

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

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

Contents

CORPORATE INFORMATION	2
TEN YEARS AT A GLANCE	3
PATTERN OF CERTIFICATE HOLDING	4
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	6
REPORT OF THE DIRECTORS	7
SHARI'AH REVIEW REPORT	9
AUDITORS REVIEW ON STATEMENT OF COMPLIANCE	11
AUDITORS' REPORTS TO THE CERTIFICATE HOLDERS	12
BALANCE SHEET	13
PROFIT AND LOSS ACCOUNT	15
STATEMENT OF OTHER COMPREHENSIVE INCOME	16
CASH FLOW STATEMENT	17
STATEMENT OF CHANGES IN EQUITY	18
NOTES TO THE FINANCIAL STATEMENTS	19
NOTICE OF ANNUAL REVIEW MEETING (ENGLISH)	38
NOTICE OF ANNUAL REVIEW MEETING (URDU)	39
CONSOLIDATED FINANCIAL STATEMENTS	40
REPORT OF THE DIRECTORS (URDU)	80



FIRST EQUITY MODARABA CORPORATE INFORMATION

Modaraba Company
Premier Financial Services (Private) Limited

Board of Directors

Zahid Bashir
Nadeem Maqbool
Adil A. Ghaffar
(Chief Executive)

Audit Committee

Zahid Bashir
Nadeem Maqbool

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.
NIB Bank Ltd.
United Bank Ltd.
Bank Islami Pakistan Ltd.
Meezan Bank Ltd.

Registrar

THK Associates (Pvt.) Ltd.
Registrar
State Life Building # 3,
Dr. Ziauddin Ahmed Road, 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 2007	June 2008	June 2009	June 2010	June 2011	June 2012	June 2013	June 2014	June 2015	June 2016
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	52,986	75,573	75,689	74,975	75,156	81,834	110,463	115,035	117,529	119,794
Revaluation Reserve on Investments	(7,747)	(25,780)	(55,625)	(51,554)	(36,738)	(43,147)	(7,355)	(13,150)	(20,170)	(25,286)
Deferred liabilities	939	1,109	1,006	1,397	(1,607)	1,832	2,092	1,556	2,655	2,934
Creditors, accrued expenses and other liabilities	32,198	36,068	17,187	9,889	21,422	8,784	6,139	11,857	24,657	7,940
Profit Distribution	13,110	-	-	-	-	-	-	19,665	8,914	6,817
Unclaimed Profit Distribution	25,533	26,375	26,361	26,354	26,262	26,082	26,003	25,967	27,618	27,845
Provision for taxation	-	1,400	1,486	1,486	1,547	3,773	3,773	-	-	-
Tangible Assets	641,419	639,115	590,504	586,947	613,656	603,558	665,515	686,345	685,603	664,444
Intangible Assets	12,460	16,965	15,189	19,051	18,580	19,131	19,234	17,849	17,377	16,361
Deferred Costs	43,362	58,551	58,551	53,051	53,051	53,051	19,000	19,000	19,000	19,000
Investments	1,288	858	492	-	-	-	-	-	-	-
Morabaha/Musharakah Receivables	297,036	309,231	290,805	295,237	292,584	307,017	373,192	431,784	423,890	426,898
Advances, deposits, prepayments & other receivables	55,655	92,001	118,590	124,755	132,542	137,621	150,039	159,320	153,003	140,333
Cash and Bank balance	115,461	108,651	96,184	74,670	59,642	52,954	54,475	48,501	52,048	51,063
PROFIT & LOSS ACCOUNT										
Income / (Loss)	40,248	28,606	23,612	29,256	18,423	30,393	53,722	46,938	34,684	30,680
Operating expenses	(20,439)	(21,041)	(20,967)	(16,148)	(16,567)	(20,500)	(25,093)	(22,242)	(21,775)	(21,587)
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	(1,810)	-	-	-	(60)	(989)	-	(3,307)	(1,511)	-
Taxation	-	(198)	(200)	(123)	(60)	(2,226)	-	-	-	-
Profit / (loss) for the year	17,999	7,367	146	(714)	181	6,678	28,629	24,696	11,398	9,093
Cash Distribution	2.5%	-	-	-	-	-	-	3.75%	1.70%	1.30%
Earnings per certificate	0.34	0.14	0.003	(0.014)	0.003	0.127	0.546	0.471	0.217	0.173
Breakup value	11.11	10.95	10.57	10.45	10.73	10.74	11.97	12.33	12.03	11.93



**PATTERN OF HOLDING OF CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2016**

Number of Certificate Holders	Certificate Holding From	To	Total Certificates Held
1,856	1	100	103,203
1,033	101	500	261,531
1,104	501	1,000	758,604
723	1,001	5,000	1,628,302
167	5,001	10,000	1,300,095
65	10,001	15,000	856,790
30	15,001	20,000	550,745
17	20,001	25,000	389,759
21	25,001	30,000	581,665
7	30,001	35,000	232,970
7	35,001	40,000	257,780
6	40,001	45,000	249,950
12	45,001	50,000	589,148
9	50,001	55,000	470,810
8	55,001	60,000	462,372
2	60,001	65,000	122,550
4	65,001	70,000	263,620
1	70,001	75,000	74,100
5	75,001	80,000	388,950
2	80,001	85,000	165,334
4	90,001	95,000	369,541
3	95,001	100,000	300,000
2	100,001	105,000	203,456
1	105,001	110,000	107,200
2	110,001	115,000	224,440
2	115,001	120,000	234,042
1	120,001	125,000	123,000
1	125,001	130,000	128,875
1	130,001	135,000	134,660
2	135,001	140,000	275,500
3	145,001	150,000	446,356
1	150,001	155,000	152,812
1	155,001	160,000	159,516
2	160,001	165,000	325,125
1	165,001	170,000	167,000
1	170,001	175,000	171,630
1	185,001	190,000	187,500
1	190,001	195,000	191,195
3	195,001	200,000	198,194
3	200,001	205,000	608,762
1	205,001	210,000	205,994
1	220,001	225,000	221,500
1	225,001	230,000	227,916
1	250,001	255,000	251,000
1	255,001	260,000	258,500
1	285,001	290,000	289,081
1	290,001	295,000	292,214
1	305,001	310,000	308,197
2	315,001	332,000	635,426
2	340,001	385,000	688,000
1	380,001	385,000	383,050
1	410,001	415,000	411,184
1	425,001	430,000	429,000
1	435,001	440,000	436,335
1	490,001	495,000	493,500
1	500,001	505,000	501,500
1	675,001	680,000	676,000
1	865,001	870,000	867,198
1	1,010,001	1,015,000	1,014,038
1	1,115,001	1,120,000	1,116,000
1	1,125,001	1,130,000	1,130,000
1	1,320,001	1,325,000	1,321,804
1	1,425,001	1,143,000	1,426,000
1	1,435,001	1,440,000	1,436,000
1	2,255,001	2,260,000	2,257,500
1	2,249,001	2,250,000	2,500,000
1	3,095,001	3,100,000	3,100,000
1	3,575,001	3,580,000	3,579,697
1	5,240,001	5,245,000	5,244,000
1	5,925,001	5,930,000	5,925,784
TOTAL	5,147		52,440,000

**PATTERN OF HOLDING OF CERTIFICATES
BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2016**

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	0.00
BANKS, DFI & NBFI	6	50,187	0.09
INSURANCE COMPANIES	5	3,580,909	6.82
MUTUAL FUNDS	1	50	0.00
GENERAL PUBLIC (LOCAL)	3,912	33,534,076	63.95
GENERAL PUBLIC (FOREIGN)	1,158	1,095,329	2.09
OTHERS	43	7,530,796	14.36
MANAGEMENT COMPANY	1	5,532,296	10.55
MODARABAS	4	204,500	0.40
TOTAL	5,147	52,440,000	100

DIRECTORS, CEO AND OTHER SPOUSE AND MINOR CHILDREN

Zahid Bashir	19,500
Nazia Maqbool	134,660
Ambreen Zahid Bashir	202,262
Nadeem Maqbool	229,856



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation 35 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. At present the board includes:

Category	Names
Non-Executive Directors	Mr Zahid Bashir
	Mr Nadeem Maqbool
Executive Directors	Mr Adil A Ghaffar

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year no casual vacancy occur in the board.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/ 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two of the Board members are certified directors and one enjoys the exemption from certification.
10. No appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment was made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the certificate of the Modaraba other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of non-executive members.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises non-executive and executive / CEO.
18. The Board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with except:
 - induction of independent director in the board
 - suitably qualified head of internal audit
 - audit committee comprising of at least 3 members including an independent director
 However, reasonable progress is being made by the company to seek compliance by the end of next accounting year.

