant Shares in its portfolio on the reporting date except the shares of JOV & Co. whose trading is still suspended.
2. It has been observed that the Modaraba has placed his funds with Islamic Banking institutions or in Islamic Windows of Conventional Banks and has succeeded to close all saving accounts at conventional banks except one saving account at conventional bank which could not be closed yet. On my query, the management confirmed that due to its dormant in nature for years it is not closed and already applied for closure of account to concerned bank and followed rigorously. Currently, the operation is suspended and the profit realized from saving account has been credited to charity account. Furthermore, the balance in this account is as low as Rs. 17,831/-
3. As regards, Musharakah agreements, they are on the formats as approved by the Religious Board. It is noticed that one Musharakah agreement is matured during the year. The profit of the project has been shared as per agreed ratio.

Recommendations:

1. The Non Shariah Compliant suspended shares should be disposed of at the earliest.
2. The saving account at conventional banks should be closed at earliest or shifted to any Islamic Bank.
3. The charity amount should be fully distributed to the approved charitable organizations within the ideal time frame as specified in SCSAM.
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

Abdul Qadir

Mufti Abdul Qadir
Shari'ah Advisor

Dated: October 05, 2018



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

The statement is being presented to comply with the Code of Corporate Governance (CCG) contained in in Rule Book clause 5.19.24 of Listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of corporate governance.

The Board of Directors of Premier Financial Services (Pvt) Ltd the manager of First Equity Modaraba (company) has applied the principles contained in the CCG in the following manner:

1. The company has complied with the requirements of the Regulations in the following manner:
The total number of directors are 4 as per the following:

Male	4
Female	0

2. The composition of board is as follows:

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

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

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

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

On behalf of the Board

Adil A Ghaffar
Chief Executive Officer

October 05, 2018
Karachi

REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

The Directors of the Premier Financial Services (Private) Limited, the management company of the FIRST EQUITY MODARABA (FEM), are pleased to present their report and audited financial statements of the Modaraba together with the consolidated financial statements of the Modaraba and its wholly owned subsidiaries Equity Textiles Limited, Capital Financial Services (Pvt) Ltd and Apex Financial Services (Pvt) Ltd for the year ended June 30, 2018.

Financial Results

The profit / (loss) for the year amounted to Rs. (4.19) million as compared to profit of Rs 42.513 million for the last year translated in an earning per certificate of Rs. (0.08) as compared to Rs. 0.811 last year. Break-up value per certificate amounted to Rs. 11.71 against Rs. 12.52 last year.

	<i>Rupees</i>
Income	17,239,526
Expenses	
Operating Expenses	(21,521,953)
Bank Charges	(19,123)
	<u>(21,541,076)</u>
Operating profit	(4,301,550)
Other Income	108,702
Loss for the year	<u>(4,192,848)</u>
Earning per Certificate	<u>(0.08)</u>

Dividend Distribution

Since the Modaraba sustained loss during the year, consequently there would be no announcement of profit distribution. However to meet the regulations date of book closure would be from December 08, 2018 to December 20, 2018 (other days inclusive)

Auditors Qualification

Auditors qualified their opinion based on non-compliance of international accounting standards 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 6.40 million (2017: RS 4.9 million). Our principal stand for not accepting auditors' qualification was based on the fact that, firstly, we do not foresee that these impairments are of permanent nature. Secondly, our Industry was established on the concept to distribute what it earns on yearly basis. Our regulators made it mandatory that to claim income tax exemption modarabas have to distribute 90% of profit for the year in the form of cash dividend to certificate holders. Therefore, adjusting cost to fair value would tantamount to distribution of either unrealized capital gain or recovery of cost.

Our Performance and Future Prospects

KSE 100 index crossed all time high of 53,000 points on 24 May 2017 but could not sustain its upward trend despite of its inclusion in Morgan Stanley Capital International Inc. ("MSCI") benchmark for Emerging-Market (EM) with effective from June 01, 2017. Major reason being political uncertainty and unfavorable Budget of 2017-18, where no concrete steps were taken for reducing cost of doing business neither any sweetener for ease of doing business.

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

Our decision to book Pakistan Stock Exchange Ltd (PSX) {formerly Karachi Stock Exchange Ltd} shares at face value turned out to be viable and held in reducing the unrealized loss on investment.

The unrealised loss on remeasurement of investments do not contain gain arising on PSX shares that frozen due to certain Regulatory conditions. Hence, accounted for at book value rather than market value. Had these shares were booked at market value the unrealised loss on remeasurement of investments would have been Rs 26.6 million rather than Rs 37.0 million as reported in the financial statements.

In the second half of the previous financial year, the position of textile sector improved ad as a result ETL shows profit of Rs 6.59 as compare to loss of Rs 69.91 million last year with earning per shares as Rs 0.26 as compare to loss per share of Rs (2.78) for the last year. However, ETL's book value increase from Rs. 28.53 June 30, 2017 to Rs. 29.22 in 2018

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

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



REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

Board of Directors

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. Zahid Bashir	4 out of 4
2.	Mr. Nadeem Maqbool	4 out of 4
3.	Mr. Qaiser Ahmed Magoon	4 out of 4
4.	Mr. Adil A. Ghaffar	4 out of 4

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 of the stock exchanges. Vision & Mission statements, Core values 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. There is no doubt about the Modaraba's ability to continue as a going concern; and
- g. There has been no material departure from the best practice of corporate governance as detailed in the listing regulation of the Stock Exchange (s).

Pattern of Shareholding - annexed

Key Operating and Financial Data - annexed

Staff Retirement Benefits

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

Auditors

The present auditors M/s Baker Tilly Mehmood Idrees Qamar, Chartered Accountants have given their consent for reappointment. The Board has recommended their name for the approval by 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

ڈائریکٹرز رپورٹ برائے مضارب کمپنی

- ☆ مضاربہ کی صلاحیت کی بارے میں اس میں کوئی شک نہیں کہ اس کا کار بار جاری و ساری ہے؛ اور
- ☆ اسٹاک آپیکسج کے مندرجہ ضوابط میں تفصیلات کے مطابق کارپوریٹ گورننس کی بہترین عملد آمدی کے سلسلے میں کوئی بنیادی انحراف نہیں کیا گیا ہے۔

حصص داری کا خاکہ۔ منسلک

کلیدی عمل کاری اور مالی اعداد و شمار۔ منسلک

عملہ کی سبکدوشی پر فائدے

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

محاسبہ کار

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

تسلیمات:

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

بورڈ کی جانب سے

کراچی،

اکتوبر 05، 2018

عادل اے غفار

چیف ایگزیکٹو آفیسر

ڈائریکٹرز رپورٹ برائے مضارب کمپنی

SCSAM کے تحت درکار، FEM کی مالی لین دین باضابطہ نگہداشت کی جاچکی ہیں اور خود مختار شرعیہ ایڈوائزر کے ذریعے محاسبہ کی گئی ہیں جس کی رپورٹ منسلک ہے۔

مجلس منتظمین (بورڈ آف ڈائریکٹرز)

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

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

کارپوریٹ گورننس کے ضابطے:

جیسا کہ پچھلے سالوں کی رپورٹ میں بیان کیا گیا ہے کہ بورڈ نے سیکورٹیز اینڈ ایکسچینج کمیشن پاکستان کی جانب سے جاری کردہ ہدایات کے مطابق کارپوریٹ گورننس کو اختیار کرنے کا فیصلہ کیا ہے اور اسے مندرجہ ضابطوں کا حصہ بنایا ہے۔ تمام تر سرگرمیاں اسٹاک ایکسچینج کے مندرجہ ضوابطوں کے مطابق سرانجام دی گئیں۔ نظریاتی اور مقاصدی بیانیے، بنیادی اقدار اور ضابطہ طرز عمل مجلس منتظمہ کی جانب سے تیار و منظور کیے گئے ہیں اور ملازمین کے ساتھ تبادلہ خیال کیے گئے ہیں۔ اہم پالیسیاں جو کہ کارپوریٹ گورننس کے ضابطوں کے تحت درکار تھیں، مرتب کی گئیں اور مجلس منتظمہ کی جانب سے درجہ وار نظر ثانی کی گئیں۔

جیسا کہ کارپوریٹ گورننس کے ضابطے کے تحت درکار ہے، منتظمین انتہائی مسرت کے ساتھ مطلع کرتے ہیں کہ:-

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

☆ مضاربہ کی باضابطہ حسابی کتب برقرار رکھی گئی ہیں؛

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

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

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

ڈائریکٹرز رپورٹ برائے مضارب کمپنی

آڈیٹرز کا تبصرہ:

آڈیٹرز نے رائے زنی کی ہے کہ قابل خرید و فروخت سیکورٹیز کی فیئر ویلیو کی لاگت کا حساب کتاب بین الاقوامی اکاؤنٹنگ معیار کی عدم تعمیل کی بنیاد پر ہے اور کسی بھی نفع / نقصان کو اس سال کے نفع / نقصان مبلغ 6.40 ملین (2017 میں مبلغ 4.9 ملین) کی مد میں وصول کیا جانا چاہئے۔ ہمارا آڈیٹرز کے تبصرہ کو قبول نہ کرنے کیلئے اصل موقف یہ ہے کہ پہلا، ہم مستقبل میں ان نقصانات کو مستقل نہیں سمجھتے اور دوسرا، ہماری انڈسٹری اس تصور پر قائم کی گئی تھی کہ سالانہ بنیادوں پر جو کچھ کمایا جائے اسے تقسیم کیا جائے۔ ہمارے ریگولیٹرز نے یہ لازم بنایا ہے کہ انکم ٹیکس اسٹنڈی کلیم کرنے کیلئے مضارب اپنے سرٹیفکیٹ رکھنے والوں کو نقد ڈونڈ کی صورت میں سال کیلئے نفع کا 90 فیصد تقسیم کرے گی۔ لہذا، فیئر ویلیو کو لاگت میں لگانا یا تو تو ممکنہ سرمایہ کاری کے نفع کے مساوی ہوگا یا پھر لاگت کو وصول کرنے کے برابر ہوگا۔

ہماری کارکردگی اور مستقبل کے امکانات:

کراچی اسٹاک ایکسچینج 100 انڈکس مورخہ 24 مئی 2017 پر 53000 پوائنٹ زیادہ رہا مگر مورخہ یکم جون 2017 سے مورگن اسٹینٹس کیپٹل انٹرنیشنل انکارپوریٹڈ ("MSCI") جو کہ امریکن مارکیٹ (ای ایم) کیلئے ایک اہم سنگ میل ہے، میں اس کی شمولیت کے باوجود بلندی کی جانب گامزن نہ ہو سکا۔ اس کی بنیادی وجہ غیر یقینی سیاسی صورتحال اور 18-2017 کا ناسازگار بجٹ تھا، جس میں کاروباری لاگت میں کمی کرنے کیلئے کوئی ٹھوس اقدامات نہ کئے گئے اور نہ ہی کاروباری سہل یا بی کیلئے کوئی پرکشش پیشکش کی گئی۔

پاکستانی روپے کی قدر میں مسلسل کمی نے بھی منفی کردار ادا کیا جس کی شاہد غیر ملکی فنڈز سے بھاری فروخت کاری ہے۔ پاکستان ایکسچینج لمیٹڈ (سابقہ کراچی اسٹاک ایکسچینج لمیٹڈ) کے حصص کو فیس ویلیو پر رکھنا نہایت موزوں عمل ہے جس کا مقصد سرمایہ کاری پر ممکنہ نقصان میں کمی کرنا ہے۔

سرمایہ کاری کی محاسبہ نو پر ممکنہ نقصان میں PSX حصص جو کہ بعض ریگولیٹری شرائط کی وجہ سے منجمد ہیں، پر اضافہ ہونے والا نفع شامل نہیں ہے۔ چنانچہ، ان کا محاسبہ کتابی قدر پر کیا گیا ہے کہ ناکہ بازاری قدر پر۔ اگر یہ حصص بازاری قدر پر مختص کیے جاتے تو محاسبہ نو پر ممکنہ نقصان مبلغ 26.6 ملین روپے ہوتا تاکہ 37.0 ملین جیسا کہ مالی بیانیوں میں اندراج کیا گیا ہے۔

پچھلے مالی سال کے دوسرے نصف میں، شعبہ ٹیکسٹائل میں بہتری آئی اور اس کے نتیجے میں ETL نے 6.59 روپے کا منافع ظاہر کیا جو کہ پچھلے سال خسارہ 69.91 ملین روپے یعنی فی حصص کمائی (2.78) روپے کے مقابلہ میں 0.26 روپے رہا۔ تاہم، ای ایل کی کتابی قدر 30 جون 2017 میں 25.53 روپے سے سال 2018 میں 29.22 روپے تک اضافہ ہوئی۔

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

ڈائریکٹرز رپورٹ برائے مضارب کمپنی

فرسٹ ایکویٹی مضاربہ کی انتظامی کمپنی پریمر فنانشل سروسز (پرائیوٹ) لمیٹڈ کے ڈائریکٹرز اپنی رپورٹ اور مضاربہ کے آڈٹ شدہ مالیاتی بیانیے بمع مضاربہ اور اس کی مکمل ملکیتی ادارے ایکویٹی ٹیکسٹائل لمیٹڈ، کیپٹل فنانشل سروسز (پرائیوٹ) لمیٹڈ اور ایکس فنانشل سروسز (پرائیوٹ) لمیٹڈ کے مجموعہ مالیاتی بیانیے برائے سال اختتام پذیر 30 جون، 2018 پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

مالیاتی نتائج:

گذشتہ سال نفع مبلغ 42.513 ملین روپے کے مقابلے میں اس سال (نقصان) مبلغ (4.19) ملین درپیش ہوا، جس کی تشریح کی جائے تو پچھلے سال فی حصص آمدن مبلغ 0.811 روپے کے مقابلے میں اس سال فی حصص آمدن مبلغ (0.08) روپے بنتی ہے۔ مجموعہ خالص قدر فی حصص پچھلے سال مبلغ 12.52 کے مقابلے میں اس سال مبلغ 11.71 روپے رہی۔

روپے میں	
آمدن:	17,239,526
اخراجات:	
عملیاتی اخراجات	21,521,953
بینک چارجز	19,123
	21,541,07
عملیاتی منافع:	(4,301,550)
دیگر آمدن	108,702
منافع برائے سال	(4,192,848)
فی حصص آمدن	(0.08)

منقسمہ / ڈیویڈنڈ کی تقسیم:

جیسا کہ مضاربہ نے اس سال نقصان کا سامنا کیا ہے لہذا نفع کی تقسیم کیلئے کوئی اعلان نہیں کیا۔ تاہم ضوابط کے تحت کتاب مورخہ 8 دسمبر 2018 سے 20 دسمبر 2018 تک (بشمول دیگر ایام) بند رہے گی۔

**STATEMENT OF COMPLIANCE CONTAINED IN
LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE)
REGULATIONS, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of First Equity Modaraba (the Modaraba) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the board of Directors for their review and approval its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approvals of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Modaraba Management Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba Management Company's compliance for an on behalf of Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year June 30, 2018.



Engagement Partner: Mehmood A. Razzak
Karachi.

Dated: October 05, 2018



AUDITORS' REPORT

TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of FIRST EQUITY MODARABA (the Modaraba) as at June 30, 2018 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) Modaraba has charged unrealised loss of Rs. 6.4 million, in respect of investment classified as financial asset at fair value through profit and loss, in other comprehensive income instead of profit and loss account as required under IAS 39. Had the Modaraba charged the unrealized loss to the profit and loss account, its profit for the year would have been lower by Rs.6.4 million.
- (b) Except for the matter discussed in paragraph (a) above, in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (c) Except for the matter discussed in paragraph (a) above, in our opinion :
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the Objects, terms and conditions of the Modaraba;
- (d) Except for the matter discussed in paragraph (a) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with the approved accounting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of Modaraba's affairs as at June 30, 2018 and of its loss, its total comprehensive loss, cash flows and changes in equity for the year then ended;
- (E) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



Engagement Partner: Mehmood A. Razzak
Karachi.