On behalf of the Board

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, 2016.

Financial Results

The profit for the year amounted to Rs. 9.09 million as compared to Rs 11.40 million for the last year translated in an earning per certificate of Rs. 0.173 as compared to Rs. 0.22 last year. Break-up value per certificate amounted to Rs. 11.93 against Rs. 12.03 last year.

	<i>Rupees</i>
Income	30,364,140
Expenses	
Operating Expenses	(21,362,914)
Bank Charges	(38,641)
	<u>(21,401,555)</u>
Operating profit	8,862,585
Other Income	315,518
	<u>9,278,103</u>
Provision for Worker Welfare Fund	(185,562)
Profit for the year	<u><u>9,092,541</u></u>
Earning per Certificate	<u><u>0.173</u></u>

Dividend Distribution

The directors are pleased to announce cash dividend of Rs. 0.13 (1.3%) per certificate {2015: Rs. 0.17(1.70%)} in its meeting held on October 07, 2016 for the year ended June 30, 2016.

The Certificate Share Transfer Book for the entitlement of profit distribution will remain closed from Friday, November 18, 2016 to Tuesday, November 29, 2016 (both days inclusive)

Auditors Qualification

Auditors qualified their opinion based on non-compliance of certain 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. 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.

The Auditors also qualified their report on valuation of Trading Right Entitlement Certificate (TREC) and shares of Karachi Stock Exchange Ltd (KSEL) and Islamabad Stock Exchange Ltd (ISEL) now Pakistan Stock Exchange Limited, based on the Technical Opinion of Institute of Chartered Accountants of Pakistan. We do not concur with the auditors' opinion. :

1. TREC was given notional value of Rs. 15 M and Rs. 4 M by KSEL and ISEL, respectively, for the purpose of Base Minimum Capital in consultation with SECP;
2. Shares of PSX/ISL REIT
Pakistan Stock Exchange Ltd (PSX) {formerly Karachi Stock Exchange Ltd [KSEL]} founded in 1949 is the biggest and most liquid exchange in Pakistan. It was declared the "Best Performing Stock Market of the World for the year 2002". With more than 559 listed companies, market capitalization of Rs 7.59 trillion and having listed capital of more than Rs. 1.289 trillion, average monthly turnover of 4.62 billion shares. At the year end the KSE-100 Index was 37,784 points. Break-up value per share was Rs. 9.98 as per the audited accounts of PSX for the year ended June 30, 2016;
ISE REIT Management Ltd (ISE-REIT) {formerly Islamabad Stock Exchange Ltd [ISEL]} incorporated in 1989 in Islamabad. ISE-REIT is a newly incorporated company as a result of demutualization of stock exchanges. ISE-REIT break-up value per share was Rs. 11.67 as per the audited accounts for the year ended June 30, 2016.

Our Performance and Future Prospects

During the year stock market continued its bullish trend with some major fluctuation. Our performance despite restrictions on investments in Shariah compliant scripts only, is cause for satisfactory.

ETL's book value decrease from Rs. 28.29 in June 30, 2015 to Rs. 25.06 in 2016. Due to crisis in the textile sector fall in demand and decrease in the export orders, ETL sustain a loss of Rs (88.54) million as against profit of Rs 65.28 million last year with loss per share equal to Rs (3.54) as compare to earning per share of Rs. 2.61.

During the year, the Registrar Modaraba granted permission for formation of two wholly owned subsidiaries for brokerage related business. Two wholly owned subsidiaries are formed and transfer of assets and liabilities are under process.

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
2.	Mr. Nadeem Maqbool	4
3.	Mr. Adil A. Ghaffar	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.

FIRST EQUITY MODARABA (FEM) FOR THE YEAR ENDED JUNE 30, 2016

*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, 2016 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. One of the key staff members has attended the workshop during the period on "Practical Problems in Ijarah & Diminishing Musharakah" organized by NBF & Modaraba Association of Pakistan.

- 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.

Charity:

The opening balance of charity was Rs 26,103 and an amount of Rs. 14,997 was further transferred to Charity account during the year. An amount of Rs. 20,000 was paid on account of charity with the approval of Shari'ah Advisor. Rs 21,100 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 except the five Non Shari'ah Compliant Shares. One is divested and four have been not divested yet. The list of the shares and the reason is mentioned as under:

S. No	Non Shari'ah Compliant Shares	Reason for holding	Carrying value (Rupees)
1.	First Dawood Mutual Fund	Trading is suspended	209,141
2.	Javed Omer Vohra & Co	Trading is suspended	41,800
3.	Dawood Income Fund	Trading is suspended	847,188
4.	Callmate Telips	Business is in winding up process	1
5.	TRG Pakistan Ltd	Divested before the reporting date at profit of Rs. 4673/- and the same is credited to charity account	2,885,300

- 2) It has been observed that the Modaraba has not closed yet all its saving accounts at conventional banks. On my query, the management confirmed that due to some regulatory issues, balance confirmation, their dormant in nature for over years and above all non-cooperative attitude of respective banks, all accounts could not be closed. During the period major development has been noticed that Modaraba has succeeded to close some saving accounts with a maximum sum and further applied for closure of accounts to concerned banks and followed rigorously. Currently, the operation is suspended and the profit realized from saving accounts has been credited to charity account. Furthermore, the balance in these accounts has been reduced from Rs. 311,027 to as low as Rs. 29,532.

Recommendations:

- 1) Remaining Non Shari'ah Compliant Shares should be disposed off as early as possible.
- 2) The saving accounts at conventional banks should be closed at earliest. Modaraba should follow up from the concerned banks time to time for closure of accounts.
- 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.



**ANNUAL SHARI'AH REVIEW REPORT OF
FIRST EQUITY MODARABA (FEM)
FOR THE YEAR ENDED JUNE 30, 2016**

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.

Mufti Abdul Qadir
Shari'ah Advisor
Dated: October 07, 2016

**ON STATEMENT OF COMPLIANCE WITH
BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Premier Financial Services (Private) Limited (the Management Company) for the year ended June 30, 2016 to comply with the requirements contained in Rule 5.19 of Pakistan Stock Exchange where the Company is listed.

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

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 Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

With the exception of non-compliance of matters described in paragraph no. 23 of the Statement of Compliance with the Code of Corporate Governance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Modaraba for the year June 30, 2016.

Engagement Partner: Muhammad Aqeel Ashraf Tabani
Karachi.

Dated: October 07, 2016



AUDITORS' REPORT

TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of FIRST EQUITY MODARABA (the Modaraba) as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (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) Management of the Modaraba in the financial statements for the year ended June 30, 2013, had assigned values to Trading Rights Entitlement Certificates (TREC) of Karachi Stock Exchange Limited (KSE) and Islamabad Stock Exchange Limited (ISE) of Rs. 15 million and Rs. 4 million respectively that were based on the value assigned by KSE and ISE for base minimum capital requirement purposes applicable to the brokers of the stock exchange and had recognised 4,007,383 shares of KSE and 3,034,603 shares of ISE at their face values of Rs. 10/- each on exchange of membership card thereby the Modaraba recognized gain of Rs. 36.369 million which, in our opinion, was not in accordance with International Accounting Standards and technical opinion of The Institute of Chartered Accountants of Pakistan (ICAP) issued in this respect.
- (b) Modaraba has charged unrealised loss of Rs. 5.2 million, in respect of investment classified as financial asset at fair value through profit and loss, in other comprehensive income instead of profit and loss account as required under IAS 39. Had the Modaraba recognized the intangible asset and shares of KSE and ISE in accordance with the Technical Opinion of ICAP, its equity, intangible asset and long term investments would have been lower by Rs. 36.369 million, Rs. 7.7 million and Rs. 28.6 million respectively and had the Modaraba charged the unrealized loss to the profit and loss account, Its profit for the year would have been lower by Rs. 5.2 million.
- (c) Except for the matter discussed in paragraph (a) and (b) above, in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (d) Except for the matter discussed in paragraph (a) and (b) above, in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (e) Except for the matter discussed in paragraph (a) and (b) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with the approved accounting standards as applicable in Pakistan and give the information required by the 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, 2016 and of its profit, its total comprehensive Income, its cash flows and changes in equity for the year then ended;
- (f) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The company's financials for the year ended June 30, 2015 were audited by Avais Hyder Liaquat Nauman, Chartered Accountants, whose report dated October 08, 2015 expressed a qualified opinion thereon.