Dated: October 05, 2018

BALANCE SHEET
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
<i>Equity & Liabilities</i>			
<i>Capital and reserves</i>			
Authorized Certificate Capital			
60,000,000 (2017: 60,000,000) modaraba			
certificates of Rs. 10 each		600,000,000	600,000,000
<hr/>			
Certificate holders' equity			
Certificate capital	6	524,400,000	524,400,000
Reserves	7	126,650,284	162,307,132
Remeasurement of defined benefit liability - Actuarial gain / (loss)		(103,364)	594,518
Unrealised loss on remeasurment of investments		(37,022,035)	(30,617,609)
<hr/>			
<i>Total certificates holders' equity</i>		613,924,885	656,684,041
 <i>Non-current liabilities</i>			
Deferred liability	8	4,045,679	2,864,104
Security deposit		200,000	200,000
<hr/>			
<i>Total non-current liabilities</i>		4,245,679	3,064,104
 <i>Current liabilities</i>			
<hr/>			
Creditors, accrued and other liabilities	9	12,082,573	62,660,247
Unclaimed profit distribution		29,641,941	28,730,534
<hr/>			
<i>Total current liabilities</i>		41,724,514	91,390,781
<hr/>			
<i>Total equity and liabilities</i>		659,895,078	751,138,926
<hr/>			
 <i>Contingencies and commitments</i>	 10		



BALANCE SHEET

AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
<i>Assets</i>			
<i>Non-Current Assets</i>			
Fixed assets			
-tangible	11	6,339,731	7,113,993
-intangible	12	-	10,000,000
Investment property	13	1,591,667	1,711,667
Long term investments	14	392,999,771	398,217,361
Advances-considered good		2,510,000	2,510,000
Deposits		1,750,000	1,750,000
<i>Total Non-Current Assets</i>		405,191,169	421,303,021
<i>Current Assets</i>			
Morabaha/Musharaka receivables-secured	15	136,668,098	134,320,480
Short term investments	16	60,889,384	101,074,443
Advances	17	11,730,871	12,656,762
Trade deposits and prepayments	18	15,389,769	15,185,627
Other receivables	19	18,399,762	25,203,850
Bank balances	20	11,626,025	41,394,743
<i>Total Current Assets</i>		254,703,909	329,835,905
<i>Total Assets</i>		659,895,078	751,138,926

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

Qazi Obaid Ullah
Chief Financial Officer

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Income	21	17,137,727	79,495,169
Expenditure			
Operating expenses	22	(21,420,154)	(33,408,884)
Financial charges	23	(19,123)	(13,652)
		(21,439,277)	(33,422,536)
Operating profit		(4,301,550)	46,072,633
Other income	24	108,702	2,833,877
		(4,192,848)	48,906,510
Management remuneration		-	(4,890,000)
Service Sales Tax on management remuneration		-	(635,700)
		(4,192,848)	43,380,810
Worker Welfare Fund		-	(867,615)
(Loss) / Profit before taxation		(4,192,848)	42,513,195
Taxation	25	-	-
<i>(Loss) / Profit for the year</i>		(4,192,848)	42,513,195
(Loss) / Earnings per certificate - Basic & Diluted	26	(0.08)	0.81

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

Qazi Obaid Ullah
Chief Financial Officer

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited



STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	Rupees	Rupees
(Loss) / Profit for the year	(4,192,848)	42,513,195
Other comprehensive (loss) / income		
Items that will be reclassified to profit & loss account on disposal		
Unrealized (loss) on remeasurement of investments	(14,957,867)	(15,647,010)
Gain realized on disposal of investments	8,553,441	10,675,005
	(6,404,426)	(4,972,005)
Items that will not be reclassified to profit & loss account		
Remeasurement of defined benefit liability	(697,882)	235,686
Other comprehensive (loss)	(7,102,308)	(4,736,319)
Total comprehensive (loss) / income for the year	(11,295,156)	37,776,876

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Cash generated from operating activities			
(Loss) / Profit before taxation		(4,192,848)	42,513,195
<i>Adjustments for:</i>			
Depreciation	11 & 13	1,025,904	1,748,923
Provision for gratuity	8	483,693	485,855
Gain / (Loss) on sale of fixed asset		-	(2,545,148)
Impairment loss		-	9,000,000
Bad debts		-	1,421,076
Dividend income	21	(3,046,947)	(2,497,801)
		(1,537,350)	7,612,905
Cash generated from operations before working capital changes		(5,730,198)	50,126,100
Working Capital changes			
(Increase) / decrease in operating assets			
Morabaha/Musharaka receivables-secured		(2,347,618)	6,012,695
Advances		(2,761,152)	309,536
Trade deposits and prepayments		(204,142)	78,068
Other receivables		6,804,088	(4,269,588)
(Decrease) / increase in operating liabilities			
Creditors, accrued and other liabilities		(40,577,674)	54,920,073
		(39,086,498)	57,050,784
Dividend paid		(30,552,593)	(5,931,626)
Gratuity paid		-	(320,833)
Taxes paid		3,687,044	(3,165,665)
<i>Net cash (used in) / generated from operating activities</i>		(71,682,245)	97,758,760
Cash flows from investing activities			
Investments		38,998,223	(77,365,705)
Long term deposits		-	(500,000)
Dividend received		3,046,947	2,380,700
Purchase of tangible assets		(131,643)	(7,296,466)
Sale proceeds on disposal of disposal tangible assets		-	15,627,845
<i>Net cash generated from / (used in) investing activities</i>		41,913,527	(67,153,626)
Net (decrease) / increase in cash and cash equivalents		(29,768,718)	30,605,134
Cash and cash equivalents at beginning of the year		41,394,743	10,789,610
Cash and cash equivalents at the end of the year	20	11,626,025	41,394,743

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

Qazi Obaid Ullah
Chief Financial Officer

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2018

	Reserves						Total
	Certificate Capital	Statutory Reserve *	Certificate premium account	General Reserve	Accumulated Loss	Total Reserves	
Balance as at June 30, 2016	524,400,000	152,500,000	131,100,000	27,120,000	(184,108,863)	126,611,137	625,724,365
Profit for the year	-	-	-	-	42,513,195	42,513,195	42,513,195
Other Comprehensive loss for the year	-	-	-	-	-	-	-
Profit distribution	-	-	-	-	(6,817,200)	(6,817,200)	(6,817,200)
Transfer to statutory reserve	-	8,550,000	-	-	(8,550,000)	-	-
Balance as at June 30, 2017	524,400,000	161,050,000	131,100,000	27,120,000	(156,962,868)	162,307,132	656,684,041
Profit for the year	-	-	-	-	(4,192,848)	(4,192,848)	(4,192,848)
Other Comprehensive (loss) for the year	-	-	-	-	-	-	-
Profit distribution	-	-	-	-	(31,464,000)	(31,464,000)	(31,464,000)
Transfer to statutory reserve	-	-	-	-	-	-	-
Balance as at June 30, 2018	524,400,000	161,050,000	131,100,000	27,120,000	(192,619,716)	126,650,284	613,924,885

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

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

FOR THE YEAR ENDED JUNE 30, 2018

1. Legal Status and nature of business:

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

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

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

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

2. Statement of Compliance:

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

2.2 Standards, interpretations and amendments applicable to financial statements

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

(a) *New standards, interpretation and amendments*

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

- IAS 7 – Statement of cash flows – disclosure initiative – (amendments)
- IAS 12 – Income taxes – recognition of deferred tax assets for unrealized losses (amendments)

(b) *Standards, interpretations and amendments to approved accounting standards that are not yet effective*

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

<i>Standard or Interpretation</i>	<i>Effective date (annual periods beginning on or after)</i>
IFRS 2 Share Based Payments – Classification and Measurement of Share Based Payment Transactions (Amendments)	January 1, 2018
IFRS 9 Financial Instruments	July 1, 2018
IFRS 9 Prepayment Features with Negative Compensation (amendments)	January 1, 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Venture: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	Not yet finalized
IFRS 15 Revenue from Contracts with Customers	July 1, 2018
IFRS 16 Leases	January 1, 2019
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendments)	January 1, 2018
IAS 40 Investment Property: Transfers of Investment Property	January 1, 2018
IAS 19 Plan Amendment, Curtailment or Settlement (amendments)	January 1, 2019
IAS 28 Long Term Interests in Associates and Joint Ventures (amendments)	January 1, 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

- IFRS 14 Regulatory Deferral Accounts January 1, 2016
- IFRS 17 Insurance Contracts January 1, 2021



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

3 Basis of measurement

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

4. Use of estimates

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

	<i>Note</i>
a) Useful life of depreciable assets/amortizable assets	5.1 & 5.2
b) Impairment of assets	5.12
c) Classification of investments	5.4
d) Income tax	5.6
e) Provision for staff gratuity	5.8
f) Provision for non performing assets	5.4.1

5. Significant accounting policies

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

5.1. Fixed assets

5.1.1 *Tangible*

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

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

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

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

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

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

5.1.2 *Intangible*

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

5.2 *Investment property*

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

FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

5.3 *Deferred cost and amortization*

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

5.4 *Financial instruments*

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

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

Initial recognition

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

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

Subsequent measurement

Financial assets and financial liabilities are measured subsequently as described below.

5.4.1 *Financial assets*

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held to maturity (the Modaraba does not have any such investments).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following financial assets fall into this category of financial instruments:

- Deposits
- Advances
- Other receivables
- Cash and cash equivalents

Financial assets at fair value through profit or loss

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as 'financial assets at fair value through profit or loss'.

Financial assets in this category are measured at fair value with gains or losses recognised in profit and loss account. These investments are marked to market and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these investments are taken to the profit and loss account for the year.

Available for sale financial assets

Investments intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in equity



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

prices, are classified as 'available for sale financial assets'. Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale financial assets or are not classified as (a) loans and receivables (b) held to maturity investments (c) financial assets at fair value through profit or loss. Subsequent to initial recognition these investments are marked to market using the closing market rate and are carried on the balance sheet at fair value. Surplus/Deficit arising from re-measurement are taken to comprehensive income until the investments are sold/disposed-off or until the investments are determined to be impaired, at which time, cumulative surplus or deficit previously reported in the comprehensive income is included in the current year's profit and loss account

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured are measured at cost or fair value

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Musharika and Morabaha receivables considered doubtful are provided for in accordance with the requirements of the Prudential Regulations for Modarabas.

An impairment loss on available for sale financial asset -equity instruments is reversed only on the disposal of financial asset. Reversal of provision on musharika and morabaha receivables are reversed in accordance with Prudential Regulations for Modarabas.

Derecognition of financial assets

These are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred.

5.4.2 *Financial liabilities*

The Modaraba's financial liabilities include unclaimed profit distribution, creditors, accrued expenses and other liabilities.

Derecognition of financial liabilities

These are derecognised when they are extinguished, discharged, cancelled or expired.

5.4.3 *Investment in subsidiary*

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

5.5 *Revenue recognition*

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

5.6 *Taxation*

Current

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

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized for all deductible temporary differences and carry

FOR THE YEAR ENDED JUNE 30, 2018

forward of unused tax losses, if any, to the extent that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

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

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

5.7 *Foreign currency translation*

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

5.8 *Retirement benefits*

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

5.9 *Offsetting of financial assets and financial liabilities*

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

5.10 *Provisions*

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

5.11 *Profit distribution to certificates holders*

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

5.12 *Impairment*

The carrying amount of Modaraba's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impaired losses are recognized in the profit and loss account.

5.13 *Segment reporting*

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

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

- Musharakah facility
- Brokerage Operation
- Capital Market
- Others

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

5.14 *Related party transactions*

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

5.15 *Cash and cash equivalents*

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

5.16 Functional and reporting currency

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

5.17 Capital Risk Management

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

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

6. Certificate capital

2017 No of Certificates	2018 No of Certificates		2018 Rupees	2017 Rupees
46,220,000	46,220,000	Modaraba certificates of Rs. 10 each fully paid-up in cash	462,200,000	462,200,000
6,220,000	6,220,000	Modaraba certificates of Rs. 10 each issued as fully paid-up bonus certificates	62,200,000	62,200,000
52,440,000	52,440,000		524,400,000	524,400,000

6.1 Certificates held by management company 5,532,296 (2016: 5,532,296).

7. Reserves

	Capital Reserves			Revenue Reserves			Total Reserves 2018	Total Reserves 2017
	Statutory Reserve *	Certificate premium account	Total Capital Reserve	Accumulated Loss	General Reserve	Total Revenue Reserves		
Opening balance	161,050,000	131,100,000	292,150,000	(156,962,868)	27,120,000	(129,842,868)	162,307,132	126,611,137
Transfer from Profit & Loss Account	-	-	-	(4,192,848)	-	(4,192,848)	(4,192,848)	42,513,195
Dividends paid	-	-	-	(31,464,000)	-	(31,464,000)	(31,464,000)	(6,817,200)
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Closing balance	161,050,000	131,100,000	292,150,000	(192,619,716)	27,120,000	(165,499,716)	126,650,284	162,307,132

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

	Note	2018 Rupees	2017 Rupees
8. Deferred liability			
Staff gratuity	8.2	4,045,679	2,864,104
		4,045,679	2,864,104

8.1 General description

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

Annual provision is based on actuarial valuation, which was carried out as at June 30, 2018 on September 25, 2018 using the Projected Unit Method.

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
8.2	Amount recognized in the balance sheet are as follows:		
	Present value of defined benefit obligation	4,045,679	2,864,104
	Fair value of plan assets	-	-
	Total defined benefit	4,045,679	2,864,104
8.3	<i>Movement in defined benefit obligation</i>		
	Opening balance	2,864,104	2,934,768
	<u>Charged for the define benefit plan</u>		
	Current service cost	261,725	284,715
	Net interest	221,968	201,140
	Actuarial loss on obligation	697,882	-
		1,181,575	485,855
	<u>Remeasurement of defined benefit liability</u>		
	Benefits paid	-	(320,833)
	Due to experience adjustments	-	(235,686)
		-	(556,519)
	Closing balance	4,045,679	2,864,104
8.4	<i>Actuarial assumptions</i>		<i>Rate per annum</i>
	Valuation discount rate	10%	7.75%
	Salary increase rate -Short term (period of next one year)	10%	7.75%
	Salary increase rate- long term	10%	7.75%
9.	Creditors, accrued and other liabilities		
	Payable to clients	3,769,575	8,541,486
	Accrued expenses	4,964,717	4,860,217
	Charity payable	2,757	1,040
	Advance from related party	-	10,000,000
	Other liabilities	3,345,524	39,257,504
		12,082,573	62,660,247
9.1	<i>Charity Payable - reconciliation</i>		
	Opening balance	1,040	21,100
	Addition	2,757	1,040
	<u>Disbursements</u>	(1,040)	(21,100)
	Closing balance	2,757	1,040
9.2	Other liabilities include Rs. 1,096,680 (2017 : Rs. 3,869,066) payable to Premier Financial Services (Private) Limited.		
10.	Contingencies and commitments		
	Modaraba has filed a suit against Samba Bank Ltd for the recovery of deposit amounting to Rs 21 million alongwith mark up. The matter is pending before the Honourable High Court of Sindh. Management of the Modaraba and its legal advisor are of the opinion that Modaraba has reasonable chance and it appear unlikely that Modaraba may suffer any loss from the same.		



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

11. Tangible

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

2017								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2017	Rate
	As at July 01, 2016	Addition / (Deletion)	As at June 30, 2017	As at July 01, 2016	Charged during the year / (Disposal)	As at June 30, 2017		%
Office premises	21,580,294	3,826,016	10,380,294	8,375,077	970,848	4,802,842	5,577,452	5
		(15,026,016)			(4,543,083)			
Furniture & fixtures	196,509	-	105,059	196,500	-	105,057	2	20
		(91,450)			(91,443)			
Motor vehicles	5,559,438	3,164,500	3,975,938	4,627,720	482,663	2,730,385	1,245,553	20
		(4,748,000)			(2,379,998)			
Computers	554,189	231,950	548,090	439,886	94,353	447,686	100,404	33
		(238,049)			(86,553)			
Office equipments	1,043,725	74,000	780,245	765,826	81,059	589,663	190,582	20
		(337,480)			(257,222)			
2017	28,934,155	7,296,466	15,789,626	14,405,009	1,628,923	8,675,633	7,113,993	
		(20,440,995)			(7,358,299)			

12.

Intangible

	Note	2018 Rupees	2017 Rupees
Cost		10,000,000	19,000,000
Advance against TREC	12.1	(10,000,000)	-
Impairment loss		-	(9,000,000)
		-	10,000,000

FOR THE YEAR ENDED JUNE 30, 2018

12.1 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.

13. Investment Property

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

2017								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2017	Rate %
	As at July 01, 2016	Transfer	As at June 30, 2017	As at July 01, 2016	Charged during the year	As at June 30, 2017		
Office premises	2,400,000	-	2,400,000	568,333	120,000	688,333	1,711,667	5

14. Long term investments	Note	2018	2017
		Rupees	Rupees
<i>Investment in subsidiary</i>		350,000,000	350,000,000
	14.1	350,000,000	350,000,000
<i>Investment classified as available-for-sale financial assets</i>			
Listed securities		10,853,740	16,071,330
Unlisted securities	14.2.1	32,146,031	32,146,031
	14.2.2	42,999,771	48,217,361
Preference Share		-	-
	14.3	392,999,771	398,217,361

14.1	2017	2018				
	Number	Number				
	500,000	500,000	Apex Financial Services (Pvt) Ltd	14.1.1	50,000,000	50,000,000
	500,000	500,000	Capital Financial Services (Pvt) Ltd	14.1.1	50,000,000	50,000,000
	25,000,000	25,000,000	Equity Textiles Limited	14.1.2	250,000,000	250,000,000
	26,000,000	26,000,000			350,000,000	350,000,000

14.1.1 The Capital Financial Services (Pvt) Ltd and Apex Financial Services (Pvt) Ltd are wholly owned subsidiaries of the Modaraba having ordinary shares of Rs. 100 each. Net assets value per share of Capital Financial Service (Pvt.) Ltd. and Apex Financial Services (Pvt.) Ltd. is Rs. 69.46 and Rs. 69.25 (2017: Rs. 88.22 and Rs. 96.15) as per financial statements as at June 30, 2018 audited by Baker Tilly Mehmood Idrees Qamar, Chartered Accountants.

14.1.2 Equity Textiles Limited is a wholly owned subsidiary of the Modaraba. Net assets value per share of Equity Textiles Limited is Rs. 30.02 (2017: Rs. 28.53) as per financial statements as at June 30, 2018 audited by BDO Ebrahim & Company, Chartered Accountants.

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

14.2.1 Listed securities

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

2017	2018			2018	2017
No of Shares	No of Shares			Rupees	Rupees
22,000	22,000	<i>Financial Services</i>			
		Javed Omer Vohra & Company Limited		41,800	41,800
1,602,953	1,081,194	<i>Pakistan Stock Exchange Limited</i>	14.2.2.2	10,811,940	16,029,530
				10,853,740	16,071,330



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FOR THE YEAR ENDED JUNE 30, 2018

14.2.2 Unlisted securities

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

2017	2018		Note	2018 Rupees	2017 Rupees
No of Shares	No of Shares				
50,000	50,000	Sapphire Power Generation Limited	14.2.2.1	1,800,000	1,800,000
3,034,603	3,034,603	ISE Towers REIT Management Co Ltd	14.2.2.3	30,346,030	30,346,030
78,150	78,150	Callmate Telips Telecom Limited	14.2.2.4	1	1
				32,146,031	32,146,031

14.2.2.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 64.31 (2016: Rs. 69.49) as per financial statements as at June 30, 2017 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.

14.2.2.2 The market value per share of Pakistan Stock Exchange Limited as at June 30, 2018 was Rs. 19.75

14.2.2.3 Net assets value per share of ISE Towers REIT Management Company Limited is Rs. 14.09 (2017: Rs. 12.13) as per financial statements as at June 30, 2018 audited by BDO Ebrahim & Company, Chartered Accountants.

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

15. Morabaha/Musharaka receivables-secured

Musharaka - considered good		136,668,098	134,320,480
Morabaha - considered doubtful	15.2	17,380,055	17,380,055
		154,048,153	151,700,535
Provision for non performing assets		(17,380,055)	(17,380,055)
		136,668,098	134,320,480

15.1 The Modaraba has entered into Morabaha and Musharaka agreements under which the Modaraba has provided funds for working capital requirements on profit and loss sharing basis. These are secured against pledge, hypothecation of stock and receivables, demand promissory notes, personal guarantee of directors / proprietors and mortgage of property. Expected rate of profit on Musharaka transactions during the year range between 12% to 16 % per annum (2017: 12 % to 16% per annum).

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

16. Short term investments

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

Listed securities

16.1 *Listed securities* 16.1 **60,889,384** 101,074,443

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

2017	2018		2018 Rupees	2017 Rupees
No of Shares	No of Shares			
		<i>Oil and Gas</i>		
65,900	7,900	Oil & Gas Development Co Limited	1,229,398	9,271,471
20,000	20,000	Pakistan Refinery Limited	694,200	1,065,200
-	26,400	Sui Northern Gas Pipeline Limited	2,645,808	-
-	10,900	Attock Refinery Limited	2,346,879	-
		<i>Food</i>		
6,200	6,200	Engro Foods Limited	552,172	753,238
		<i>Chemicals</i>		
4,700	2,700	Engro Corporation Limited	847,422	1,531,775
168,500	-	Fauji Bin Qasim Limited	-	7,218,540
12,500	12,500	Ghani Global Glass Limited	154,125	249,875
30,001	31,711	Ghani Gases Limited	511,181	789,000
-	199	Engro Polymer - Unpaid right	1,755	-

FOR THE YEAR ENDED JUNE 30, 2018

2017 Number	2018 Number	Note	2018 Rupees	2017 Rupees
<i>Construction and materials</i>				
11,700	10,600	AkzoNobel Pakistan Limited	1,979,656	2,808,000
5,000	5,000	Bestway Cement Limited	654,950	1,095,600
278,500	235,500	Dewan Cement Limited	4,563,000	5,620,130
7,078	9,278	D.G. Khan Cement Limited	1,062,238	1,508,746
8,500	5,000	Fly Cement Limited	85,800	160,310
2,000	2,000	Cherat Cement Company Limited	194,460	357,560
1,488,786	1,406,286	Power Cement Limited	11,742,488	19,919,957
<i>Transport</i>				
475,306	-	Pakistan International Bulk Terminals Limited	-	11,008,087
<i>Personal goods</i>				
8,300	-	Nishat Mills Limited	-	1,317,044
<i>Pharma and biotech</i>				
4,050	-	GlaxoSmith Kline Consumer Healthcare Limited	-	846,491
6,429	9,400	The Searle Pakistan Limited	3,191,300	3,291,519
<i>Automobile and parts</i>				
16,900	-	Gandhara Nissan Limited	-	3,803,852
<i>Paper and Board</i>				
45,000	49,500	Roshan Packages Limited	1,394,415	2,527,650
<i>Engineering</i>				
175,700	-	Aisha Steel Limited	-	3,573,738
14,500	14,500	International Steel Limited	1,474,650	1,854,405
6,000	-	Mughal Steel & Iron Limited	-	484,380
<i>Textile Composite</i>				
238,000	238,000	International Knitwear Limited	2,677,500	3,334,380
<i>Miscellaneous</i>				
15,000	16,425	United Distributors Limited	796,777	1,005,000
<i>Sugar and Allied</i>				
1,000	1,000	Imperial Sugar Limited	26,930	29,480
<i>Fixed Line Telecommunication</i>				
709,500	709,500	Pakistan Telecommunication Company Limited	8,116,680	11,075,295
<i>Cable & Electrical Goods</i>				
70,000	70,000	TPL Tracker Limited	477,400	691,600
<i>Power Generation, Distribution and Electricity</i>				
500,000	500,000	K-Electric Limited	2,840,000	3,450,000
6,000	6,000	Kot Adu Power Company Limited	323,460	432,120
<i>Inv. Banks / Inv. Cos / Securities Cos</i>				
-	521,759	Pakistan Stock Exchange	10,304,740	-
			60,889,384	101,074,443
17. Advances - considered good				
Employee		17.1	161,171	226,019
Advance tax			8,743,700	12,430,743
Others			2,826,000	-
			11,730,871	12,656,762



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FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
17.1		The maximum aggregate amount due from employees at the end of any month during the year was Rs. 214,115 (2017: Rs. 454,640).	
18.			
		14,767,856	14,772,665
Deposits		621,913	412,962
Prepayments		15,389,769	15,185,627
19.			
		17,695,591	19,527,513
Receivable from clients	19.1&19.2	59,850	138,676
Dividend		-	4,488,268
Sale of PSX shares		644,321	1,049,393
Others	19.2	18,399,762	25,203,850
19.1			
<i>Receivable from clients</i>		17,695,591	19,527,513
Considered good		12,500,000	12,500,000
Considered doubtful		30,195,591	32,027,513
Less: Provision for doubtful debts		(12,500,000)	(12,500,000)
		17,695,591	19,527,513
19.2		Receivable from clients and others include receivable from related parties amounting to Rs. 565 (2017: Rs. 202,791).	
20.			
		2,962,425	2,850,849
in current accounts		21,811	19,054
in saving accounts		8,641,789	38,524,840
in Islamic bank		11,626,025	41,394,743
21.			
		15,373,644	15,279,963
Profit on Musharaka		750,439	4,749,661
Brokerage commission		(4,433,303)	55,233,402
Capital gain		3,046,947	2,497,801
Dividend		2,400,000	1,452,000
Rental		-	282,342
Others		17,137,727	79,495,169
22.			
		6,504,661	5,760,086
Salaries, allowances and benefits	22.1	499,021	646,469
Traveling, conveyance and entertainment		1,085,602	784,301
Telephone and postage		577,963	497,668
Electricity		497,568	460,241
Insurance		1,031,527	1,236,716
Printing, stationery and advertising		1,621,906	2,007,329
Fees and subscriptions		1,169,343	985,855
Vehicle running and maintenance		1,025,904	1,748,923
Depreciation	11 & 13	4,316,344	4,738,605
Facilities and services		1,179,178	1,519,594
Repair and maintenance		239,517	112,629
Annual review meeting		370,255	439,285
Auditor's remuneration	22.3	527,553	524,129
Legal and professional		2,300	-
Training and development		200,000	150,000
Shariah Advisor		-	1,421,076
Bad debts		230,093	637,102
PSX & SECP Charges		118,862	517,242
Withholding & CVT tax		-	9,000,000
Impairment loss on intangible	12	222,557	221,634
Others		21,420,154	33,408,884

FOR THE YEAR ENDED JUNE 30, 2018

22.1 *Remuneration of officers and other employees*

The aggregate amount charged in the financial statements for remuneration, including benefits to 9 (2017 : 9) employees of the modaraba is:

	2018		2017	
	Officers	Other Employees	Officers	Other Employees
Salaries and allowances	2,380,000	2,440,854	1,776,000	1,905,462
Leave fare & Encashment	60,000	20,000	205,000	118,464
Expenses reimbursed: Medical	54,270	271,840	49,600	417,048
	2,494,270	2,732,694	2,030,600	2,440,974

22.2 Salaries, allowances and benefits include provision for gratuity of Rs. 483,693 (2016: Rs. 485,855). Officers are also provided with free use of the Modaraba maintained cars.

	2018 Rupees	2017 Rupees
22.3 <i>Auditor's remuneration</i>		
Audit fee	250,000	226,806
Half yearly review	26,500	26,500
Other fees	93,755	185,979
	370,255	439,285

23. **Financial Charges**

Bank Charges	19,123	13,652
	19,123	13,652

24. **Other income**

Profit on Investment accounts with Islamic bank	103,702	288,729
Gain on sale of assets	-	2,545,148
Others	5,000	-
	108,702	2,833,877

25. **Taxation**

Current - -

Assessment upto and including the tax year 2017 have been finalized under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) which is subject to audit under section 170 of the Ordinance.

The income of non-trading Modarabas is exempt from tax provided that not less than ninety percent of their profits for the year as reduced by the amount transferred to mandatory reserves are distributed to the certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution, no provision for taxation has been made in these financial statements.

26. **(Loss) / Earnings per certificates - basic and diluted**

(Loss) / Profit for the year	(4,192,848)	42,513,195
Weighted average number of certificates outstanding during the year	52,440,000	52,440,000
Loss / Earnings per certificate - basic and diluted	(0.08)	0.81

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

27. **Risk management policies and objectives**

Financial risk management

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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:

	2018	2017
	Rupees	Rupees
Investment	453,889,155	499,291,804
Morabaha/Musharaka receivables-secured	136,668,098	134,320,480
Advances-considered good	14,240,871	15,166,762
Trade deposits and prepayments	17,139,769	16,935,627
Other receivables	18,399,762	25,203,850
	640,337,655	690,918,523

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.

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

FOR THE YEAR ENDED JUNE 30, 2018

Assets	2017			Total
	Less than One year	Over one year but less than five years	Over five years	
Long term investments	-	48,217,361	350,000,000	398,217,361
Morabaha & Musharaka receivables	134,320,480	-	-	134,320,480
Short term investments	101,074,443	-	-	101,074,443
Advances	3,391,684	2,510,000	-	5,901,684
Trade deposits	14,772,665	1,750,000	-	16,522,665
Other receivables	25,203,850	-	-	25,203,850
Tax refunds due from government	9,265,078	-	-	9,265,078
Bank balances	41,394,743	-	-	41,394,743
	329,422,943	52,477,361	350,000,000	731,900,305
Liabilities				
Deferred liability	-	2,864,104	-	2,864,104
Security Deposit	-	200,000	-	200,000
Creditors, accrued and other liabilities	62,660,247	-	-	62,660,247
Unclaimed profit distribution	28,730,534	-	-	28,730,534
	91,390,781	3,064,104	-	94,454,885
Net balance	238,032,162	49,413,257	350,000,000	637,445,420

Market risk

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

Operational Risk

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

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

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

28. Fair value of financial instruments

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

28.1 *Financial instruments by category*

	2018 Rupees	2017 Rupees
Financial assets		
Loans and receivables		
Morabaha/Musharaka receivables	136,668,098	134,320,480
Advances	14,240,871	5,901,684
Trade deposits	16,517,856	16,522,665



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	2018 Rupees	2017 Rupees
Other receivables	18,399,762	25,203,850
Bank balances	11,626,025	41,394,743
<i>Financial assets at fair value through profit or loss</i>		
Short term investments	60,889,384	101,074,443
<i>Available-for-sale financial assets</i>		
Long term investments	42,999,771	48,217,361
	301,341,767	372,635,227
Financial liabilities		
Financial liabilities at amortised cost		
Creditors, accrued and other liabilities	12,082,573	62,660,247
Unclaimed profit distribution	29,641,941	28,730,534
	41,724,514	91,390,781
On balance sheet gap	259,617,253	281,244,446

29. Maturities of assets and liabilities

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

	2018				
	Upto one month	Over one month to one year	Over one year to five year	Over five Years	
Assets					
Tangible assets	-	-	-	6,339,731	6,339,731
Investment property	-	-	-	1,591,667	1,591,667
Long term investments	-	-	42,999,771	350,000,000	392,999,771
Morabaha & Musharaka receivables	32,053,640	106,614,457	-	-	136,668,098
Short term investments	-	60,889,384	-	-	60,889,384
Advances	-	11,730,871	2,510,000	-	14,240,871
Trade deposits and prepayments	150,000	15,239,769	1,750,000	-	17,139,769
Other receivables	-	18,399,762	-	-	18,399,762
Bank balances	-	11,626,025	-	-	11,626,025
	32,203,640	224,500,268	47,259,771	357,931,398	659,895,079
Liabilities					
Deferred liabilities	-	-	-	4,045,679	4,045,679
Security Deposit	-	-	200,000	-	200,000
Creditors, accrued and other liabilities	-	12,082,573	-	-	12,082,573
Unclaimed profit distribution	-	29,641,941	-	-	29,641,941
	-	41,724,514	200,000	4,045,679	45,970,193
Net balance	32,203,640	182,775,754	47,059,771	353,885,719	613,924,886

	2017				
Assets					
Tangible assets	-	-	-	7,113,993	7,113,993
Intangible assets	-	-	-	10,000,000	10,000,000
Investment property	-	-	-	1,711,667	1,711,667
Long term investments	-	-	48,217,361	350,000,000	398,217,361
Morabaha & Musharaka receivables	85,717,362	48,603,118	-	-	134,320,480
Short term investments	-	101,074,443	-	-	101,074,443
Advances	-	3,391,684	2,510,000	-	5,901,684
Trade deposits and prepayments	150,000	15,035,627	1,750,000	-	16,935,627
Other receivables	-	25,203,850	-	-	25,203,850
Tax refunds due from government	-	9,265,078	-	-	9,265,078
Bank balances	-	41,394,743	-	-	41,394,743
	85,867,362	243,968,544	52,477,361	368,825,660	751,138,927

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	Over one				Total
	Upto one month	month to one year	Over one year to five years	Over five Years	
Liabilities					
Deferred liabilities	-	-	-	2,864,104	2,864,104
Security Deposit	-	-	200,000	-	200,000
Creditors, accrued and other liabilities	12,043,162	50,617,085	-	-	62,660,247
Unclaimed profit distribution	-	28,730,534	-	-	28,730,534
	12,043,162	79,347,619	200,000	-	94,454,885
Net balance	73,824,200	164,620,925	52,277,361	365,961,556	656,684,042

30. Yield/Profit rate risk exposure

Description	Effective yield / profit risk	2018						Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		Within 1 Yr	After 1 Yr	Sub total	Within 1 Yr	After 1 Yr	Sub total	
Financial Assets	%	Rupees						
Long term investments	-	-	-	-	-	42,999,771	42,999,771	42,999,771
Morabaha / Musharakah receivables	12% to 16%	136,668,098	-	136,668,098	-	-	-	136,668,098
Short term investments	-	-	-	-	60,889,384	-	60,889,384	60,889,384
Advances	-	-	-	-	11,730,871	2,510,000	14,240,871	14,240,871
Trade deposits	-	-	-	-	14,767,856	1,750,000	16,517,856	16,517,856
Other receivables	-	-	-	-	18,399,762	-	18,399,762	18,399,762
Bank balances	2% to 5%	8,663,600	-	8,663,600	2,962,425	-	2,962,425	11,626,025
		145,331,698	-	145,331,698	108,750,298	47,259,771	156,010,069	301,341,767
Financial Liabilities								
Creditors, accrued and other liabilities	-	-	-	-	12,082,573	-	12,082,573	12,082,573
Unclaimed profit distribution	-	-	-	-	29,641,941	-	29,641,941	29,641,941
		-	-	-	41,724,514	-	41,724,514	41,724,514
On Balance Sheet Gap		145,331,698	-	145,331,698	67,025,784	47,259,771	114,285,555	259,617,253