Engagement Partner: Muhammad Aqeel Ashraf Tabani

Karachi.

Dated: October 07, 2016

BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
<i>Equity & Liabilities</i>			
<i>Capital and reserves</i>			
Authorized Certificate Capital			
60,000,000 (2015: 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	126,611,137	126,433,396
Remeasurement of defined benefit liability - Actuarial gain		358,832	91,191
Unrealised loss on remeasurment of investments		(25,645,604)	(20,170,414)
<hr/>			
<i>Total certificates holders' equity</i>		625,724,365	630,754,173
 <i>Non-current liabilities</i>			
Deferred liabilities	8	2,934,768	2,655,483
Security deposit		200,000	200,000
<hr/>			
<i>Total non-current liabilities</i>		3,134,768	2,855,483
 <i>Current liabilities</i>			
<hr/>			
Creditors, accrued and other liabilities	9	7,740,174	24,378,894
Unclaimed profit distribution		27,844,960	27,618,316
<hr/>			
<i>Total current liabilities</i>		35,585,134	51,997,210
<hr/>			
<i>Total equity and liabilities</i>		664,444,267	685,606,866
<hr/>			
 <i>Contingencies and commitments</i>	 10		



BALANCE SHEET

AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
<i>Assets</i>			
<i>Non-Current Assets</i>			
Fixed assets			
-tangible	11	14,529,146	15,426,202
-intangible	12	19,000,000	19,000,000
Investment property	13	1,831,667	1,951,667
Long term investments	14	325,797,990	326,007,730
Advances-considered good		2,510,000	2,510,000
Deposits		1,250,000	1,150,000
<i>Total Non-Current Assets</i>		364,918,803	366,045,599
<i>Current Assets</i>			
Morabaha/Musharaka receivables-secured	15	140,333,175	153,003,609
Short term investments	16	101,100,114	97,882,927
Advances	17	2,320,247	3,525,359
Trade deposits and prepayments	18	15,263,695	15,027,294
Other receivables	19	22,238,237	25,221,998
Tax refunds due from government		7,480,386	4,614,680
Bank balances	20	10,789,610	20,285,400
<i>Total Current Assets</i>		299,525,464	319,561,267
<i>Total Assets</i>		664,444,267	685,606,866

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

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, 2016

	Note	2016 Rupees	2015 Rupees
Income	21	30,364,140	34,252,047
Expenditure			
Operating expenses	22	(21,362,914)	(21,538,416)
Financial charges	23	(38,641)	(2,688)
		(21,401,555)	(21,541,104)
Operating profit		8,962,585	12,710,943
Other income	24	315,518	431,953
		9,278,103	13,142,896
Management remuneration		-	(1,314,288)
Service Sales Tax on management remuneration		-	(197,143)
		9,278,103	11,631,465
Worker Welfare Fund		(185,562)	(232,629)
Profit before taxation		9,092,541	11,398,836
Taxation	25	-	-
<i>Profit for the year</i>		9,092,541	11,398,836
Earnings per certificate - Basic & Diluted	26	0.17	0.22

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

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, 2016

	2016	2015
	Rupees	Rupees
Profit for the year	9,092,541	11,398,836
Other comprehensive income		
Items that will be reclassified to profit & loss account on disposal		
Unrealized loss on remeasurement of investments	(12,960,836)	(15,099,567)
Gain realized on disposal of investments	7,485,646	8,079,120
	(5,475,190)	(7,020,447)
Items that will not be reclassified to profit & loss account		
Remeasurement of defined benefit liability	267,641	(724,054)
Other comprehensive loss	(5,207,549)	(7,744,501)
Total comprehensive income for the year	3,884,992	3,654,335

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Cash generated from operating activities			
Profit before taxation		9,092,541	11,398,836
<i>Adjustments for:</i>			
Depreciation	11	1,960,327	1,680,912
Provision for gratuity	8	546,925	375,174
Gain / (Loss) on sale of fixed asset		(4,492)	13,303
Dividend income	21	(5,174,167)	(4,185,556)
		(2,671,407)	(2,116,167)
Cash generated from operations before working capital changes		6,421,134	9,282,669
Working Capital changes			
Decrease/(increase) in operating assets			
Morabaha/Musharaka receivables-secured		12,670,434	6,316,888
Advances		124,728	50,573
Trade deposits and prepayments		(236,401)	(45,376)
Other receivables		2,837,119	(529,265)
(Decrease) / increase in operating liabilities			
Creditors, accrued and other liabilities		(16,638,720)	12,518,736
		(1,242,840)	18,311,556
Dividend paid		(8,688,156)	(18,013,452)
Taxes paid		(1,785,322)	(2,865,076)
<i>Net cash generated from operating activities</i>		(5,295,184)	6,715,697
Cash flows from investing activities			
Investments		(8,482,637)	872,869
Long term deposits		(100,000)	-
Dividend received		5,320,810	4,035,138
Purchase of tangible assets		(943,279)	(1,227,800)
Sale proceeds on disposal of disposal tangible assets		4,500	-
<i>Net cash generated from / (used in) investing activities</i>		(4,200,606)	3,680,207
Net (decrease) / increase in cash and cash equivalents		(9,495,790)	10,395,904
Cash and cash equivalents at beginning of the year		20,285,400	9,889,496
Cash and cash equivalents at the end of the year	20	10,789,610	20,285,400

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

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, 2016

	Reserves						Total Reserves	Remeasur-ment of defined benefit liability	Unrealized loss on re-measur-ment of available for sale investments	Total
	Certificate Capital	Statutory Reserve *	Certificate premium account	General Reserve	Accumulated Loss					
Balance as at June 30, 2014	524,400,000	148,356,187	131,100,000	27,120,000	(171,876,627)	134,699,560	815,245	(13,149,967)	646,764,838	
Profit for the year	-	-	-	-	11,398,836	11,398,836	-	-	11,398,836	
Other Comprehensive income for the year	-	-	-	-	-	-	(724,054)	(7,020,447)	(7,744,501)	
Profit distribution	-	-	-	-	(19,665,000)	(19,665,000)	-	-	(19,665,000)	
Transfer to statutory reserve	-	2,279,767	-	-	(2,279,767)	-	-	-	-	
Balance as at June 30, 2015	524,400,000	150,635,954	131,100,000	27,120,000	(182,422,558)	126,433,396	91,191	(20,170,414)	630,754,173	
Profit for the year	-	-	-	-	9,092,541	9,092,541	-	-	9,092,541	
Other Comprehensive income for the year	-	-	-	-	-	-	267,641	(5,475,190)	(5,207,549)	
Profit distribution	-	-	-	-	(8,914,800)	(8,914,800)	-	-	(8,914,800)	
Transfer to statutory reserve	-	1,864,046	-	-	(1,864,046)	-	-	-	-	
Balance as at June 30, 2016	524,400,000	152,500,000	131,100,000	27,120,000	(184,108,863)	126,611,137	358,832	(25,645,604)	625,724,365	

* 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.

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

FOR THE YEAR ENDED JUNE 30, 2016

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 trading right Entitlement Certificate holder of Pakistan Stock Exchange Ltd. and is currently operating its brokerage activities in Karachi.