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

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

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

Description	Effective yield / profit risk	2017						Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		Within 1 Yr	After 1 Yr	Sub total	Within 1 Yr	After 1 Yr	Sub total	
Financial Assets	%	Rupees						
Long term investments	-	-	-	-	-	48,217,361	48,217,361	48,217,361
Morabaha / Musharakah receivables	12% to 16%	134,320,480	-	134,320,480	-	-	-	134,320,480
Short term investments	-	-	-	-	101,074,443	-	101,074,443	101,074,443
Advances	-	-	-	-	3,391,684	2,510,000	5,901,684	5,901,684
Trade deposits	-	-	-	-	14,772,665	1,750,000	16,522,665	16,522,665
Other receivables	-	-	-	-	25,203,850	-	25,203,850	25,203,850
Bank balances	5% to 7%	38,543,894	-	38,543,894	2,850,849	-	2,850,849	41,394,743
		172,864,374	-	172,864,374	147,293,491	52,477,361	199,770,852	372,635,226
Financial Liabilities								
Creditors, accrued and other liabilities	-	-	-	-	62,660,247	-	62,660,247	62,660,247
Unclaimed profit distribution	-	-	-	-	28,730,534	-	28,730,534	28,730,534
		-	-	-	91,390,781	-	91,390,781	91,390,781
On Balance Sheet Gap		172,864,374	-	172,864,374	55,902,710	52,477,361	108,380,071	281,244,445



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

31. Segment information

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

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

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

	2018					2017
	Musharakah Facility	Brokerage Operation	Capital Markets	Others	Total	Total
Rupees						
Segment Revenues	15,373,644	750,439	(1,386,356)	2,508,702	17,246,429	83,069,991
Segment Result	15,373,644	(3,436,161)	(1,386,356)	2,508,702	13,059,829	77,873,961
Unallocated Cost						
Operating expenses					(17,252,677)	(28,967,451)
Management fee					-	(4,890,000)
Service Sale Tax					-	(635,700)
WWF					-	(867,615)
Profit before taxation					(4,192,848)	42,513,195
Taxation					-	-
Profit for the year					(4,192,848)	42,513,195
Other information						
Segment assets	136,668,098	19,598,091	103,889,154	1,591,667	261,747,010	314,460,377
Unallocated assets	-	-	-	-	398,148,068	436,678,549
Total assets	136,668,098	19,598,091	103,889,154	1,591,667	659,895,078	751,138,926
Segment liabilities	-	4,286,455	-	-	4,286,455	8,541,486
Unallocated liabilities	-	-	-	-	41,683,738	85,913,399
Total liabilities	-	4,286,455	-	-	45,970,193	94,454,885

32. Transactions with related parties

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

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

	2018 Rupees	2017 Rupees
32.1 <i>Balance outstanding at year end</i>		
<u>Modaraba Management Company</u>		
- Current account payable	1,096,680	3,869,066
<u>Subsidiary company</u>		
- Investment in Equity Textiles Limited	250,000,000	250,000,000
- Investment in Capital Financial Services (Private) Limited	50,000,000	50,000,000
- Investment in Apex Financial Services (Private) Limited	50,000,000	50,000,000
- Advance received against transfer of TREC	-	10,000,000
<u>(Payable to)/Receivable from wholly owned subsidiary company</u>	(1,731,965)	(34,914,504)
<u>Receivable from related party</u>	349,099	349,099

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
<u>Other related parties (including key management personnel)</u>		
- Deferred liability staff gratuity	4,045,679	2,864,104
- Brokerage house client receivable	565	202,791
32.2 Transactions during the year		
<u>Modaraba Management Company</u>		
- Management remuneration and services sales tax	-	5,525,700
- Reimbursement	4,316,344	5,098,855
<u>Other related parties (including key management personnel)</u>		
- Contribution to staff gratuity fund	483,693	485,854
	<i>Relationship</i>	
Dividends paid	403,066	77,516
Services acquired	610,982	486,764
Brokerage commission earned	19,625	1,340,745
33. Number of employees		
Total number of employees of the Modaraba as at June 30, 2018 are 9 (2017: 9).		
Average number of employees of the Modaraba are 9 (2017: 8)		
34. Corresponding Figures		
Figures have been rounded off to the nearest rupee.		
35. Authorization for issue		
These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 05, 2018.		
36.		
The Board of Directors of the Management Company has approved dividend at the rate of Re. nil per certificate (2017: Re. 0.60 per certificate) for the year ended June 30, 2018, resulting in a total distribution of profit amounting to Rs. nil (2017: Rs. 31,460,000/-), in its meeting held on October 06, 2018, which is more than 90% of the profit for the year ended June 30, 2018, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations.		
37. General		
37.1 Figures in these financial statements have been rounded off to the nearest rupee.		
37.2 The corresponding figures, wherever necessary, have been re-arranged /re-classified for the purpose of comparison.		
37.3 Prior year figures have been reclassified for the purpose of better presentation and comparison.		

Qazi Obaid Ullah
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Chief Executive Officer
Premier Financial
Services (Private) Limited

Zahid Bashir
Director
Premier Financial
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Nadeem Maqbool
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, 2018*



AUDITORS' REPORT

TO THE CERTIFICATE HOLDERS

Qualified Opinion

We have audited the annexed consolidated financial statements of FIRST EQUITY MODARABA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at June 30, 2018, and the consolidated profit and loss account, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matters described in paragraphs below, the consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Qualified Opinion

Modaraba and, its two subsidiaries named Apex Financial Services (Private) Limited and Capital Financial Services (Private) Limited have charged unrealized loss of Rs. 19.63 million, in respect of investment classified as financial asset at fair value through profit and loss, in other comprehensive income instead of profit and loss account as required under IAS 39.

Furthermore, the two above mentioned subsidiaries have also reclassified corresponding cumulative unrealized loss of Rs. 7.27 million in respect of financial assets at fair value through profit and loss, in other comprehensive income. Therefore, our opinion, for the previous year is also qualified in this regard.

Had the Modaraba and two above mentioned subsidiaries charged the unrealized loss to the profit and loss account, its loss for the year would have been increased by Rs. 19.63 million (2017: Rs. 12.24 million).

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

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

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

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

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

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

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

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

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

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

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

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

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

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

AUDITORS' REPORT

TO THE CERTIFICATE HOLDERS

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



Chartered Accountants
Karachi.

Dated: October 05, 2018

Engagement Partner: Mehmood A. Razzak



CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2018

	Note	2018 Rupees	Restated 2017 Rupees	Restated 2016 Rupees
<i>Equity & Liabilities</i>				
<i>Capital and reserves</i>				
Authorized Certificate Capital				
60,000,000 (2017: 60,000,000) modaraba certificates of Rs. 10 each		600,000,000	600,000,000	600,000,000
Certificate holders' equity				
Certificate capital	6	524,400,000	524,400,000	524,400,000
Reserves	7	144,704,067	133,398,279	133,117,525
Remeasurement of defined benefit liability - Actuarial gain		(103,364)	594,518	358,832
Unrealised loss on remeasurment of investments		(57,519,106)	(41,579,802)	(23,562,626)
<i>Total certificates holders' equity</i>		611,481,597	616,812,995	634,313,731
Surplus on revaluation of fixed assets	8	449,747,606	492,681,258	367,119,689
<i>Non-current liabilities</i>				
Long term financing	9	159,421,164	282,447,812	379,920,178
Liabilities against assets subject to finance lease	10	985,501	2,216,857	876,372
Deferred liabilities	11	189,194,135	233,947,968	185,821,476
Security deposit		200,000	200,000	200,000
<i>Total non-current liabilities</i>		349,800,800	518,812,637	566,818,026
<i>Current liabilities</i>				
Short term borrowings	12	195,580,393	146,592,258	139,735,517
Current portion of long term liabilities	13	160,624,151	138,418,834	95,241,605
Creditors, accrued and other liabilities	14	467,240,926	342,353,967	226,729,730
Accrued mark up	15	35,844,919	27,035,673	12,004,917
Unclaimed profit distribution		29,641,941	28,730,534	27,844,960
<i>Total current liabilities</i>		888,932,330	683,131,266	501,556,729
<i>Total equity and liabilities</i>		2,299,962,333	2,311,438,156	2,069,808,175
<i>Contingencies and commitments</i>	16			

CONSOLIDATED BALANCE SHEET

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AS AT JUNE 30, 2018

	Note	2018 Rupees	Restated 2017 Rupees	Restated 2016 Rupees
<i>Assets</i>				
<i>Non-Current Assets</i>				
Fixed assets				
-tangible	17	1,278,206,389	1,361,149,735	1,166,715,322
-intangible	18	10,000,000	10,000,000	19,000,000
Investment property	19	1,591,667	1,711,667	1,831,667
Long term investments	20	42,999,771	48,217,361	75,777,990
Advances		2,510,000	2,510,000	2,510,000
Deposits		1,995,900	1,995,900	1,250,000
<i>Total Non-Current Assets</i>		1,337,303,727	1,425,584,663	1,267,084,979
<i>Current Assets</i>				
Store and spares	21	30,889,410	27,653,481	27,533,131
Stock-in-trade	22	339,488,014	251,526,526	275,672,704
Trade debts	23	113,875,395	102,040,587	66,735,124
Morabaha/Musharaka receivables-secured	24	136,668,098	134,320,480	140,333,175
Short term investments	25	112,375,584	153,962,235	125,696,522
Advances	26	43,749,854	41,734,909	54,932,913
Trade deposits and prepayments	27	71,189,500	39,892,774	33,566,592
Other receivables	28	23,043,361	26,151,507	22,262,682
Tax refunds due from government authorities	29	73,216,645	48,609,469	25,931,805
Tax-net	30	1,643,022	11,806,967	13,829,046
Cash and bank balances	31	16,519,723	48,154,559	16,229,501
<i>Total Current Assets</i>		962,658,606	885,853,493	802,723,195
<i>Total Assets</i>		2,299,962,333	2,311,438,156	2,069,808,175

The annexed notes 1 to 48 form an integral part of these financial statements.

Qazi Obaid Ullah
Chief Financial Officer

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Premier Financial
Services (Private) Limited

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Director
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Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited



CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	Restated 2017 Rupees
Income	32	128,253,472	105,805,846
Expenditure			
Operating expenses	33	(49,729,473)	(59,174,188)
Distribution and selling expenses	34	(16,222,472)	(14,033,227)
		(65,951,945)	(73,207,415)
Operating profit		62,301,527	32,598,431
Financial Charges	35	(63,499,575)	(60,931,693)
		(1,198,048)	(28,333,262)
Other Income	36	1,997,605	1,393,883
		799,557	(26,939,379)
Other charges	37	(12,529,727)	(869,737)
Management fee		-	(4,890,000)
Service Sales Tax on management remuneration		-	(635,700)
(Loss) before taxation		(11,730,170)	(33,334,816)
Taxation			
- current		(31,420,618)	(17,429,611)
- prior		(3,128,483)	(198,235)
- deferred		38,897,103	21,348,647
		4,528,002	3,720,801
(Loss) for the year		(7,202,168)	(29,614,015)
(Loss) per certificate - basic and diluted	39	(0.14)	(0.56)

The annexed notes 1 to 48 form an integral part of these financial statements.

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FOR THE YEAR ENDED JUNE 30, 2018

	2018	Restated
	Rupees	2017
		Rupees
(Loss) for the year	(7,202,168)	(29,614,015)
Other comprehensive (loss)		
Items that will be reclassified to profit & loss account on disposal		
Unrealized (loss) on remeasurement of available for sale investments	(19,014,242)	(28,692,181)
Gain realized on disposal of investments	3,074,938	10,675,005
	(15,939,304)	(18,017,176)
Items that will not be reclassified to profit & loss account		
Remeasurement of defined benefit liability	(697,882)	235,686
Total comprehensive (loss) for the year	(16,637,186)	(17,781,490)
Total comprehensive (loss) for the year	(23,839,354)	(47,395,505)

The annexed notes 1 to 48 form an integral part of these financial statements.

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	Restated 2017 Rupees
Cash flows from operating activities		
(Loss) before taxation	(11,730,170)	(33,334,816)
<i>Adjustments for:</i>		
Depreciation	139,567,913	118,314,279
Provision for gratuity	483,693	485,855
Dividend income	(4,154,865)	(2,497,801)
(Gain) on sale of asset	(1,040,822)	(501,711)
Impairment loss	-	9,000,000
Bad debts	-	1,442,558
Financial charges	63,499,575	60,931,693
	198,355,494	187,174,873
Cash generated from operations before working capital changes	186,625,324	153,840,057
Working Capital changes		
Decrease/(increase) in operating assets		
Store, Spares and Loose tools	(3,235,929)	(120,350)
Stock-in-trade	(87,961,488)	24,146,178
Trade debts	(11,834,808)	(35,326,945)
Morabaha/Musharaka receivables-secured	(2,347,618)	6,012,695
Advances	(2,014,945)	13,198,004
Trade deposits and prepayments	(31,296,726)	(6,326,182)
Other receivables	3,108,146	(5,192,800)
Tax refund from government authorities	(16,492,836)	(9,790,041)
Increase/(decrease) in operating liabilities		
Short term borrowing	48,988,135	6,856,741
Deferred Markup	-	(25,537,448)
Creditors, accrued and other liabilities	124,886,958	115,624,237
	21,798,889	83,544,089
Staff retirement benefit - gratuity paid	-	(320,833)
Financial charges paid	(54,690,329)	(45,900,937)
Dividend paid	(30,552,593)	(5,931,626)
Taxes paid	(32,319,496)	(28,493,388)
<i>Net cash generated from operating activities</i>	90,861,795	156,737,363
Cash flows from investing activities		
Investments	30,864,937	(18,722,260)
Long term deposits	-	(745,900)
Proceeds from sale of tangible assets	1,085,000	599,843
Dividend received	4,154,865	2,380,700
Purchases of tangible assets	(56,548,746)	(80,907,484)
<i>Net cash (used in) investing activities</i>	(20,443,944)	(97,395,101)

CONSOLIDATED CASH FLOW STATEMENT

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FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	Restated 2017 Rupees
Cash flows from financing activities		
Liabilities against assets subject to finance lease	(1,118,517)	2,003,202
Long term financing	(100,934,170)	(29,420,406)
<i>Net cash generated from financing activities</i>	(102,052,687)	(27,417,204)
Net (decrease) / increase in cash and cash equivalents	(31,634,836)	31,925,058
Cash and cash equivalents at beginning of the year	48,154,559	16,229,501
Cash and cash equivalents at the end of the year	16,519,723	48,154,559

The annexed notes 1 to 48 form an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2018

	Certificate Capital	Statutory Reserve *	Certificate premium account	General Reserve	Accumulated Loss	Total Reserves	Remeasurement of defined benefit liability	Surplus on revaluation of property, plant and equipment	Unrealized loss on remeasurement of available for sale investments	Total
Balance as at June 30, 2016	524,400,000	152,500,000	131,100,000	27,120,000	(171,755,144)	138,964,856	358,832	-	(29,409,957)	634,313,731
Impact of changes in accounting policies (net of tax) / restatement (5.26-5.27)	-	-	-	-	(5,847,331)	(5,847,331)	-	367,119,688	5,847,331	367,119,688
Balance as at June 30, 2016 (Restated)	524,400,000	152,500,000	131,100,000	27,120,000	(177,602,475)	133,117,525	358,832	367,119,688	(23,562,626)	1,001,433,419
Total Comprehensive income for the year	-	-	-	-	(29,614,015)	(29,614,015)	235,686	-	(18,017,176)	(47,395,505)
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	-	36,711,969	36,711,969	-	(36,711,969)	-	-
Surplus on revaluation of PPE	-	-	-	-	-	-	-	162,273,538	-	162,273,538
Profit Distribution	-	-	-	-	(6,817,200)	(6,817,200)	-	-	-	(6,817,200)
Transfer to statutory reserve	-	8,550,000	-	-	(8,550,000)	-	-	-	-	-
Balance as at June 30, 2017 (restated)	524,400,000	161,050,000	131,100,000	27,120,000	(185,871,721)	133,398,279	594,518	492,681,257	(41,579,802)	1,109,494,252
Loss / for the year	-	-	-	-	(7,202,168)	(7,202,168)	-	-	-	(7,202,168)
Total Comprehensive income for the year	-	-	-	-	-	-	(697,882)	-	(15,939,304)	(16,637,186)
Revaluation surplus on PPE adjustment due to change in tax rate	-	-	-	-	-	-	-	7,038,304	-	7,038,304
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	-	49,971,956	49,971,956	-	(49,971,956)	-	-
Profit Distribution	-	-	-	-	(31,464,000)	(31,464,000)	-	-	-	(31,464,000)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2018	524,400,000	161,050,000	131,100,000	27,120,000	(174,565,933)	144,704,067	(103,364)	449,747,605	(57,519,106)	1,061,229,202

Qazi Obaid Ullah

Chief Financial Officer

Adil A. Ghaffar

Chief Executive Officer

Premier Financial

Services (Private) Limited

Zahid Bashir

Director

Premier Financial

Services (Private) Limited

Nadeem Maqsood

Director

Premier Financial

Services (Private) Limited

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

FOR THE YEAR ENDED JUNE 30, 2018

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

The group

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

1.1 *First Equity Modaraba*

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

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

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

1.2 *Equity Textiles Limited*

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

1.3 *Capital Financial Services (Private) Limited*

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

1.4 *Apex Financial Services (Private) Limited*

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

1.5 *Consolidation procedure*

Subsidiaries

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

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

Transactions eliminated on consolidation

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

Functional and reporting currency of group

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

1.6 *Basis of consolidation*

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

2. Statement of compliance

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, 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 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.