The Modaraba is listed on Karachi, Lahore and Islamabad Stock Exchanges. 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 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 The Securities and Exchange Commission of Pakistan (SECP) has issued directive (vide SRO 865 (I) / 2005) that Islamic Financial Accounting Standard 1 (IFAS-1) shall be followed in preparation of the financial statement by Companies and Modarabas while accounting for Morabaha transactions as defined by said Standard. The Modaraba has adopted the above said Standard.

2.3 The Securities and Exchange Commission of Pakistan (SECP) has issued directive (vide SRO 431 (I) / 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statement by Companies and Modarabas while accounting for Ijarah (Lease) transactions as defined by said Standard. The Modaraba has adopted the above said Standard.

2.4 New or revised standards, amendments and interpretations to published approved accounting standards that are effective and relevant

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on January 1, 2015 and are considered to be relevant to the Company's operations:

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the Company.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Company.

New or revised standards, amendments and interpretations to published approved accounting standards that are effective but not relevant

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2015 are considered not to be relevant to Company's financial statements and hence have not been detailed here.

New or revised standards, amendments and interpretations to published approved accounting standards that are not yet effective

New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2016 are not yet effective and hence have not been detailed here.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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	5.1.1, 5.2 & 5.3.1
c) Classification of investments	5.4
d) Income tax	5.6
e) Provision for staff gratuity	5.8
f) Provision for non performing assets	5.12

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, 2016

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.

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, 2016

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, 2016

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. Exchange differences are included in income currently.

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 of 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, 2016

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

2015 No of Certificates	2016 No of Certificates		2016 Rupees	2015 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 (2015: 5,532,296).
 Certificates held by associated companies and undertakings 4,972,475 (2015: 1,126,412).

7. Reserves

	Capital Reserves			Revenue Reserves			Total Reserves 2016	Total Reserves 2015
	Statutory Reserve *	Certificate premium account	Total Capital Reserve	Accumulated Loss	General Reserve	Total Revenue Reserves		
Opening balance	150,635,954	131,100,000	281,735,954	(182,422,558)	27,120,000	(155,302,558)	126,433,396	134,699,560
Transfer from Profit & Loss Account	-	-	-	9,092,541	-	(9,092,541)	9,092,541	11,398,836
Dividends paid	-	-	-	(8,914,800)	-	(8,914,800)	(8,914,800)	(19,665,000)
Transfer to statutory reserve	1,864,046	-	1,864,046	(1,864,046)	-	(1,864,046)	-	-
Closing balance	152,500,000	131,100,000	283,600,000	(184,108,863)	27,120,000	(156,988,863)	126,611,137	126,433,396

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.

8. Deferred liability

	Note	2016 Rupees	2015 Rupees
Staff gratuity	8.1	2,934,768	2,655,483
		2,934,768	2,655,483

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, 2016 on October 3, 2016 using the Projected Unit Method.

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
8.2	Amount recognized in the balance sheet are as follows:		
	Present value of defined benefit obligation	2,934,768	2,655,483
	Fair value of plan assets	-	-
	Total defined benefit	2,934,768	2,655,483
8.3	<i>Movement in defined benefit obligation</i>		
	Opening balance	2,655,484	1,556,255
	Charged for the define benefit plan		
	Current service cost	288,015	168,971
	Net interest	258,910	206,204
		546,925	375,175
	Remeasurement of defined benefit liability		
	Due to financial assumptions	-	341,123
	Due to experience adjustments	(267,641)	382,931
		(267,641)	724,054
	Closing balance	2,934,768	2,655,484
8.4	<i>Actuarial assumptions</i>		<i>Rate per annum</i>
	Valuation discount rate	7.25%	9.75%
	Salary increase rate -Short term (period of next one year)	7.25%	9.78%
	Salary increase rate- long term	7.25%	9.75%

8.5	<i>Sensitivity analysis of principal assumptions</i>	Impact on obligation of change in assumptions		
		Change in assumption	Increase in obligation	Decrease in obligation
	Discount rate	1%	2,713,084	3,178,525
	Salary Increase rate	1%	3,190,938	2,698,426
	Withdrawal rate	10%	2,934,768	2,934,768
	Mortality Age	1 year	2,934,768	2,934,768

8.6 Expected maturity analysis of undiscounted defined obligation for the gratuity scheme is as follows:

At at June 30, 2016	Year 1	Year 2	Year 3	Year 4	Year 5	Over 5 years
Gratuity	43,114	144,625	40,319	180,944	41,537	4,934,095

8.7 Following risks are associated with Defined benefit plans:

Longevity risks: The risk arises when the actual lifetime of retirees in longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk: The most common type of retirement benefit is one where the benefit is linked with the final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk: The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of liability can go either way.

8.8 The disclosure made in notes 8.5 to 8.7 are based on the information included in the actuarial valuation report of the Modaraba as of June 30, 2016.

9. Creditors, accrued and other liabilities

	Payable to clients	9.1	1,007,564	16,277,252
	Accrued expenses	9.2	3,755,050	3,242,302
	Charity payable		21,100	26,103
	Other liabilities		2,956,460	4,833,237
			7,740,174	24,378,894

9.1 *Charity Payable - reconciliation*

	Opening balance	26,103	255,420
	Addition	14,997	37,517
	Disbursements	(20,000)	(266,834)
	Closing balance	21,100	26,103

9.2 Other liabilities include Rs 2,361,006 (2015 : Rs 4,829,780) payable to Premier Financial Services (Private) Limited.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

10. Contingencies and commitments

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

11. Tangible

2016								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2016	Rate
	As at July 01, 2015	Addition / (Deletion) / * Transfer	As at June 30, 2016	As at July 01, 2015	Charged during the year / *Transfer / Disposal	As at June 30, 2016		%
Office premises	20,804,134	776,160	21,580,294	7,315,466	1,059,611	8,375,077	13,205,217	5
Furniture & fixtures	196,509	-	196,509	196,500	-	196,500	9	20
Motor vehicles	5,559,438	-	5,559,438	4,033,099	594,621	4,627,720	931,718	20
Computers	627,015	83,249	554,189	523,622	72,332	439,886	114,303	33
		(156,075)			(156,068)			
Office Equipments	1,116,185	83,870	1,043,725	808,392	133,763	765,826	277,899	20
		(156,330)			(156,329)			
2016	28,303,281	943,279 (312,405)	28,934,155	12,877,079	1,840,327 (312,397)	14,405,009	14,529,146	

2015								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2015	Rate
	As at July 01, 2014	Addition / (Deletion) / * Transfer	As at June 30, 2015	As at July 01, 2014	Charged during the year / *Transfer / Disposal	As at June 30, 2015		%
Office premises	20,804,134	-	20,804,134	6,275,259	1,040,207	7,315,466	13,488,668	5
Furniture & fixtures	196,509	-	196,509	196,500	-	196,500	9	20
Motor vehicles	4,535,438	1,024,000	5,559,438	3,626,211	406,888	4,033,099	1,526,339	20
Computers	652,055	82,300	627,015	598,069	32,890	523,622	103,393	33
		(107,340)			(107,337)			
Office Equipments	1,055,685	121,500	1,116,185	770,165	83,001	808,392	307,793	20
		(61,000)			(44,774)			
2015	27,243,821	1,227,800 (168,340)	28,303,281	11,466,204	1,562,986 (152,111)	12,877,079	15,426,202	

Note
2016
Rupees 2015
Rupees

12. Intangible

Trading Right Entitled Certificate	12.1 & 12.2	19,000,000	19,000,000
		19,000,000	19,000,000

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

12.2 In Stock Exchange (Corporatization, Demutualization and Integration) Act 2012 the prerequisite for TREC holder to register as Broker should be a company as defined in Companies Ordinance, 1984. Our submission to SECP that Modaraba although not a Company but being regulated under its auspices and a corporate legal entity, has not been accepted by the Regulators. Thereafter, we have requested our prime regulator, Registrar Modaraba to allow us to create a wholly owned subsidiary enabling us to protect and safe guard assets of the modaraba. The Registrar Modaraba did not understand our challenge and concern, we have left with no other option but to file a suit in the Honorable Sindh High Court and got a stay order against the cancelation of Broker registration.