2.2 Standards, interpretations and amendments applicable to financial statements

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

(a)

New standards, interpretation and amendments

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

IAS 7 – Statement of cash flows – disclosure initiative – (amendments)

IAS 12 – Income taxes – recognition of deferred tax assets for unrealized losses (amendments)

(b)

Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

<u>Standard or Interpretation</u>		<u>Effective date (annual periods beginning on or after)</u>
IFRS 2	Share Based Payments – Classification and Measurement of Share Based Payment Transactions (Amendments)	January 1, 2018
IFRS 9	Financial Instruments	July 1, 2018
IFRS 9	Prepayment Features with Negative Compensation (amendments)	January 1, 2018
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Venture: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	Not yet finalized
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendments)	January 1, 2018
IAS 40	Investment Property: Transfers of Investment Property	January 1, 2018
IAS 19	Plan Amendment, Curtailment or Settlement (amendments)	January 1, 2019
IAS 28	Long Term Interests in Associates and Joint Ventures (amendments)	January 1, 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 17	Insurance Contracts	January 1, 2021

3. Basis of measurement

Parent

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

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

4. Use of estimates

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

FOR THE YEAR ENDED JUNE 30, 2018

	<i>Note</i>
a) Useful life of depreciable assets/amortizable assets	5.1 & 5.2
b) Impairment of assets	5.19
c) Classification of investments	5.4
d) Income tax	5.12
e) Provision for staff gratuity	5.14
f) Provision for non performing assets	5.4.1

Significant accounting policies

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

Fixed assets

5.1

Tangible

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

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

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

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

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

Capital work-in-progress

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

Finance Leases

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

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

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

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



FOR THE YEAR ENDED JUNE 30, 2018

5.1.4 Operating Leases

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

5.1.5 Intangible

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

5.2 Investment property

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

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

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

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

5.3 Deferred cost and amortization

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

5.4 Financial instruments

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

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

Initial recognition

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

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

Subsequent measurement

Financial assets and financial liabilities are measured subsequently as described below.

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to profit and loss account currently.

5.4.1 Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held to maturity (the Modaraba does not have any such investments).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following financial assets fall into this category of financial instruments:

- Deposits
- Advances
- Other receivables
- Cash and cash equivalents

FOR THE YEAR ENDED JUNE 30, 2018

Financial assets at fair value through profit or loss

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as 'financial assets at fair value through profit or loss'.

Financial assets in this category are measured at fair value with gains or losses recognised in profit and loss account. These investments are marked to market and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these investments are taken to the profit and loss account for the year.

Available for sale financial assets

Investments intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale financial assets'. Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale financial assets or are not classified as (a) loans and receivables (b) held to maturity investments (c) financial assets at fair value through profit or loss. Subsequent to initial recognition these investments are marked to market using the closing market rate and are carried on the balance sheet at fair value. Surplus/Deficit arising from re-measurement are taken to comprehensive income until the investments are sold/disposed-off or until the investments are determined to be impaired, at which time, cumulative surplus or deficit previously reported in the comprehensive income is included in the current year's profit and loss account.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured are measured at cost or fair value.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Musharika and Morabaha receivables considered doubtful are provided for in accordance with the requirements of the Prudential Regulations for Modarabas.

An impairment loss on available for sale financial asset -equity instruments is reversed only on the disposal of financial asset. Reversal of provision on musharika and Morabaha receivables are reversed in accordance with Prudential Regulations for Modarabas.

Derecognizing of financial assets

These are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred.

5.4.2 Financial liabilities

The Group's financial liabilities include unclaimed profit distribution, creditors, accrued expenses and other liabilities.

Derecognition of financial liabilities

These are derecognised when they are extinguished, discharged, cancelled or expired.

5.4.3 Investment in associate

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

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

5.5 *Stores, spares and loose tools*

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

5.6 *Stock-in-trade*

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

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

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



FOR THE YEAR ENDED JUNE 30, 2018

5.7 *Trade debts*

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

5.8 *Other receivables*

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

5.9 *Creditors, accrued and other liabilities*

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

5.10 *Revenue recognition*

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

5.11 *Borrowing cost*

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

5.12 *Taxation*Parent companyCurrent

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

Deferred

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

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

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

Subsidiary companiesCurrent

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

Deferred

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

FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

5.13 Foreign currency translation**Parent company**

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

Subsidiary companies

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

5.14 Retirement benefits**Defined benefit plan**

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

Defined contribution plan

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

Employee compensated absences

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

5.15 Offsetting of financial assets and financial liabilities

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

5.16 Derivative financial instruments

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

5.17 Provisions

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

5.18 Profit distribution to certificates holders

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

5.19 Impairment

The carrying amount of Modaraba's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impaired losses are recognized in the profit and loss account.

5.20 Segment reporting

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

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



FOR THE YEAR ENDED JUNE 30, 2018

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

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

5.21 *Related party transactions*Parent

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

Subsidiary Company

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

5.22 *Cash and cash equivalents*

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

5.23 *Functional and reporting currency*

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

5.24 *Capital Risk Management*

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

The 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.

5.25 *Subsidiary accounting judgment and critical estimates / assumptions*

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

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

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

Income taxes

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

Property, plant and equipment

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

Stores and spares

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

5.26 *Restatements*

During the years' audit, an error was found in classification of "unrealized loss / gain on remeasurement" of investment" in the consolidated financial statements amounting to Rs. 5.8 million. The error has been rectified in accordance with the requirements of "IAS 8" and the effect has been accounted for retrospectively.

5.27 *Change in accounting policy of surplus on revaluation of property, plant and equipment*

On July 01, 2017 the Equity Textile Limited changed its accounting policy for the surplus on revaluation of property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017.

Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of surplus on revaluation of property, plant and equipment. Consequently, this impacted the Company's accounting policy for surplus on revaluation of property, plant and equipment. The new accounting policy is explained under note 6.15. Further, the surplus on revaluation of property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

FOR THE YEAR ENDED JUNE 30, 2018

In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information.

The effect of the change is recognition and presentation of Rs. 443.413 million for surplus on revaluation of property, plant and equipment as a capital reserve i.e. separate component of equity and derecognition of surplus on revaluation of property, plant and equipment of Rs. 443.413 million, previously presented below equity in the statement of financial position. Further, there is no effect on the profit and loss account. However, there is increase in other comprehensive income for the year ended June 30, 2017 amounting to Rs. 162.273 million.

	As at July 1, 2016			As at June 30, 2017		
	As previously reported on June 30, 2016	Adjustments Increase / (Decrease)	As restated on July 1, 2016	As previously reported on June 30, 2017	Adjustments Increase / (Decrease)	As restated on July 1, 2017
Surplus on revaluation of property plant and equipment (with in equity)	-	367,119,688	367,119,688	-	492,681,257	492,681,257
Unappropriated profit / (accumulated losses)	7,414,510	-	7,414,510	(25,786,089)	-	(25,786,089)
Net impact on equity	7,414,510	367,119,688	374,534,198	(25,786,089)	492,681,257	466,895,168
Surplus on revaluation of property plant and equipment (below equity)	367,119,688	(367,119,688)	-	492,681,257	(492,681,257)	-
	374,534,198	-	374,534,198	466,895,168	-	466,895,168

Impact of change in accounting policy - June 30, 2018

Surplus on revaluation of property plant and equipment (within equity)	Rupees 449,747,605
Unappropriated profit / (accumulated losses)	30,775,971
Surplus on revaluation of property plant and equipment (below equity)	(449,747,605)

6. Certificate capital

	2017	2018		2018	2017
	No of Certificates	No of Certificates		Rupees	Rupees
	46,220,000	46,220,000	Modaraba certificates of Rs. 10 each fully paid-up in cash	462,200,000	462,200,000
	6,220,000	6,220,000	Modaraba certificates of Rs. 10 each issued as fully paid-up bonus certificates	62,200,000	62,200,000
	52,440,000	52,440,000		524,400,000	524,400,000

6.1 Certificates held by management company 5,532,296 (2017: 5,532,296).

7. Reserves

	Capital Reserves			Revenue Reserves			Total Reserves 2018	Restated Total Reserves 2017
	Statutory Reserve *	Certificate premium account	Total Reserve	Accumulated Loss	General Reserve	Total Reserves		
Opening balance - restated	161,050,000	131,100,000	292,150,000	(185,872,478)	27,120,000	133,397,522	133,397,522	133,117,525
Transfer from Profit & Loss Account	-	-	-	(7,202,168)	-	(7,202,168)	(7,202,168)	(29,614,015)
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Profit distribution	-	-	-	(31,464,000)	-	(31,464,000)	(31,464,000)	(6,817,200)
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	49,971,956	-	49,971,956	49,971,956	36,711,969
Closing balance	161,050,000	131,100,000	292,150,000	(174,566,690)	27,120,000	144,703,310	144,703,310	133,398,279

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
8. Surplus on revaluation of fixed assets			
Opening balance		703,830,368	524,456,698
Revaluation during the year		-	231,819,340
Less: transfer to unappropriated profit in respect of incremental depreciation charged during the year- (net of deferred tax)		49,971,956	36,711,969
Related deferred tax liability		20,411,081	15,733,701
		70,383,037	52,445,670
Closing balance		633,447,331	703,830,368
Related deferred tax effect on			
Opening balance		211,149,110	157,337,009
Effect of rate adjustment		(7,038,304)	69,545,802
Less: incremental depreciation charged during the year transferred to the profit and loss account.		(20,411,081)	(15,733,701)
Closing balance		183,699,725	211,149,110
Net Closing balance		449,747,606	492,681,258
8.1 This represents net surplus on revaluation of Company's factory building, colony building, plant and machinery, generators, electric installation and factory equipment carried out as on June 30, 2017 by an independent valuer, M/s Joseph Lobo (Private) Limited.			
9. Long term financing			
<i>Secured - Financial institution</i>			
Habib Bank Limited - Term Loan		36,421,196	-
The Bank of Punjab - Demand Finance	9.1	243,652,534	370,926,400
Habib Metropolitan Bank - Term Loan	9.2	38,794,278	48,875,778
	9.3	318,868,008	419,802,178
Less: Current portion shown under current liabilities		(159,446,844)	(137,354,366)
		159,421,164	282,447,812
9.1 <i>Habib Bank Limited - Demand Finance</i>			
Demand finance	9.1.1	36,421,196	-
		36,421,196	-
9.1.1 This facility is obtained for the modernisation and upgradation of plant and machinery and is secured against exclusive charge of Rs. 50 million on assets to be imported under the sanctioned term loan limit amounting to Rs. 50.000 million. This finance carries mark up at 6 months KIBOR plus 2% per annum payable on quarterly basis. This facility is repayable in 10 equal quarterly installments with 6 month grace period commencing from April 10, 2018.			
9.2 <i>The Bank of Punjab</i>			
Demand finance I	9.2.1	234,867,998	348,231,998
Demand finance II	9.2.2	8,784,536	22,694,402
		243,652,534	370,926,400
9.2.1 This amount is payable against demand finance as a sub limit of import letter of credit sight / DA 720 days opened with Bank of Punjab for import of plant and machinery. This facility is secured against existing first pari passu charge of Rs. 643.72 million on all present and future fixed assets of the Company with 25% margin duly registered with SECP. The loan was rescheduled on March 31, 2010 and the Company's old facilities of running finance and PAOA was merged with demand finance. As per the revised terms, the facility is additionally secured with equitable mortgage of project building and personal guarantee of three directors of the Company. The charge over the said project ranks pari passu with the charge registered with Habib Bank Limited. The finance carries markup at the rate of 3 month KIBOR plus 200 bps with a floor of 11% per annum payable on quarterly basis. The loan is now repayable in 43 quarterly installments commencing from April 15, 2010.			
9.2.2 The facility is created against conversion of accrued markup upto September 30, 2009 on all facilities except LTF-EOP loan. The facility is secured against equitable mortgage of project building and personal guarantee of three directors of the Company. The charge over the said project ranks pari passu with the charge registered with Bank of Punjab. The loan was rescheduled on March 31, 2010 and the Company's old facilities of running finance and PAOA was merged with demand finance. This loan is repayable in 39 quarterly installments commencing from April 15, 2010.			
9.3 <i>Habib Metropolitan Bank</i>			
Term Loan		38,794,278	48,875,778
		38,794,278	48,875,778

FOR THE YEAR ENDED JUNE 30, 2018

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

10. Liability against asset subject to finance lease - Secured

	Note	2018 Rupees	2017 Rupees
Balance as at July 01		3,281,325	1,278,123
Additions during the year		-	2,405,132
		3,281,325	3,683,255
Payments / Adjustments during the year		(1,118,517)	(401,930)
		2,162,808	3,281,325
Less: Payable within one year shown under current liabilities		(1,177,307)	(1,064,468)
		985,501	2,216,857

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

	2018			2017		
	Upto one year	One to five years	Total	Upto one year	One to five years	Total
Minimum lease payments outstanding	1,298,586	1,018,782	2,317,368	1,291,377	2,367,417	3,658,794
Financial charges not due	(117,279)	(33,281)	(150,560)	(226,909)	(150,560)	(377,469)
Present value of minimum lease payments	1,181,307	985,501	2,166,808	1,064,468	2,216,857	3,281,325
Payable within one year shown under current liabilities	(1,181,307)	-	(1,181,307)	(1,064,468)	-	(1,064,468)
Total	-	985,501	985,501	-	2,216,857	2,216,857

11. Deferred liabilities

Deferred taxation liability	11.1	185,148,456	231,083,864
Staff gratuity	11.2	4,045,679	2,864,104
		189,194,135	233,947,968

11.1 *Deferred taxation liability/asset*

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

Deferred tax liabilities

Accelerated tax depreciation allowance		90,010,059	95,115,335
Revaluation of operating fixed assets		183,699,725	211,149,110
Lease Rentals		199,382	85,568
		273,909,166	306,350,013
<i>Deferred tax assets</i>			
losses carried forward		-	(10,211,306)
turnover tax		(2,854,577)	-
		(85,906,133)	(65,054,843)
		185,148,456	231,083,864

11.2 *Staff gratuity*

		4,045,679	2,864,104
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
11.2.1 <i>General description</i>			
Employees, after completion of one year of service, shall be entitled for gratuity on leaving the company's employment. Gratuity shall be paid on the basis of one month's last drawn monthly gross salary for each completed year of service.			
Annual provision is based on actuarial valuation, which was carried out as at June 30, 2018 on September 25, 2018 using the Projected Unit Method.			
11.2.2 <i>Amount recognized in the balance sheet are as follow:</i>			
Present value of defined benefit obligation		4,045,679	2,864,104
Fair value of plan assets		-	-
Total defined benefit obligation		4,045,679	2,864,104
11.2.3 <i>Movement in defined benefit obligation</i>			
Opening balance		2,864,104	2,934,768
Charged for the define benefit plan			
Current service cost		261,725	284,715
Net interest		221,968	201,140
Actuarial loss on obligation		697,882	-
		1,181,575	485,855
Remeasurement of defined benefit liability			
Benefits paid		-	(320,833)
Due to experience adjustments		-	(235,686)
		-	(556,519)
Benefits paid		-	-
Closing balance		4,045,679	2,864,104
11.2.4 <i>Actuarial assumptions</i>			<i>Rate per annum</i>
Valuation discount rate		10%	7.75%
Salary increase rate -Short term (period of next one year)		10%	7.75%
Salary increase rate- long term		10%	7.75%
12. Short term borrowings			
<i>Secured - financial institutions (Running finance arrangements)</i>			
Habib Bank Limited - Pledge	12.1	82,917,697	51,563,880
Habib Bank Limited - FIM		-	12,081,071
Habib Bank Limited - Hypothecation	12.2	10,000,000	9,959,340
Habib Metropolitan Bank - Pledge	12.3	36,513,803	72,987,967
Habib Metropolitan Bank - FIM	12.3	66,148,893	-
		195,580,393	146,592,258

FOR THE YEAR ENDED JUNE 30, 2018

- 12.1 The facility is obtained for import / purchase of raw cotton bales and to finance working capital inventory. This facility is secured against pledge of raw cotton with 10% margin and pledge of cotton / blended yarn with 15% margin. The finance carries mark-up at the rate of 1 month KIBOR + 150 basis points to be calculated on monthly basis. The total sanctioned limit is Rs. 250 million (2017: Rs. 250 million).
- 12.2 The facility was obtained for working capital requirements. This facility was secured against first pari passu charge of Rs. 57 million on stocks and receivables of the Company. The finance carries markup at the rate of 1 month KIBOR plus 125 basis points to be calculated on monthly basis. The total sanctioned limits Rs. 10 million (2017: 10 million).
- 12.3 The facility is obtained for import / purchase of raw cotton bales and to finance working capital inventory with a 10% margin. This facility is secured against first pari passu charge of Rs. 234 million on stocks and receivables of the Company. The finance carries markup at the rate of 6 month KIBOR plus 150 basis points to be calculated on monthly basis. The total sanctioned limit is Rs. 100 million (2017: 100 million).