FOR THE YEAR ENDED JUNE 30, 2016

After the integration of stock exchanges of Pakistan, the Registrar Modaraba have given us the permission to form wholly owned subsidiary companies and to transfer all brokerage related assets and liabilities to the new formed companies. The companies have been formed and the transfer of assets and liabilities are under process.

13. Investment Property

Particulars	2016							
	Cost			Accumulated Depreciation			Book Value as at June 30, 2016	Rate %
	As at July 01, 2015	Transfer	As at June 30, 2016	As at July 01, 2015	Charged during the year	As at June 30, 2016		
Office premises	2,400,000	-	2,400,000	448,333	120,000	568,333	1,831,667	5

Particulars	2015							
	Cost			Accumulated Depreciation			Book Value as at June 30, 2015	Rate %
	As at July 01, 2014	Transfer	As at June 30, 2015	As at July 01, 2014	Charged during the year	As at June 30, 2015		
Office premises	2,400,000	-	2,400,000	328,333	120,000	448,333	1,951,667	5

14. Long term investments	Note	2016 Rupees	2015 Rupees
<i>Investment in subsidiary</i>	14.1	250,020,000	250,000,000
		250,020,000	250,000,000
<i>Investment classified as available-for-sale financial assets</i>			
Listed securities	14.2.1	1,729,389	1,959,129
Unlisted securities	14.2.2	72,219,861	72,219,861
		73,949,250	74,178,990
Preference Share	14.3	1,828,740	1,828,740
		325,797,990	326,007,730

14.1	<i>Investment in subsidiary</i>					
	The holdings are in ordinary shares of Rs. 10 each.					
	2015	2016				
	Number	Number				
	-	100	Apex Financial Services (Pvt) Ltd	14.1.1	10,000	-
	-	100	Capital Financial Services (Pvt) Ltd	14.1.1	10,000	-
	25,000,000	25,000,000	Equity Textiles Limited	14.1.2	250,000,000	250,000,000
	25,000,000	25,000,200			250,020,000	250,000,000

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. The companies have not yet started operations.

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. 25.06 (2015: Rs. 28.29) as per financial statements as at June 30, 2016 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:

		<i>Open-end mutual funds</i>	14.2.1.1	847,188	847,188
11,968	11,968	Dawood Income Fund (Unit of Rs. 100 each)			
		<i>Fixed Line Telecommunication</i>		631,260	861,000
42,000	42,000	Pakistan Telecommunication Company Limited			
		<i>Financial Services</i>	14.2.1.1	41,800	41,800
22,000	22,000	Javed Omer Vohra & Company Limited			
		<i>Equity investment instruments</i>	14.2.1.1 &	209,141	209,141
735,000	735,000	First Dawood Mutual Fund	14.2.1.2		
				1,729,389	1,959,129

14.2.1.1 There was no trading on these scrips on June 30, 2016. Their last quoted /traded value is taken for valuation.

14.2.1.2 Investment was made at inception and the carrying value was Rs 5,145,000. SECP took action against the management and as a result the Trustee (Central Depository Company of Pakistan Limited) sold its investment and made the partial payment to share holders. The Modaraba recieved Rs 4,935,859 in this matter.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

14.2.2 Unlisted securities

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

2015	2016		Note	2016	2015
No of Shares	No of Shares			Rupees	Rupees
50,000	50,000	Sapphire Power Generation Limited	14.2.2.1	1,800,000	1,800,000
4,007,383	4,007,383	Pakistan Stock Exchange Limited	14.2.2.2	40,073,830	40,073,830
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
				72,219,861	72,219,861

14.2.2.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 85.23 (2014: Rs. 69.72) as per financial statements as at June 30, 2015 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.

14.2.2.2 Net assets value per share of Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited) and ISE Towers REIT Management Company Limited (Formerly Islamabad Stock Exchange Limited) is Rs. 9.98 (2015: Rs. 10.17) and Rs 11.67(2015: Rs. 11.10) as per financial statements as at June 30, 2016 audited by Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants and BDO Ebrahim & Company, Chartered Accountants respectively.

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

14.3 Preference Shares

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

182,874	182,874	Mari Petroleum Ltd		1,828,740	1,828,740
				1,828,740	1,828,740

15. Morabaha/Musharaka receivables-secured

Musharaka - considered good		15.2	140,333,175	153,003,609
Morabaha - considered doubtful			17,380,055	17,380,055
			157,713,230	170,383,664
Provision for non performing assets			(17,380,055)	(17,380,055)
			140,333,175	153,003,609

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 (2015: 12 % to 16% per annum).

15.2 All the amounts are short term. 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	101,100,114	97,882,927
-------------------	--	------	--------------------	------------

16.1 Listed securities

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

		<i>Oil and Gas</i>		
20,850	5,700	Mari Petroleum Company Limited	5,176,854	9,770,310
10,000	32,200	Hascol Petroleum Company Limited	6,290,914	1,145,100
29,900	26,900	Oil & Gas Development Co Limited	3,714,083	5,359,276
-	31,000	Pakistan Refinery Limited	1,276,580	-
-	61,000	Sui Northern Gas Pipeline Limited	2,213,690	-
-	35,000	Sui Southern Gas Pipeline Limited	963,550	-
49,800	400	Shell Pakistan Limited	116,084	12,597,408
		<i>Food</i>		
-	59,700	Engro Foods Limited	9,750,801	-
		<i>Chemicals</i>		
5,600	6,100	AkzoNobel Pakistan Limited	1,126,365	1,787,352
-	8,000	Engro Fertilizer Limited	515,840	-
-	57,500	Fauji Bin Qasim Limited	3,048,075	-
35,000	161,000	Ghani Global Gas Limited	2,914,100	655,900
2,600	3,500	ICI Pakistan Limited	1,557,570	1,115,062
135,000	685,000	Lotte Chemical Pakistan PTA Limited	4,116,850	934,200
-	2,000	Synthetic Product Limited	93,800	-
-	25,000	Sitara Peroxide Limited	453,750	-