	Note	2018 Rupees	2017 Rupees
13. Current portion of long term liabilities			
<i>Secured – financial institution</i>			
Bank of Punjab Demand Finance		132,148,536	127,272,866
Habib Bank Limited - Term Loan		16,187,198	-
Habib Metropolitan Bank Limited - Term Loan		11,111,110	10,081,500
		159,446,844	137,354,366
Liabilities against assets subject to finance lease		1,177,307	1,064,468
		160,624,151	138,418,834

14. Creditors, accrued and other liabilities

Creditors		115,135,302	67,783,864
Accrued expenses		339,664,842	252,484,353
Charity		2,757	1,040
Payable to clients		3,769,575	8,541,485
Advance from customer		4,216,104	2,375,124
Rention money payables		-	3,172,446
Sale tax payable		38,078	387,235
Withholdolding tax payable		334,980	77,052
Workers' Welfare Fund		2,360,711	3,188,365
Other liabilities		105,171	-
	15.1	1,613,406	4,343,003
		467,240,926	342,353,967

- 14.1 This includes Rs. 1,096,680 (2017: Rs. 3,869,066) payable to Premier Financial Services (Private) Limited

15. Accrued Mark Up

Financial institutions		35,844,919	27,035,673
		35,844,919	27,035,673

16. Contingencies and commitments

Contingencies

There is a contingent liability in respect of bank guarantees issued by the Company's banker in the ordinary course of business in favor of Sui Southern Gas Company Limited and HESCO aggregating to Rs. 33.566 million (2017: Rs. 30.566 million).

During the prior year, two separate cases have been decided in the International Court of Arbitration against the Company in respect of liabilities aggregating to US\$ 611,523. The plaintiffs through their legal advisor served the Company with a notice to pay the amount as per the award and filed suits against the Company in the Honorable High Court of Sindh for enforcement of award. No provision has been made in the financial statements for the liability that may arise in the event of a decision against the Company as the management is of the opinion, based on advice of legal advisor, that the decision is likely to be in the favor of the Company.

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

Commitments

Commitment in respect of letters of credit as at the balance sheet date amounted to Rs. 5.896 million (2017: Rs. 44.237 million).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

17. Tangible

Note

2018
Rupees2017
Rupees

Operating fixed assets

17.1

1,278,206,389 1,361,149,735
1,278,206,389 1,361,149,735

17.1

Particulars	2018								Book value As at June 30, 2018	Rate %
	Cost				Accumulated depreciation					
	As at July 01, 2017	Addition / *Transfer	Revaluation Surplus	As at June 30, 2018	As at July 01, 2017	Charged during the year	As at June 30, 2018			
Rupees										
Owned										
Leasehold land	40,140,000	-	-	40,140,000	4,201,122	359,389	4,560,511	35,579,489	1	
Factory building	353,150,509	316,703	-	353,467,212	158,662,630	19,477,820	178,140,450	175,326,762	10	
Colony building	112,626,320	721,400	-	113,347,720	32,614,198	8,033,665	40,647,863	72,699,857	10	
Plant & machinery	1,711,294,856	55,379,000	-	1,766,673,856	819,389,656	94,164,822	913,554,478	853,119,378	10	
Gas generator	118,705,138	-	-	118,705,138	64,228,924	5,438,244	69,667,168	49,037,970	10	
Electric installations	87,551,967	-	-	87,551,967	47,619,515	3,993,245	51,612,760	35,939,207	10	
Office premises	25,450,810	-	-	25,450,810	9,527,751	1,162,915	10,690,666	14,760,144	5 & 10	
Grid Station	32,179,692	-	-	32,179,692	5,907,329	2,627,236	8,534,565	23,645,127		
Office equipments	1,059,225	55,000	-	1,114,225	822,632	81,832	904,464	209,761	20	
Factory equipment	6,415,872	-	-	6,415,872	2,729,740	343,475	3,073,215	3,342,657	20	
Computers	2,376,812	76,643	-	2,453,455	1,697,225	223,530	1,920,755	532,700	33 & 20	
Motor vehicles	23,573,377	-	-	22,553,479	10,105,032	2,772,723	11,902,036	10,651,443	20	
		(1,019,898)				(975,719)				
Furniture & fixtures	1,472,609	-	-	1,472,609	908,248	56,434	964,682	507,927	20	
Leased Asset-Vehicle	3,919,000	-	-	3,919,000	352,450	712,583	1,065,033	2,853,967		
2018	2,519,916,187	56,548,746 (1,019,898)	-	2,575,445,035	1,158,766,452	139,447,913 (975,719)	1,297,238,646	1,278,206,389		

Particulars	2017								Book value As at June 30, 2017	Rate %
	Cost				Accumulated depreciation					
	As at July 01, 2016	Addition / *Transfer	Revaluation Surplus	As at June 30, 2017	As at July 01, 2016	Charged during the year	As at June 30, 2017			
Rupees										
Owned										
Leasehold land	40,140,000	-	-	40,140,000	3,838,103	363,019	4,201,122	35,938,878	1	
Factory building	307,432,912	-	45,717,597	353,150,509	142,132,599	16,530,031	158,662,630	194,487,879	10	
Colony building	58,423,768	679,000	53,523,552	112,626,320	29,721,320	2,892,878	32,614,198	80,012,122	10	
Plant & machinery	1,523,868,997	67,984,265	119,441,594	1,711,294,856	738,130,435	81,259,221	819,389,656	891,905,200	10	
Gas generator	111,409,827	-	7,295,311	118,705,138	58,986,601	5,242,323	64,228,924	54,476,214	10	
Electric installations	82,204,318	-	5,347,649	87,551,967	43,776,759	3,842,756	47,619,515	39,932,452	10	
Office premises	21,624,794	3,826,016	-	25,450,810	8,395,928	1,131,823	9,527,751	15,923,059	5 & 10	
Grid Station	32,179,692	-	-	32,179,692	2,988,177	2,919,152	5,907,329	26,272,363		
Office equipments	1,043,725	74,000	-	1,059,225	774,150	85,532	822,632	236,593	20	
		(58,500)				(37,050)				
Factory equipment	4,957,420	964,815	493,637	6,415,872	2,434,942	294,798	2,729,740	3,686,132	20	
Computers	2,055,729	333,513	-	2,376,812	1,450,155	251,856	1,697,225	679,587	33 & 20	
		(12,430)				(4,786)				
Motor vehicles	21,951,877	4,315,500	-	23,573,377	9,732,852	2,997,142	10,105,032	13,468,345	20	
		(2,694,000)				(2,624,962)				
Furniture & fixtures	1,201,234	271,375	-	1,472,609	852,617	55,631	908,248	564,361	20	
Leased Asset-Vehicle	1,460,000	2,459,000	-	3,919,000	24,333	328,117	352,450	3,566,550		
2017	2,209,954,293	80,907,484 (2,764,930)	231,819,340	2,519,916,187	1,043,238,971	118,194,279 (2,666,798)	1,158,766,452	1,361,149,735		

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
17.1.1 Depreciation for the year has been allocated as follows:			
<i>Modaraba business</i>			
Administrative expense		905,904	1,628,923
<i>Brokerage business</i>			
Administrative expense		1,205,754	301,337
<i>Textile Business</i>			
Cost of sale		134,791,995	113,786,802
Administrative expense		2,544,260	2,477,054
		139,447,913	117,892,779

17.1.2 Had there been no revaluation, the net book value of the specific classes of property, plant and equipment would have been as follows:			
Factory building		51,837,865	57,280,925
Colony building		9,961,350	10,346,767
Plant & machinery		398,561,125	387,466,694
Gas generator		18,817,090	20,907,878
Electric installations		13,567,740	15,075,267
Factory equipment		1,891,765	2,101,961
		494,636,936	493,179,492

17.2 Fair value measurement

17.2.1 Fair value of factory building, colony building, plant and machinery, generators, electric installations and factory equipment was based on the valuations carried out by an independent valuer M/s Joseph Lobo (Private) Limited on the basis of market value.

17.2.2 Fair value of factory building and colony building was based on assumptions considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation, while fair value of plant and machinery, generators, electric installations and factory equipment are considered to be based on level 3 in the fair value hierarchy due to significant unobservable inputs used in the valuation.

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. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

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 was determined by taking into account the following factors:

- Make, model, country of origin and etc.;
- Operational capacity;
- Present physical condition;
- Resale prospects; and
- Obsolescence.

The valuation was considered to be level 3 in the fair value hierarchy due to the above unobservable inputs used in the valuation. Most significant input in this valuation was the current replacement cost which is adjusted for factors above.

17.2.3 A reconciliation from opening balances to closing balances of fair value measurements categorized in level 3 is provided below:			
Opening balance (level 3 recurring fair values)		1,051,424,570	1,073,114,588
Additions - Cost		56,417,103	68,949,079
Depreciation charge		(103,939,786)	(90,639,097)
Closing balance (level 3 recurring fair values)		1,003,901,887	1,051,424,570

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

18. Intangible

	18.1		
Cost		10,000,000	19,000,000
Impairment loss		-	(9,000,000)
		10,000,000	10,000,000

18.1 This represents Trading Right Entitlement certificates (TREC) of Pakistan Stock Exchanges Limited.

The Modaraba has received Rs.10 million against the sale of Trading Right Entitlement Certificate (TREC) to wholly owned subsidiaries Capital Financial Services (Private) Limited and Apex Financial Services (Private) Limited in pursuance of the agreement dated April 18, 2017.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

19. Investment property

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

2017								
Particulars	Cost			Accumulated Depreciation			Book Value	Rate
	As at July 01, 2016	Transfer	As at June 30, 2017	As at July 01, 2016	Charged during the year	As at June 30, 2017	as at June 30, 2017	
Office premises	2,400,000	-	2,400,000	568,333	120,000	688,333	1,711,667	5

20. Long term investments

	Note	2018 Rupees	2017 Rupees
<i>Investment classified as available-for-sale financial assets</i>			
Listed securities	20.1.1	10,853,740	16,071,330
Unlisted securities	20.2	32,146,031	32,146,031
		42,999,771	48,217,361

20.1 Investment classified as available-for-sale financial assets

20.1.1 Listed securities

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

	2017 Number	2018 Number			2018 Rupees	2017 Rupees
	22,000	22,000	<i>Financial Services Javed Omer Vohra & Company Limited</i>		41,800	41,800
	4,007,383	4,007,383	<i>Pakistan Stock Exchange Limited</i>	20.2.2	10,811,940	16,029,530
					10,853,740	16,071,330

20.2 Unlisted securities

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

	50,000	50,000	Sapphire Power Generation Limited	20.2.1	1,800,000	1,800,000
	3,034,603	3,034,603	ISE Towers REIT Management Company Limited	20.2.3	30,346,030	30,346,030
	78,150	78,150	Callmate Telips Telecom Limited	20.2.4	1	1
					32,146,031	32,146,031

20.2.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 64.31 (2016: Rs. 69.49) as per financial statements as at June 30, 2017 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.

20.2.2 The market value per share of Pakistan Stock Exchange Limited as at June 30, 2018 was Rs. 19.75

20.2.3 Net assets value per share of ISE Towers REIT Management Company Limited is Rs. 14.09 (2017: Rs. 12.13) as per financial statements as at June 30, 2018 audited by BDO Ebrahim & Company, Chartered Accountants.

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

21. Stores and spares

- in hand		30,889,410	27,653,481
		30,889,410	27,653,481

22. Stock-in-trade

Raw material			
- in hand		272,935,600	158,821,108
Work in Process		9,169,364	8,006,052
Finished goods	22.1	57,383,050	84,699,366
		339,488,014	251,526,526

22.1 The carrying amount of finished goods includes inventories amounting to Rs. 6.532 (2017: 78.035) million which were carried at net realizable value.

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
23. Trade debts			
Secured - considered good		-	-
Unsecured - considered good		113,875,395	102,040,587
		113,875,395	102,040,587
Unsecured - considered doubtful		9,843,370	9,843,370
Less: Provision for bad debts against local debtors		(9,843,370)	(9,843,370)
		113,875,395	102,040,587
24. Morabaha/Musharaka receivables-secured			
Musharaka - considered good	24.1	136,668,098	134,320,480
Morabaha - considered doubtful		17,380,055	17,380,055
		154,048,153	151,700,535
Provision for non performing assets		(17,380,055)	(17,380,055)
		136,668,098	134,320,480
24.1 The Modaraba has entered into musharaka agreements under which the Modaraba has provided funds for working capital requirements on profit and loss sharing basis. These are secured against pledge, hypothecation of stock and receivables, demand promissory notes, personal guarantee of directors / proprietors and mortgage of property. Expected rate of profit on musharaka transactions during the year range between 12% to 16 % (2017: 12 % to 16%).			
25. Short term investments			
<i>Investment classified as financial asset at fair value through profit or loss</i>			
Listed securities	25.1	112,375,584	153,962,235
		112,375,584	153,962,235

25.1 Listed securities

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

	2017 Number	2018 Number			
			<i>Oil and Gas</i>		
	2,500	15,800	Attock Refinery	3,401,898	956,450
	95,700	11,800	Oil & Gas Development Co Limited	1,836,316	13,464,033
	33,500	38,000	Pakistan Refinery Limited	1,318,980	1,784,210
	7,400	4,900	Pakistan State Oil	737,843	387,350
	700	1,500	National Refinery Limited	664,515	508,193
	2,500	41,600	Sui Northern Gas Pipeline Limited	4,169,152	372,300
	6,400	418	Sui Southern Gas Pipeline Limited	98,460	2,479,040
			<i>Food</i>		
	9,700	10,700	Engro Foods Limited	952,942	1,178,453
	-	6,000	Matco Foods Limited	225,480	-
	-	4,000	Treat Corporation Limited	136,760	-
			<i>Chemicals</i>		
	23,000	5,700	Engro Corporation Limited	1,789,002	7,495,298
	168,500	-	Fauji Bin Qasim Limited	-	7,218,540
	12,500	12,500	Ghani Global Glass Limited	154,125	249,875
	30,000	31,711	Ghani Gases Limited	511,181	789,000
	685,000	10,000	Lotte Chemical Pakistan PTA Limited	119,600	-
	-	44,699	Engro Polymer - Unpaid Right	1,397,275	-
	-	16,462	Engro Polymer & Chemical LOR	145,195	-
	-	10,000	Nimir Resins Limited	101,000	-
			<i>Construction and materials</i>		
	11,700	10,000	AkzoNobel Pakistan Limited	1,979,656	2,808,000
	5,000	5,000	Bestway Cement Limited	654,950	1,095,600
	483,500	293,300	Dewan Cement Limited	6,057,000	9,757,030
	7,078	15,378	DG Khan Cement Limited	1,760,627	1,508,746
	7,400	-	Engro Corporation	-	2,411,734
	13,500	5,000	Fly Cement Limited	85,800	254,610
	2,000	2,000	Cherat Cement Company Limited	194,460	357,560
	-	21,762	MapleLeaf Cement Limited	1,104,204	2,227,200
	200	400	Lucky Cement Limited	203,172	-
	1,604,463	2,017,963	Power Cement Limited	16,849,991	21,467,715
	-	5,000	Pioneer Cement Limited	234,300	-



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FOR THE YEAR ENDED JUNE 30, 2018

2017 Number	2018 Number	Note	2018 Rupees	2017 Rupees
		<i>Transport</i>		
507,806	540,306	Pakistan International Bulk Terminals Limited	3,294,973	11,760,787
		<i>Personal goods</i>		
8,300	-	Nishat Mills Limited	-	1,317,044
		<i>Pharma and biotech</i>		
4,050	-	GlaxoSmithKline Consumer Healthcare	-	846,491
7,129	12,600	The Searle Pakistan Limited	4,277,700	3,803,499
-	25,000	AGP Limited	2,219,750	-
		<i>Automobile and parts</i>		
16,900	2,025	Gandhara Nissan Limited	363,832	3,803,852
192,500	240,000	Ghani Automobile Limited	1,852,980	2,246,475
650	700	Millat Tractors Limited	831,642	893,386
18,500	-	Huffaz Seamless Pipes	-	791,430
-	2,500	Dewan Farooqui Motors Limited	71,075	-
-	500	Honda Atlas Car Pakistan Limited	158,195	-
-	1,000	General Tyre & Rubber Co	166,200	-
-	1,500	Gandhara Industries Limited	1,060,035	-
		<i>Paper & Board</i>		
45,000	49,500	Roshan Packages Limited	1,394,415	2,527,650
		<i>Engineering</i>		
175,700	14,500	Aisha Steel Limited	228,665	3,573,738
14,500	14,500	International Steel Limited	1,474,650	1,854,405
6,000	-	Mughal Steel & Iron Limited	-	484,380
-	26,000	Huffaz Seamless Pipes	543,400	-
-	2,500	Amreli Steel Limited	176,375	-
		<i>Textile Composite</i>		
259,000	259,000	International Knitwear Limited	2,913,750	3,495,495
-	13,500	Amtex Limited	17,550	-
-	7,500	Chawkwal Spinning Mills Limited	24,225	-
		<i>Miscellaneous</i>		
15,000	18,425	United Distributors Limited	893,797	1,005,000
-	32,000	Hyderi Construction Co	528,320	-
-	8,000	Siddiqui Sons Tin Plate Limited	121,760	-
-	15,359	Siddiqui Sons Tin Plate Limited LOR	19,967	-
-	3,800	United Brands Limited	197,904	-
		<i>Sugar & Allied</i>		
1,000	1,000	Imperial Sugar Limited	26,930	29,480
15,000	15,000	Haseeb Waqas Sugar Limited	85,500	176,550
		<i>Fixed line telecommunication</i>		
709,500	725,000	Pakistan Telecommunication Company Limited	11,131,500	11,075,295
-	16,000	TRG Pakistan Limited	458,240	-
		<i>Cable & electrical goods</i>		
-	6,000	Pak Electron Limited	212,760	-
70,000	70,000	TPL Tracker Limited	477,400	691,600
		<i>Power Generation & Distribution</i>		
500,000	600,000	K-Electric Limited	3,408,000	3,450,000
6,000	6,000	Kot Addu Power Company Limited	323,460	432,120
		<i>Insurance</i>		
1,436,136	1,579,749	Premier Insurance Limited	12,243,055	20,931,991
-	10,000	Crescent Star Insurance Limited	31,500	-
		<i>Inv Banks / Inv Cos / Securities Cos</i>		
-	692,259	Pakistan Stock Exchange	13,672,115	-
		<i>Glass & Ceramics</i>		
-	15,000	Balochistan Glass Ltd.	158,100	-
-	2,000	Ghani Glass Ltd.	123,360	-
		<i>Real Estate</i>		
-	10,000	Dolmen City REIT	129,000	-
		<i>Synthetic & Rayon</i>		
-	2,000	Tri Star Polyester Limited	33,220	-
		<i>Vanaspati & Allied Industries</i>		
-	5,000	Unity Foods Limited	146,400	-
			112,375,584	153,962,235