FOR THE YEAR ENDED JUNE 30, 2016

2015 Number	2016 Number	Note	2016 Rupees	2015 Rupees
16,000	16,000	Wah Noble Chemicals Limited <i>Construction and materials</i>	1,040,000	805,600
285,000	536,000	Dewan Cement Limited	7,761,280	4,145,460
100,000	50,000	Fauji Cement Company Limited	1,790,000	3,487,000
2,000	2,000	Cherat Cement Company Limited	239,140	174,060
11,800	200	Lucky Cement Limited	129,702	6,131,516
-	322,500	Power Cement Limited <i>Transport</i>	3,363,675	-
251,000	100,000	Pakistan International Bulk Terminals Limited <i>Personal goods</i>	3,207,000	8,985,800
-	20,500	Nishat Mills Limited <i>Household goods</i>	2,211,950	-
-	4,000	Ghani Glass Industries Limited <i>Pharma and biotech</i>	377,520	-
8,650	-	IBL Healthcare Limited	-	986,100
-	13,500	GlaxoSmith Limited	2,795,985	-
22,500	3,200	The Searle Pakistan Limited <i>Automobile and parts</i>	1,715,680	7,215,525
33,800	-	Honda Atlas Car (Pakistan) Limited	-	7,391,384
-	13,900	Gandhara Nissan Limited	2,170,485	-
6,400	-	Pak Suzuki Limited	-	2,789,824
677,000	631,000	Ghani Automobile Limited <i>Fixed line telecommunication</i>	4,429,620	5,822,200
595,500	709,500	Pakistan Telecommunication Company Limited	10,663,785	12,207,750
-	86,000	TRG Pakistan Limited <i>Cable & electrical goods</i>	2,885,300	-
-	52,625	Pak Electron Limited	3,402,206	-
-	127,000	TPL Tracker Limited <i>Electricity</i>	1,596,390	-
354,000	991,500	K-Electric Limited <i>Banks</i>	7,991,490	2,973,600
137,500	-	Bank Islami Pakistan Limited	-	1,402,500
			101,100,114	97,882,927
17. Advances - considered good				
Employee		17.1	385,555	660,283
Advance tax			1,784,692	2,865,076
Others			150,000	-
			2,320,247	3,525,359
17.1	The maximum aggregate amount due from employees at the end of any month during the year was Rs. 600,023 (2015: Rs. 804,526). These are secured against the property documents retained by the Modaraba.			
18. Trade deposits and prepayments				
Deposits			14,772,665	14,772,665
Prepayments			491,030	254,629
			15,263,695	15,027,294
19. Other receivables				
Receivable from clients		19.1&19.2	20,415,949	24,064,703
Dividend			21,575	168,217
Others		19.2	1,800,713	989,078
			22,238,237	25,221,998
19.1	<i>Receivable from clients</i>			
	Considered good		20,415,949	24,064,703
	Considered doubtful		12,500,000	12,500,000
			32,915,949	36,564,703
	Less: Provision for doubtful debts		(12,500,000)	(12,500,000)
			20,415,949	24,064,703
19.2	Receivable from clients and others include receivable from related parties amounting to Rs. 1,203,270 (2015: Rs. 776,995).			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
20. Bank balances			
in current accounts		1,986,978	1,994,643
in saving accounts		70,677	311,027
in Islamic bank investment accounts		8,731,955	17,979,730
		10,789,610	20,285,400
21. Income			
Profit on Musharaka		17,479,567	17,756,838
Brokerage commission		1,776,585	2,852,129
Capital gain		4,279,537	5,829,234
Dividend		5,174,167	4,185,556
Rental		1,320,000	1,200,000
Commission and fees		334,284	2,428,290
		30,364,140	34,252,047
22. Operating expenses			
Salaries, allowances and benefits	22.1	5,070,045	4,338,679
Traveling, conveyance and entertainment		552,862	495,753
Telephone and postage		660,017	922,061
Electricity		485,480	408,737
Insurance		358,065	201,089
Printing, stationery and advertising		778,156	1,160,681
Fees and subscriptions		1,735,656	1,628,622
Vehicle running and maintenance		953,133	1,251,048
Depreciation	11 & 13	1,960,327	1,682,985
Facilities and services		4,613,163	4,508,446
Repair and maintenance		1,022,374	922,409
Annual review meeting		106,303	91,382
Auditor's remuneration	22.3	382,776	251,802
Legal and professional		1,321,932	531,682
Training and development		3,500	-
Shariah Advisor		150,000	150,000
Zakat deduction		3,251	2,225
PSX & SECP Charges		422,336	721,206
Withholding & CVT tax		531,774	2,194,607
Others		251,764	75,002
		21,362,914	21,538,416

22.1 Remuneration of officers and other employees

The aggregate amount charged in the financial statements for remuneration, including benefits to 8 (2015 : 8) employees of the modaraba is:

	2016		2015	
	Officers	Other Employees	Officers	Other Employees
Salaries and allowances	1,776,000	1,905,462	1,599,000	1,655,100
Leave fare & Encashment	131,900	74,393	175,000	74,340
Expenses reimbursed: Medical	91,296	143,628	29,832	187,033
	1,999,196	2,123,483	1,803,832	1,916,473

22.2 Salaries, allowances and benefits include provision for gratuity of Rs. 546,925 (2015: Rs. 297,858). Officers are also provided with free use of the Modaraba maintained cars.

FOR THE YEAR ENDED JUNE 30, 2016

		2016 Rupees	2015 Rupees
22.3	<i>Auditor's remuneration</i>		
	Audit fee	226,806	130,000
	Half yearly review	26,500	25,000
	Other fees	129,470	96,802
		382,776	251,802
23.	Financial Charges		
	Bank Charges	38,641	2,688
		38,641	2,688
24.	Other income		
	Profit on Investment accounts with Islamic bank	311,026	445,256
	Gain/ (Loss) on sale of tangible fixed assets	4,492	(13,303)
		315,518	431,953
25.	Taxation		
	<i>Current</i>	-	-
	Assessment upto and including the tax year 2015 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.	Earnings per certificates - basic and diluted		
	Profit for the year	9,092,541	11,398,836
	Weighted average number of certificates outstanding during the year	52,440,000	52,440,000
	Earnings per certificate - basic and diluted	0.17	0.22

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

Credit and concentration risk

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

2016
Rupees

2015
Rupees

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	426,898,104	423,890,657
Morabaha/Musharaka receivables-secured	140,333,175	153,003,609
Advances-considered good	4,830,247	6,035,359
Trade deposits and prepayments	16,513,695	16,177,294
Other receivables	22,238,237	25,218,541
	610,813,458	624,325,460

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.

Assets	2016			Total
	Less than One year	Over one year but less than five years	Over five years	
Long term investments	-	75,777,990	250,020,000	325,797,990
Morabaha & Musharaka receivables	140,333,175	-	-	140,333,175
Short term investments	101,100,114	-	-	101,100,114
Advances	2,320,247	2,510,000	-	4,830,247
Trade deposits	14,772,665	1,250,000	-	16,022,665
Other receivables	22,238,237	-	-	22,238,237
Tax refunds due from government	7,480,386	-	-	7,480,386
Bank balances	10,789,610	-	-	10,789,610
	299,034,433	79,537,990	250,020,000	628,592,424
Liabilities				
Deferred liability	-	2,934,768	-	2,934,768
Security Deposit	-	200,000	-	200,000
Creditors, accrued and other liabilities	7,740,174	-	-	7,740,174
Unclaimed profit distribution	27,844,960	-	-	27,844,960
	35,585,134	3,134,768	-	38,719,902
Net balance	263,449,300	76,403,222	250,020,000	589,872,522

FOR THE YEAR ENDED JUNE 30, 2016

Assets	2015			Total
	Less than One year	Over one year but less than five years	Over five years	
Long term investments	-	76,007,730	250,000,000	326,007,730
Morabaha & Musharaka receivables	153,003,609	-	-	153,003,609
Short term investments	97,882,927	-	-	97,882,927
Advances	3,525,359	2,510,000	-	6,035,359
Trade deposits	14,772,665	1,150,000	-	15,922,665
Other receivables	25,218,542	-	-	25,218,542
Tax refunds due from government	4,614,680	-	-	4,614,680
Bank balances	20,285,400	-	-	20,285,400
	319,303,182	79,667,730	250,000,000	648,970,912
Liabilities				
Deferred liability	-	2,655,484	-	2,655,483
Security Deposit	-	200,000	-	200,000
Creditors, accrued and other liabilities	24,375,437	-	-	24,375,437
Unclaimed profit distribution	27,618,316	-	-	27,618,316
	51,993,753	2,855,484	-	54,849,237
Net balance	267,309,429	76,812,246	250,000,000	594,121,675

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*

	2015 Rupees	2014 Rupees
Financial assets		
Loans and receivables		
Morabaha/Musharaka receivables	140,333,175	153,003,609
Advances	4,830,247	6,035,359
Trade deposits	16,022,665	15,922,665



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
Other receivables	22,238,237	25,218,541
Bank balances	10,789,610	20,285,400
<i>Financial assets at fair value through profit or loss</i>		
Short term investments	101,100,114	97,882,927
<i>Available-for-sale financial assets</i>		
Long term investments	75,777,990	74,178,990
	371,092,038	392,527,491
<i>Financial liabilities</i>		
Financial liabilities at amortised cost		
Creditors, accrued and other liabilities	7,740,174	24,375,437
Unclaimed profit distribution	27,844,960	27,618,316
	35,585,134	51,993,753
On balance sheet gap	335,506,904	340,533,738

29. 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.

	2016				
	Upto one month	Over one month to one year	Over one year to five years	Over five Years	Over five Years
Assets					
Tangible assets	-	-	1,323,929	13,205,217	14,529,146
Intangible assets	-	-	-	19,000,000	19,000,000
Investment property	-	-	-	1,831,667	1,831,667
Long term investments	-	-	75,777,990	250,020,000	325,797,990
Morabaha & Musharaka receivables	16,384,695	123,948,480	-	-	140,333,175
Short term investments	-	101,100,114	-	-	101,100,114
Advances	-	2,320,247	2,510,000	-	4,830,247
Trade deposits and prepayments	150,000	15,113,695	1,250,000	-	16,513,695
Other receivables	-	22,238,237	-	-	22,238,237
Tax refunds due from government	-	7,480,386	-	-	7,480,386
Bank balances	-	10,789,610	-	-	10,789,610
	16,534,695	282,990,769	80,861,919	284,056,884	664,444,267
Liabilities					
Deferred liabilities	-	-	2,934,768	-	2,934,768
Security Deposit	-	-	200,000	-	200,000
Creditors, accrued and other liabilities	4,193,498	3,546,676	-	-	7,740,174
Unclaimed profit distribution	-	27,844,960	-	-	27,844,960
	4,193,498	31,391,636	3,134,768	-	38,719,902
Net balance	12,341,197	251,599,133	77,727,151	284,056,884	625,724,365

	2015				
Assets					
Tangible assets	-	-	1,937,534	13,488,668	15,426,202
Intangible assets	-	-	-	19,000,000	19,000,000
Investment property	-	-	-	1,951,667	1,951,667
Long term investments	-	-	326,007,730	-	326,007,730
Morabaha & Musharaka receivables	27,827,711	125,175,898	-	-	153,003,609
Short term investments	-	97,882,927	-	-	97,882,927
Advances	-	3,525,359	2,510,000	-	6,035,359
Trade deposits and prepayments	150,000	14,877,294	1,150,000	-	16,177,294
Other receivables	-	25,218,514	-	-	25,218,541
Tax refunds due from government	-	4,614,680	-	-	4,614,680
Bank balances	-	20,285,400	-	-	20,285,400
	27,977,711	291,580,099	331,605,264	34,440,335	685,603,409

FOR THE YEAR ENDED JUNE 30, 2016

	Over one				Total
	Upto one month	month to one year	Over one year to five years	Over five Years	
Liabilities					
Deferred liabilities	-	-	2,655,484	-	2,655,484
Security Deposit	-	-	200,000	-	200,000
Creditors, accrued and other liabilities	4,193,498	20,181,939	-	-	24,375,437
Unclaimed profit distribution	-	27,618,316	-	-	27,618,316
	4,193,498	47,800,255	2,855,484	-	54,849,237
Net balance	23,784,213	243,779,844	328,749,780	34,440,335	630,754,172

30. Yield/Profit rate risk exposure

Description	Effective yield / profit risk	2016						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	-	-	75,777,990	75,777,990	-	-	-	75,777,990
Morabaha / Musharakah receivables	12% to 16%	140,333,175	-	140,333,175	-	-	-	140,333,175
Short term investments	-	101,100,114	-	101,100,114	-	-	-	101,100,114
Advances	-	-	-	-	2,320,247	2,510,000	4,830,247	4,830,247
Trade deposits	-	-	-	-	14,772,665	1,250,000	16,022,665	16,022,665
Other receivables	-	-	-	-	22,238,237	-	22,238,237	22,238,237
Bank balances	2% to 7%	8,802,632	-	8,802,632	1,986,978	-	1,986,978	10,789,610
		250,235,921	75,777,990	326,013,911	41,318,127	3,760,000	45,078,127	371,092,037
Financial Liabilities								
Creditors, accrued and other liabilities	-	-	-	-	7,740,174	-	7,740,174	7,740,174
Unclaimed profit distribution	-	-	-	-	27,844,960	-	27,844,960	27,844,960
		-	-	-	35,585,134	-	35,585,134	35,585,134
On Balance Sheet Gap		250,235,921	75,777,990	326,013,911	5,732,993	3,760,000	9,492,993	335,506,903

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	2015						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	-	-	74,178,990	74,178,990	-	-	-	74,178,990
Morabaha / Musharakah receivables	12% to 16%	153,003,609	-	153,003,609	-	-	-	153,003,609
Short term investments	-	97,882,927	-	97,882,927	-	-	-	97,882,927
Advances	-	-	-	-	3,525,359	2,510,000	6,035,359	6,035,359
Trade deposits	-	-	-	-	14,772,665	1,150,000	15,922,665	15,922,665
Other receivables	-	-	-	-	25,218,542	-	25,218,542	25,218,542
Bank balances	5% to 7%	18,290,757	-	18,290,757	1,994,643	-	1,994,643	20,285,400
		269,177,293	74,178,990	343,356,283	45,511,209	3,660,000	49,171,209	392,527,492
Financial Liabilities								
Creditors, accrued and other liabilities	-	-	-	-	24,375,437	-	24,375,437	24,375,437
Unclaimed profit distribution	-	-	-	-	27,618,316	-	27,618,316	27,618,316
		-	-	-	51,993,753	-	51,993,753	51,993,753
On Balance Sheet Gap		269,177,293	74,178,990	343,356,283	(6,482,544)	3,660,000	(2,822,544)	340,533,739



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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.

	2016					2015
	Musharakah Facility	Brokerage Operation	Capital Markets	Others	Total	Total
Rupees						
Segment Revenues	17,479,567	2,110,869	9,453,704	1,635,518	30,679,658	34,684,000
Segment Result	17,479,567	(4,027,927)	9,351,761	1,635,518	24,438,919	27,026,779
Unallocated Cost						
Operating expenses					(15,160,816)	(13,883,883)
Management fee					-	(1,314,288)
Service Sale Tax					-	(197,143)
WWF					(185,562)	(232,629)
Profit before taxation					9,092,541	11,398,836
Taxation					-	-
Profit for the year					9,092,541	11,398,836
Other information						
Segment assets	140,333,175	44,756,977	145,433,944	-	330,524,096	367,678,254
Unallocated assets	-	-	-	-	333,920,171	317,925,155
Total assets	140,333,175	44,756,977	145,433,944	-	664,444,267	685,603,409
Segment liabilities	-	1,603,019	-	-	1,603,019	16,277,252
Unallocated liabilities	-	-	-	-	37,116,883	38,571,984
Total liabilities	-	1,603,019	-	-	38,719,902	54,849,236

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:

	2016 Rupees	2015 Rupees
32.1 <i>Balance outstanding at year end</i>		
<u>Modaraba Management Company</u>		
- Current account payable	2,361,006	4,829,780
<u>Subsidiary company</u>		
- Investment in Equity Textiles Limited	250,000,000	250,000,000
- Investment in Capital Financial Services (Private) Limited	10,000	-
- Investment in Apex Financial Services (Private) Limited	10,000	-
<u>Receivable from wholly owned subsidiary</u>	847,860	-
<u>Receivable from associated company</u>	349,099	418,367

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

	2015 Rupees	2014 Rupees
<u>Other related parties (including key management personnel)</u>		
- Deferred liability staff gratuity	2,934,768	2,655,483
- Brokerage house client receivable	6,309	358,712
 32.2 <i>Transactions during the year</i>		
<u>Modaraba Management Company</u>		
- Reimbursement with service Sale Tax	-	197,143
- Reimbursement	4,957,611	4,508,446
<u>Other related parties (including key management personnel)</u>		
- Contribution to staff gratuity fund	279,285	1,099,228
 Services acquired	 Relationship Associated company	 227,412
Brokerage commission earned	511,695 516,203	476,623
 33. Number of employees		
Total number of employees of the Modaraba as at June 30, 2016 are 8 (2015: 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 07, 2016.		
 36.	The Board of Directors of the Management Company has approved dividend at the rate of Re. 0.13 per certificate (2015: Re. 0.17 per certificate) for the year ended June 30, 2016, resulting in a total distribution of profit amounting to Rs. 6,817,200/- (2015: Rs. 8,914,800/-), in its meeting held on October 07, 2016, which is more than 90% of the net profit for the year ended June 30, 2016, 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.	

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



NOTICE FOR BOOK CLOSURE AND ANNUAL REVIEW MEETING

The 17th Annual Review Meeting of certificate holders of First Equity Modaraba will be held on Tuesday November 29, 2016 at 10:00 am at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi to review the performance of the Modaraba for the financial year ended June 30, 2016.