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
26. Advances - considered good			
To employees		2,505,159	1,588,649
To supplier of goods		33,236,542	35,274,738
Against letter of credit	26.1	5,182,153	4,871,522
Others		2,826,000	-
		<u>43,749,854</u>	<u>41,734,909</u>
26.1	This represents advances against import of raw material and store and spares.		
27. Trade Deposits and Prepayments			
Deposits		14,767,856	14,772,665
Margin deposit		48,347,933	18,398,381
Prepayments		8,073,711	6,721,728
		<u>71,189,500</u>	<u>39,892,774</u>
28. Other Receivables			
Receivable from clients	28.1	17,695,591	19,527,513
Dividend		59,850	138,676
Sales tax receivables		74,660	561,832
From Pakistan Stock Exchange Limited		-	4,488,268
Premier Financial Services (Pvt) Ltd		2,750,000	-
Cotton claims		1,766,054	385,825
Others		697,206	1,049,393
		<u>23,043,361</u>	<u>26,151,507</u>
28.1	<i>Receivable from clients</i>		
Considered good			
Considered doubtful		17,695,591	19,527,513
		<u>12,500,000</u>	<u>12,500,000</u>
Less: Provision for doubtful debts		30,195,591	32,027,513
		<u>(12,500,000)</u>	<u>(12,500,000)</u>
		<u>17,695,591</u>	<u>19,527,513</u>
29. Tax refund from government authorities			
Sales tax refundable		31,298,238	14,805,402
Income tax refundable		41,918,407	33,804,067
		<u>73,216,645</u>	<u>48,609,469</u>
30. Taxation - Net			
Advance income tax		32,883,640	29,236,578
Less : Provision for taxation		(31,240,618)	(17,429,611)
		<u>1,643,022</u>	<u>11,806,967</u>
31. Cash and bank balances			
Cash in hand		299,086	725,000
Bank balances			
-in current accounts		6,146,308	8,837,274
-in Islamic bank		10,047,516	38,568,398
-In saving accounts	31.1	26,813	23,887
		<u>16,519,723</u>	<u>48,154,559</u>
31.1	Effective mark-up rate in respect of PLS accounts ranges from 3% to 5% (2017: 5% to 7%) per annum.		
32. Income			
Income from modaraba's business	32.1	9,399,172	80,533,386
Income from textile's business	32.2	118,854,300	25,272,460
		<u>128,253,472</u>	<u>105,805,846</u>
32.1	<i>Income from modaraba's business</i>		
Profit on musharaka		15,373,644	15,279,963
Brokerage commission		750,439	4,749,661



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Capital (loss)/ gain		(13,279,776)	56,271,619
Dividends		4,154,865	2,497,801
Rentals		2,400,000	1,452,000
Commission and fees		-	282,342
		9,399,172	80,533,386
32.2 Income from textile's business			
Sales			
- Local		2,854,918,400	2,338,279,135
- Exports		7,073,280	7,760,111
- Waste sales		80,289,671	80,936,564
		2,942,281,351	2,426,975,810
Less: Commission to selling agent		(78,976,531)	(57,278,297)
		2,863,304,820	2,369,697,513
Less: Cost of sale	32.3	(2,744,450,520)	(2,344,425,053)
		118,854,300	25,272,460
32.3 Cost of sale			
Raw material consumed	32.3.1	2,115,966,186	1,767,714,049
Store consumed		43,339,268	37,823,256
Packing material consumed		29,973,064	25,283,444
Salaries, wages and other benefits		163,933,696	151,301,664
Provident fund contribution		-	2,177,890
Fuel and power		215,180,456	207,786,056
Insurance		7,729,714	6,737,653
Repair & maintenance		4,132,649	5,042,570
Depreciation	17.1.1	134,791,995	113,786,802
Other manufacturing overheads		3,250,488	3,623,252
		2,718,297,516	2,321,276,636
Work in Process			
-opening stock		8,006,052	7,623,217
-closing Stock		(9,169,364)	(8,006,052)
Cost of goods manufactured		2,717,134,204	2,320,893,801
Finished goods			
-opening stock		84,699,366	108,230,618
-closing Stock		(57,383,050)	(84,699,366)
		2,744,450,520	2,344,425,053
32.3.1 Raw material consumed			
Opening stock		158,821,108	159,818,869
Purchased during the year		2,230,080,678	1,766,716,288
		2,388,901,786	1,926,535,157
Closing stock		(272,935,600)	(158,821,108)
		2,115,966,186	1,767,714,049
33. Operating expenses			
Salaries, allowances and benefits	33.1	21,243,677	18,026,556
Provident fund contribution		-	418,288
Director fee		250,000	150,000
Traveling, conveyance and entertainment		1,380,600	1,506,513
Telephone and postage		1,428,688	1,057,964
Rent, rates and taxes		1,490,749	1,278,466
Electricity		1,323,941	1,340,976
Insurance		956,206	910,828
Printing, stationery and advertising		1,198,452	1,361,913
Fees and subscriptions		2,413,466	2,496,118
Vehicle running and maintenance		2,945,928	2,304,667
Depreciation	17.1.1	4,775,918	4,527,314

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Facilities and services		4,316,344	4,738,605
Repair and maintenance		1,681,225	1,791,577
Annual Review Meeting		239,517	112,629
Auditors' remuneration	33.3	680,255	724,285
Legal and professional		1,940,267	2,518,524
Shariah Advisor		200,000	150,000
Training and development		2,300	1,276,880
Impairment loss on intangible assets		-	9,000,000
Bad debts		-	1,442,558
PSX & SECP Charges		230,093	637,102
Withholding & CVT tax		118,862	517,242
Donation		500,000	500,000
Cartage expense		107,638	96,780
Others		305,347	288,403
		49,279,473	59,174,188

33.1 *Remuneration of officers and other employees*

	2018		2017	
	Officers	Other Employees	Officers	Other Employees
Salaries and allowances	2,380,000	2,440,854	6,521,381	8,485,710
Gratuity and Leave fare	60,000	20,000	205,000	118,464
Expenses reimbursed: Medical	54,270	271,840	236,016	1,032,049
	2,494,270	2,732,694	6,962,397	9,636,223

33.2 Salaries, allowances and benefits include provision for gratuity of Rs. 483,693 (2017: Rs. 485,855). Officers are also provided with free use of Modaraba maintained cars.

33.3 *Auditor's remuneration*

Audit fee	560,000	568,315
Half yearly review	26,500	26,500
Other fees	93,755	129,470
	680,255	724,285

34. **Distribution and Selling Expenses**

Freight loading and unloading	16,051,975	13,427,641
Export development charges	18,625	19,391
Pressing comber noil	151,872	586,195
	16,222,472	14,033,227

35. **Financial Charges**

Mark up/interest on :

Long term loan - secured	40,920,576	40,108,123
Short term loan & running finance - secured	18,542,613	16,941,386
Finance Lease	226,864	116,688
Bank charges	3,809,522	3,765,496
	63,499,575	60,931,693

36. **Other income**

Profit on PLS deposits	126,330	344,561
Gain on sale of fixed assets	1,040,822	501,711
Exchange gain on export sales	484,233	547,611
Interest income	341,220	-
Others	5,000	-
	1,997,605	1,393,883



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FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
37. Other charges			
Worker Welfare Fund		39,965	867,619
Workers Profit Participation Fund		105,171	-
Loss recognized on fair value of investment		12,384,591	-
Exchange loss - net		-	2,118
		12,529,727	869,737

38. Taxation

The charge for current tax is based on taxable income at current rates of taxation after taking into account tax credits and rebates available and minimum tax as applicable under the Income Tax Ordinance, 2001.

Assessments, in respect of First Equity Modaraba, upto and including the tax year 2016 have been finalized under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) which is subject to audit under section 170 of the Ordinance.

39. (Loss) / Earnings per certificates - basic and diluted

(Loss) / Profit for the year	(7,202,168)	(29,614,015)
	Number	Number
Weighted average number of certificates outstanding during the year	52,440,000	52,440,000
	Rupees	Rupees
(Loss) / Profit per certificate - basic and diluted	(0.14)	(0.56)

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

40. Risk Management Policies and Objectives:

Financial risk management

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

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

Credit and concentration risk

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

Credit risk of the Modaraba arises principally from the investments, musharaka/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:

Investment	155,375,355	202,179,596
Trade debts	113,875,395	102,040,587
Morabaha/Musharaka receivables-secured	136,668,098	134,320,480
Advances-considered good	46,259,854	44,244,909
Trade deposits and prepayments	73,185,400	41,888,674
Other receivables	23,043,361	26,151,507
	548,407,463	550,825,753

FOR THE YEAR ENDED JUNE 30, 2018

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.

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

	2017			Total
	Less than One year	Over one year but less than five years	Over five years	
<i>Assets</i>				
Long term investments	-	48,217,361	-	48,217,361
Trade debts	102,040,587	-	-	102,040,587
Morabaha & musharaka receivables	134,320,480	-	-	134,320,480
Short term investments	153,962,235	-	-	153,962,235
Advances	41,734,909	2,510,000	-	44,244,909
Trade deposits	33,171,046	1,995,900	-	35,166,946
Other receivables	26,151,507	-	-	26,151,507
Bank balances	48,154,559	-	-	48,154,559
	539,535,323	52,723,261	-	592,258,584
<i>Liabilities</i>				
Security Deposit	-	200,000	-	200,000
Long term financing	137,354,366	282,447,812	-	419,802,178
Liabilities against assets subject to finance lease	1,064,468	2,216,857	-	3,281,325
Current portion of long term liabilities	138,418,834	-	-	138,418,834
Short term borrowings	146,592,258	-	-	146,592,258
Creditors, accrued and other liabilities	342,353,967	-	-	342,353,967
Accrued mark up	27,035,673	-	-	27,035,673
Unclaimed profit distribution	28,730,534	-	-	28,730,534
	821,550,100	284,864,669	-	1,106,414,769
Net balance	(282,014,777)	(232,141,408)	-	(514,156,185)



FOR THE YEAR ENDED JUNE 30, 2018

Market risk

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

Operational Risk

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

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

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

Currency risk

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

41. 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.

41.1 *Financial Instruments by category*

	2018	2017
	Rupees	Rupees
<u>Financial assets</u>		
<i>Loans and receivables</i>		
Morabaha/Musharaka receivables	136,668,098	134,320,480
Trade debts	113,875,395	102,040,587
Advances	46,259,854	44,244,909
Trade deposits	65,111,689	35,166,946
Other receivables	23,043,361	26,151,507
Bank balances	16,519,723	48,154,559
<i>Financial assets at fair value through profit or loss</i>	112,375,584	153,962,235
Short term investments		
<i>Available-for-sale financial assets</i>		
Long term investments	42,999,771	48,217,361
	556,853,475	592,258,584
<u>Financial liabilities</u>		
Security Deposit	200,000	200,000
Long term financing	159,421,164	282,447,812
Liabilities against asset subject to finance lease	985,501	2,216,857
Short term borrowing	195,580,393	146,592,258
Current portion of long term liabilities	160,624,151	138,418,834
Creditors, accrued and other liabilities	467,240,926	342,353,967
Accrued mark up	35,844,919	27,035,673
Unclaimed profit distribution	29,641,941	28,730,534
	1,049,538,995	967,995,935
On balance sheet gap	(492,685,521)	(375,737,351)

FOR THE YEAR ENDED JUNE 30, 2018

42. 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.

	2018				Total
	Upto one month	Over one month to one year	Over one year to five years	Over five Years	
<i>Assets</i>					
Tangible assets	-	-	141,480,903	1,136,725,486	1,278,206,389
Intangible assets	-	-	-	10,000,000	10,000,000
Investment property	-	-	1,591,667	-	1,591,667
Long term investments	-	-	42,999,771	-	42,999,771
Stores and spares	-	30,889,410	-	-	30,889,410
Stock-in-trade	-	339,488,014	-	-	339,488,014
Trade debts	-	113,875,395	-	-	113,875,395
Morabaha & musharaka receivables	30,053,641	106,614,457	-	-	136,668,098
Short term investments	-	112,375,584	-	-	112,375,584
Advances	-	43,749,854	2,510,000	-	46,259,854
Trade deposits and prepayments	56,338,407	14,851,093	1,995,900	-	73,185,400
Other receivables	-	23,043,361	-	-	23,043,361
Tax refund from government authorities	-	74,859,667	-	-	74,859,667
Bank balances	-	16,519,723	-	-	16,519,723
	86,392,048	876,266,558	190,578,241	1,146,725,486	2,299,962,333
<i>Liabilities</i>					
Security Deposit	-	-	200,000	-	200,000
Long term financing	-	159,446,844	159,421,164	-	318,868,008
Liabilities against asset subject to finance lease	-	1,177,307	985,501	-	2,162,808
Deferred liabilities	-	-	189,194,135	-	189,194,135
Short term borrowing	-	195,580,393	-	-	195,580,393
Current portion of long term liabilities	-	160,624,151	-	-	160,624,151
Creditors, accrued and other liabilities	27,634,401	439,606,525	-	-	467,240,926
Accrued mark up	-	35,844,919	-	-	35,844,919
Unclaimed profit distribution	29,641,941	-	-	-	29,641,941
	57,276,342	992,280,139	349,800,800	-	1,399,357,281
Net balance	29,115,706	(116,013,581)	(159,222,559)	1,146,725,486	900,605,052
2017					
	Upto one month	Over one month to one year	Over one year to five years	Over five Years	Total
<i>Assets</i>					
Tangible assets	-	-	1,347,960,455	13,189,280	1,361,149,735
Intangible assets	-	-	-	10,000,000	10,000,000
Investment property	-	-	1,711,667	-	1,711,667
Long term investments	-	-	48,217,361	-	48,217,361
Stores and spares	-	27,653,481	-	-	27,653,481
Stock-in-trade	-	251,526,526	-	-	251,526,526
Trade debts	-	102,040,587	-	-	102,040,587
Morabaha & musharaka receivables	38,820,480	95,500,000	-	-	134,320,480
Short term investments	-	153,962,235	-	-	153,962,235
Advances	156,000	41,578,909	2,510,000	-	44,244,909
Trade deposits and prepayments	25,041,681	14,851,093	1,995,900	-	41,888,674
Other receivables	-	26,151,507	-	-	26,151,507
Tax refund from government authorities	-	60,416,436	-	-	60,416,436
Bank balances	-	48,154,559	-	-	48,154,559
	64,018,161	821,835,333	1,402,395,383	23,189,280	2,311,438,157
<i>Liabilities</i>					
Security Deposit	-	-	200,000	-	200,000
Long term financing	-	137,354,366	282,447,812	-	419,802,178
Liabilities against asset subject to finance lease	-	1,064,468	2,216,857	-	3,281,325
Deferred liabilities	-	-	233,947,968	-	233,947,968
Short term borrowing	-	146,592,258	-	-	146,592,258
Current portion of long term liabilities	-	138,418,834	-	-	138,418,834
Creditors, accrued and other liabilities	27,634,401	314,719,566	-	-	342,353,967
Accrued mark up	-	27,035,673	-	-	27,035,673
Unclaimed profit distribution	28,730,534	-	-	-	28,730,534
	56,364,935	765,185,165	518,812,637	-	1,340,362,737
Net balance	7,653,226	56,650,169	883,582,746	23,189,280	971,075,421



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

43. Yield / Profit rate risk exposure

Description	Effective yield / profit risk	2018						2018 Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		Within 1 Yr	After 1 Yr	Sub total	Within 1 Yr	After 1 Yr	Sub total	
<i>Financial Assets</i>	%	Rupees						
Long term investments	-	-	-	-	-	42,999,771	42,999,771	42,999,771
Trade debts	-	-	-	-	113,875,395	-	113,875,395	113,875,395
Morabaha / Musharakah receivables	12% to 16%	136,668,098	-	136,668,098	-	-	-	136,668,098
Short term investments	-	-	-	-	112,375,584	-	112,375,584	112,375,584
Advances	-	-	-	-	43,749,854	2,510,000	46,259,854	46,259,854
Trade deposits	-	-	-	-	63,115,789	1,995,900	65,111,689	65,111,689
Other receivables	-	-	-	-	23,043,361	-	23,043,361	23,043,361
Bank balances	5% to 7%	10,074,329	-	10,074,329	6,445,394	-	6,445,394	16,519,723
		146,742,427	-	146,742,427	362,605,377	47,505,671	410,111,048	556,853,475
<i>Financial Liabilities</i>								
Security deposit	-	-	-	-	-	200,000	-	-
Long term financing	-	-	159,421,164	159,421,164	-	-	-	159,421,164
Liabilities against assets subject to finance lease	-	-	985,501	985,501	-	-	-	985,501
Short term borrowings	-	195,580,393	-	195,580,393	-	-	-	195,580,393
Current portion of long term liabilities	-	160,624,151	-	160,624,151	-	-	-	160,624,151
Creditor, accrued and other liabilities	-	-	-	-	467,240,926	-	467,240,926	467,240,926
Accrued markup	-	-	-	-	35,844,919	-	35,844,919	35,844,919
Unclaimed profit distribution	-	-	-	-	29,641,941	-	29,641,941	29,641,941
		356,204,544	160,406,665	516,611,209	532,727,786	200,000	532,727,786	1,049,338,995
On balance sheet gap		(209,462,117)	(160,406,665)	(369,868,782)	(170,122,409)	47,305,671	(122,616,738)	(492,485,520)

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

Description	Effective yield / profit risk	2017						2017 Total
		Yield / profit bearing maturing			Non yield / profit bearing maturing			
		Within 1 Yr	After 1 Yr	Sub total	Within 1 Yr	After 1 Yr	Sub total	
<i>Financial Assets</i>	%	Rupees						
Long term investments	-	-	48,217,361	48,217,361	-	-	-	48,217,361
Trade debts	-	-	-	-	102,040,587	-	102,040,587	102,040,587
Morabaha / Musharakah receivables	12% to 16%	134,320,480	-	134,320,480	-	-	-	134,320,480
Short term investments	-	153,962,235	-	153,962,235	-	-	-	153,962,235
Advances	-	-	-	-	41,734,909	2,510,000	44,244,909	44,244,909
Trade deposits	-	-	-	-	33,171,046	1,995,900	35,166,946	35,166,946
Other receivables	-	-	-	-	26,151,507	-	26,151,507	26,151,507
Bank balances	5% to 7%	38,592,285	-	38,592,285	9,562,274	-	9,562,274	48,154,559
		326,875,000	48,217,361	375,092,361	212,660,323	4,505,900	217,166,223	592,258,584
<i>Financial Liabilities</i>								
Security deposit	-	-	-	-	-	200,000	200,000	200,000
Long term financing	-	-	282,447,812	282,447,812	-	-	-	282,447,812
Liabilities against assets subject to finance lease	-	-	2,216,857	2,216,857	-	-	-	2,216,857
Short term borrowings	-	146,592,258	-	146,592,258	-	-	-	146,592,258
Current portion of long term liabilities	-	138,418,834	-	138,418,834	-	-	-	138,418,834
Creditor, accrued and other liabilities	-	-	-	-	342,353,967	-	342,353,967	342,353,967
Accrued markup	-	-	-	-	27,035,673	-	27,035,673	27,035,673
Unclaimed profit distribution	-	-	-	-	28,730,534	-	28,730,534	28,730,534
		285,011,092	284,864,669	569,875,761	398,120,174	-	398,120,174	967,995,935
On balance sheet gap		41,863,908	(236,647,308)	(194,583,400)	(185,459,850)	4,505,900	(180,953,950)	(375,737,350)

FOR THE YEAR ENDED JUNE 30, 2018

44. Segment information

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

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

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

	2018						2017
	Musharakah Facility	Brokerage Operation	Capital Markets	Textile Business	Others	Total	Total
	Rupees						
Segment Revenues	15,373,644	750,439	(9,124,911)	2,863,304,820	4,397,603	2,874,701,595	2,449,593,170
Segment Result	15,373,644	750,439	(9,124,911)	118,854,300	4,397,603	130,251,077	99,972,087
Unallocated Cost							
Operating expenses						(49,729,473)	(59,213,428)
Distribution & Selling expenses						(16,222,472)	(14,033,227)
Financial Charges						(63,499,575)	(60,931,693)
Other Charges						(12,529,727)	(869,737)
Management fee with sales tax						-	(5,525,700)
Impairment in associated company						-	-
Share of profit / (loss) in associated company						-	-
(Loss) before taxation						(11,730,170)	(40,601,698)
Taxation						4,528,002	3,720,801
Profit for the year						(7,202,168)	(36,880,897)
Other information							
Segment assets	136,668,098	23,967,322	202,138,140	1,793,801,734	1,711,667	2,158,286,961	2,155,939,343
Unallocated assets	-	-	-	-	-	155,498,809	155,498,809
Total assets	136,668,098	23,967,322	202,138,140	1,793,801,734	1,711,667	2,313,785,770	2,311,438,152
Segment liabilities	-	8,541,485	-	1,149,557,643	-	1,158,099,128	1,158,099,128
Unallocated liabilities	-	-	-	-	-	80,634,002	43,844,775
Total liabilities	-	8,541,485	-	1,149,557,643	-	1,238,733,130	1,201,943,903
						1,075,052,640	1,109,494,250

45. Transactions with related parties

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

	2018 Rupees	2017 Rupees
45.1 <i>Balance outstanding at year end</i>		
Modaraba Management Company		
- Current account payable	1,096,680	3,869,066
(Payable)/receivable to wholly owned subsidiary company	-	(34,914,504)
Other related parties (other than key management personnel)		
- Deferred liability staff gratuity	4,045,679	2,864,104
- Brokerage house clients receivables	565	202,791
- Receivables	349,099	349,099
- Trade and other payable	13,214,702	13,214,702
- Loan and advances	27,165,362	31,508,503



FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	Rupees	Rupees
45.2 <i>Transactions during the year</i>		
<u>Modaraba Management Company</u>		
- Management remuneration and services sales tax	-	5,525,700
- Facilities & services and electricity	4,316,344	5,098,855
<u>Other related parties (including key management personnel)</u>		
Services acquired	610,982	486,764
Brokerage commission earned	19,625	1,340,745
Purchases of goods and services	8,300,303	7,120,553
Insurance claim receivable	306,322	67,843
Services rendered	21,638,796	17,911,336
Contribution towards employees	2,923,691	2,596,178
Profit on Subordinated loan from Sponsor	5,844,832	5,071,016
Contribution of staff gratuity fund	483,693	485,854
Purchase of shares	-	2,005,000

46. Number of employees

Total number of employees of the Group as at June 30, 2018 are 566 (2017: 550)

Average number of employees of the Group are 557 (2017: 541)

47. Authorization for issue

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 05, 2018.

47.1 The Board of Directors of the Management Company has approved dividend at the rate of Re. nil per certificate (2017: Re. 0.60 per certificate) for the year ended June 30, 2018, resulting in a total distribution of profit amounting to Rs. Nil (2017: Rs. 31,460,000/-), in its meeting held on October 05, 2018, which is more than 90% of the net profit for the year ended June 30, 2018, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations.

48. General

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

48.2 The corresponding figures, wherever necessary, have been re-arranged for purpose of comparison.

Qazi Obaid Ullah
Chief Financial Officer

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

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

The 19th Annual Review Meeting (ARM) of certificate holders of First Equity Modaraba (FEM) will be held on Thursday, December 20, 2018 at 11:00 a.m at Regent Plaza Hotel, convention center to review the performance of the Modaraba for the year ended June 30, 2018

The certificate transfer book of the FEM shall remain closed from Saturday, December 08, 2018 to Thursday December 20, 2018 (both days inclusive). All transfers received by our certificate Registrar M/s THK Associates (Pvt) Ltd. 1st Floor, 40C, Block 6 P.E.C.H.S., Karachi before the close of business on Friday, December 07, 2018 will be treated valid.

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

In case of non receipt of the copy of a valid CNIC, the Modaraba would be constrained under Section 243(2) (a) of the Companies Act 2017 to withhold dividend warrants.

DIVIDENDS PAYMENT THROUGH E DIVIDEND MANDATE

IN ACCORDANCE WITH THE PROVISIONS OF Section 242 of the Companies Act, 2017 and Circular No. 18/2017, a listed company, is required to pay cash dividend to certificates holders only through electronic mode directly into the bank account, designated by the entitled certificates holders.

In compliance with the said law, in order to receive your dividends directly in your Bank account, you are required to provide the information mentioned on the Form placed on the Modaraba website www.firstequitymodaraba.com.pk and send the same to your brokers and/or to M/s THK Associates (Pvt) Ltd.

On behalf of the Board

Qazi Obaid Ullah
Company Secretary



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

DIVIDEND PAYMENT THROUGH E-DIVIDEND MANDATE

IN ACCORDANCE WITH THE PROVISION OF Section 242 of the Companies Act, 2017 and Circular No. 18/2017, a listed company, is required to pay cash dividend to certificates holders only through electronic mode directly into the bank account, designated by the entitled certificates holders.

In compliance with the said law, in order to receive your dividend directly in your Bank account, you are required to provide the information mentioned on the Form placed on the Modaraba's website www.firstequitymodaraba.com.pk and send the same to your brokers and/or to M/s THK Associates (Pvt) Ltd.

I hereby communicate to receive my dividends directly in my Bank account as detail below:

<i>I) Shareholders details</i>	
Name of Shareholders	
CDC Participants ID & Sub Account No. / CDC IAS	
CNIC/NICOP/Passport/NTN No. (Please attach copy)	
Contact Number (landline & Cell Nos.)	
Shareholders Address	
<i>II) Shareholder's Bank account details</i>	
Title of Bank Account	
IBAN	
Banks Name	
Branch Address, Branch Name & Code Number	

ڈیویڈنڈ کی ادائیگی بذریعہ ای-ڈیویڈنڈ مینڈیٹ

کمپنیز ایکٹ 2017 کے دفعہ 242 اور سرکلر نمبر 18/2017 کے مطابق، ایک اندراج یافتہ (لسٹڈ) کمپنی کیلئے لازم ہے کہ وہ سرٹیفکیٹ ہولڈرز کو نقد ڈیویڈنڈ کی ادائیگی، صرف الیکٹرونک ذریعہ سے، اہل سرٹیفکیٹ ہولڈرز کے مقررہ بینک اکاؤنٹس میں براہ راست جمع کرائے۔

اس قانون کی پیروی کرتے ہوئے، اپنے ڈیویڈنڈس براہ راست اپنے بینک اکاؤنٹس میں وصولی کیلئے، آپ کو چاہئے کہ آپ مضاربہ کی ویب سائٹ www.firstequitymodaraba.com.pk پر موجود فارم میں مطلوبہ معلومات فراہم کریں اور اسے پنے بروکر اور / یا میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو ارسال کریں۔

بورڈ کی جانب سے

قاضی عبید اللہ

کمپنی سیکریٹری



فرسٹ ایکویٹی مضاربہ نوٹس برائے کتب کی بندش اور سالانہ جائزہ اجلاس

فرسٹ ایکویٹی مضاربہ (FEM) کی 19 ویں سالانہ جائزہ میٹنگ بروز جمعرات مورخہ 20 دسمبر 2018، بوقت صبح 11:00 بجے بمقام ریجنٹ پلازہ ہوٹل، کنونشن سینٹر میں مضاربہ کی کارکردگی برائے سال اختتام پذیر 30 جون 2018 کے جائزہ کیلئے منعقد کی جائے گی۔

FEM کی سرٹیفکیٹ منتقلی کی کتاب بروز ہفتہ مورخہ 8 دسمبر 2018 سے بروز جمعرات مورخہ 20 دسمبر تک (بشمول دونوں ایام) بند رہے گی۔ ہمارے سرٹیفکیٹ رجسٹرار میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، پہلی منزل، 40C، بلاک 6، پی ای سی ایچ ایس، کراچی کو کاروبار کے اختتام بروز جمعہ مورخہ 7 دسمبر 2018 سے قبل موصول ہونے والے لٹرانسفر اہل تصور کی جائیں گی۔

انفرادی سرٹیفکیٹس ہولڈرز سے درخواست ہے کہ وہ اپنی کارآمد CNIC کی کاپی مضاربہ یا اس کے رجسٹرار کو جمع کرائیں، اگر پہلے سے فراہم نہ کی گئی ہو۔ انفرادیوں کے علاوہ دیگر سرٹیفکیٹ ہولڈرز کی چیکنگ ان کے NTN سرٹیفکیٹ کے ذریعے کی جائے گی لہذا CDC اکاؤنٹس کے حامل کارپوریٹ شیئر ہولڈرز کے مفاد میں درخواست ہے وہ کتاب کی بندش سے قبل اپنے NTN سرٹیفکیٹ کی کاپی فراہم کریں۔

کارآمد CNIC کی کاپی وصول نہ ہونے کی صورت میں، مضاربہ، کمپنیز ایکٹ 2017 کے دفعہ 243(2)(a) کے تحت ایسے سرٹیفکیٹ ہولڈرز کے ڈیویڈنڈ وارنٹس اپنے پاس روکے رکھنے پر مجبور ہوگا۔

جاری ہے۔۔۔

BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2018

Number of Certificate Holders	Certificate Holding From	To	Total Certificates Held
1,860	1	100	102,822
1,030	101	500	262,641
1,079	501	1,000	740,100
696	1,001	5,000	1,566,571
157	5,001	10,000	1,185,914
60	10,001	15,000	776,131
33	15,001	20,000	606,215
18	20,001	25,000	415,259
16	25,001	30,000	446,067
7	30,001	35,000	228,470
6	35,001	40,000	224,158
5	40,001	45,000	213,734
10	45,001	50,000	491,428
8	50,001	55,000	418,001
8	55,001	60,000	460,872
2	60,001	65,000	122,500
6	65,001	70,000	399,620
3	70,001	75,000	222,100
4	75,001	80,000	314,217
2	80,001	85,000	165,334
3	90,001	95,000	279,041
4	95,001	100,000	400,000
2	100,001	105,000	203,456
2	105,001	110,000	217,140
1	110,001	115,000	111,000
2	115,001	120,000	234,042
1	125,001	130,000	128,875
2	130,001	135,000	269,160
2	135,001	140,000	274,880
3	145,001	150,000	447,356
2	150,001	155,000	305,812
2	155,001	160,000	319,516
1	160,001	165,000	162,745
1	165,001	170,000	171,630
1	170,001	175,000	187,500
2	185,001	190,000	386,195
2	190,001	195,000	397,194
2	195,001	200,000	405,262
2	200,001	205,000	415,494
1	205,001	210,000	221,500
1	220,001	225,000	229,698
2	225,001	230,000	503,916
1	250,001	255,000	270,000
1	265,001	270,000	280,835
2	280,001	285,000	577,581
1	285,001	290,000	292,214
1	290,001	295,000	308,197
1	305,001	310,000	318,000
1	315,001	320,000	343,000
1	340,001	345,000	383,050
1	380,001	385,000	411,184
1	410,001	415,000	430,000
1	425,001	430,000	471,538
1	470,001	475,000	501,500
1	500,001	505,000	600,000
1	595,001	600,000	815,000
2	810,001	815,000	2,000,000
1	995,001	1,000,000	1,116,000
1	1,115,001	1,120,000	1,321,804
1	1,320,001	1,325,000	2,133,000
1	2,130,001	2,135,000	2,500,000
1	2,495,001	2,500,000	2,983,697
1	2,980,001	2,985,000	3,100,000
1	3,095,001	3,100,000	4,680,000
1	4,675,001	4,680,000	5,244,000
1	5,240,001	5,245,000	5,725,784
5,077	5,725,001	5,730,000	5,244,000



**PATTERN OF HOLDING OF CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2018**

Categories of Certificate Holders	Number of Certificate Holders	Certificates Held	Percentage %
DIRECTORS, CEO & CHILDREN	11	706,245	1.35
ASSOCIATE COMPANIES	4	203,912	0.39
NIT & ICP	2	1,700	0.01
BANKS, DFI & NBFI	6	50,187	0.10
INSURANCE COMPANIES	5	6,003,409	11.45
MUTUAL FUNDS	3	364,131	0.69
GENERAL PUBLIC (LOCAL)	3,838	32,383,283	61.75
GENERAL PUBLIC (FOREIGN)	1,164	1,117,741	2.13
OTHERS	42	11,608,892	22.13
MODARABAS	2	500	0.00
TOTAL	5,077	52,440,000	100

DIRECTORS, CEO AND OTHER SPOUSE AND MINOR CHILDREN

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