The certificate transfer book of the Modaraba shall remain closed from Friday November 18, 2016 to Tuesday November 29, 2016 (both days inclusive) for the purpose of entitlement of cash profit distribution dividend. All transfers received by our certificate registrar M/s THK Associates (Pvt) Ltd. State Life Building # 3, Dr. Ziauddin Ahmed Road, Karachi before the close of business on Thursday, November 17, 2016 will be treated valid for attending the Annual Review Meeting.

October 07, 2016

by order of the Board
Qazi Obaid Ullah
Company Secretary

فرسٹ ایکویٹی مضاربہ

نوٹس برائے منافع کی تقسیم، کتب کی بندش اور سالانہ جائزہ اجلاس

فرسٹ ایکویٹی مضاربہ (FEM) کے سرٹیفکیٹ ہولڈرز کی 17 ویں سالانہ جائزہ میٹنگ بروز منگل 29 نومبر 2016 صبح 10:00 بجے میریٹ ہوٹل، عبداللہ ہارون روڈ، کراچی میں مضاربہ کی مالی سال مختتمہ 30 جون 2016 کی کارکردگی کا جائزہ لینے کیلئے منعقد ہوگی۔

مضاربہ کی سرٹیفکیٹ ٹرانسفر بک بروز جمعہ 18 نومبر 2016 سے منگل 29 نومبر 2016 تک (بشمول دونوں ایام) نقد منافع کی تقسیم / ڈیویڈنڈ کے استحقاق کے تعین کیلئے بند رہے گی۔ تاہم ہمارے سرٹیفکیٹ رجسٹرار میسرز THK ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، اسٹیٹ لائف بلڈنگ نمبر 3، ڈاکٹر ضیاء الدین احمد روڈ، کراچی میں جمعرات 17 نومبر 2016 کو کاروباری اوقات کے اختتام تک موصول ہونے والے ٹرانسفر کارآمد تصور کئے جائیں گے۔

بحکم بورڈ
قاضی عبید اللہ
کمپنی سیکریٹری

اکتوبر 07، 2016

*Auditors Report and
Consolidated Financial Statements
of
First Equity Modaraba
and
Equity Textiles Ltd.
for the year ended June 30, 2016*

AUDITORS' REPORT

TO THE CERTIFICATE HOLDERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of FIRST EQUITY MODARABA (the Modaraba) and its subsidiary companies as at June 30, 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended. We have also expressed separate opinion on the financial statements of First Equity Modaraba, Apex Financial Services (Private) Limited and Capital Financial Services (Private) Limited. The financial statements of Equity Textiles Limited were audited by another auditor, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for the subsidiary company, is based solely on the report of such other auditors who expressed an unqualified opinion.

These consolidated financial statements are the responsibility of Modarabas' Management Company. Our responsibility is to express an opinion on these consolidated financial 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 consolidated 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 consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) Management of the Modaraba in the financial statements for the year ended June 30, 2013, had assigned values to Trading Rights Entitlement Certificates (TREC) of Karachi Stock Exchange Limited (KSE) and Islamabad Stock Exchange Limited (ISE) Rs. 15 million and Rs. 4 million respectively that were based on the value assigned by KSE and ISE for base minimum capital requirement purposes applicable to the brokers of the stock exchange and had recognised 4,007,383 shares of KSE and 3,034,603 shares of ISE at their face values of Rs. 10/- each on exchange of membership card thereby the Modaraba recognized gain of Rs. 36.369 million which, in our opinion, was not in accordance with International Accounting Standards and technical opinion of The Institute of Chartered Accountants of Pakistan (ICAP) issued in this respect.
- (b) Modaraba has charged unrealised loss of Rs. 5.2 million, in respect of investment classified as financial asset at fair value through profit and loss, in other comprehensive income instead of profit and loss account as required under IAS 39.

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

In our opinion, except for the matters stated in paragraph (a) and (b) above, the consolidated financial statements examined by us, present fairly the financial position of First Equity Modaraba and its subsidiary companies as at June 30, 2016 and the results of their operations, comprehensive income, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

The Company's consolidated financial statements for the year ended June 30, 2015 were audited by Avais Hyder Liaquat Nauman, Chartered Accountants, whose report dated October 08, 2015 expressed a qualified opinion thereon.

Chartered Accountants
Karachi.
Dated: October 07, 2016

Engagement Partner: Muhammad Aqeel Ashraf Tabani



CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
<i>Equity & Liabilities</i>			
<i>Capital and reserves</i>			
Authorized Certificate Capital			
60,000,000 (2015: 60,000,000) modaraba certificates of Rs. 10 each		600,000,000	600,000,000
Certificate holders' equity			
Certificate capital	6	524,400,000	524,400,000
Reserves	7	133,959,116	187,492,272
Remeasurement of defined benefit liability - Actuarial gain		359,589	91,948
Unrealised loss on remeasurment of investments		(25,645,604)	(20,170,414)
<i>Total certificates holders' equity</i>		633,073,101	691,813,806
Surplus on revaluation of fixed assets	8	367,119,689	396,256,172
<i>Non-current liabilities</i>			
Long term financing	9	379,920,178	439,104,584
Liabilities against assets subject to finance lease	10	876,372	-
Deferred Mark up	11	-	25,537,448
Deferred liabilities	12	185,821,476	203,408,950
Security deposit		200,000	200,000
<i>Total non-current liabilities</i>		566,818,026	668,250,982
<i>Current liabilities</i>			
Short term borrowings	13	139,735,517	18,166,501
Current portion of long term liabilities	14	95,241,605	93,928,184
Creditors, accrued and other liabilities	15	226,729,731	176,149,285
Accrued mark up	16	12,004,917	19,722,294
Unclaimed profit distribution		27,844,960	27,618,316
<i>Total current liabilities</i>		501,556,730	335,584,580
<i>Total equity and liabilities</i>		2,068,567,545	2,091,905,540
<i>Contingencies and commitments</i>	17		

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
<i>Assets</i>			
<i>Non-Current Assets</i>			
Fixed assets			
-tangible	18	1,166,715,322	1,223,964,011
-intangible	19	19,000,000	19,000,000
Investment property	20	1,831,667	1,951,667
Long term investments	21	75,777,990	76,007,730
Advances		2,510,000	2,510,000
Deposits		1,250,000	1,150,000
<i>Total Non-Current Assets</i>		1,267,084,979	1,324,583,408
<i>Current Assets</i>			
Store and spares	22	27,533,130	29,440,537
Stock-in-trade	23	275,672,703	214,722,397
Trade debts	24	66,735,124	93,542,674
Morabaha/Musharaka receivables-secured	25	140,333,175	153,003,609
Short term investments	26	124,455,894	124,862,544
Advances	27	54,932,913	38,406,840
Trade deposits and prepayments	28	33,566,592	23,167,882
Other receivables	29	22,262,682	26,918,541
Tax refunds due from government	30	25,931,805	20,987,246
Tax-net	31	13,829,046	10,639,864
Cash and bank balances	32	16,229,501	31,629,998
<i>Total Current Assets</i>		801,482,566	767,322,132
<i>Total Assets</i>		2,068,567,545	2,091,905,540

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

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited



CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Income	33	57,470,852	200,762,263
Expenditure			
Operating expenses	34	(49,809,175)	(45,050,873)
Distribution and selling expenses	35	(16,414,303)	(16,940,059)
		(66,223,478)	(61,990,932)
Operating profit		(8,752,626)	138,771,331
Financial Charges	36	(61,931,470)	(71,492,500)
		(70,684,096)	67,278,831
Other Income	37	2,865,406	1,951,525
		(67,818,690)	69,230,356
Other Charges	38	(442,097)	(5,761,443)
Management fee		-	(1,314,288)
Service Sales Tax on management remuneration		-	(197,143)
Impairment in associated company		-	(10,685,020)
Share of profit / (loss) in associated company		(4,051,212)	3,073,446
(Loss) / Profit before taxation		(72,311,999)	54,345,908
Taxation			
- current	39	(15,987,970)	(15,905,952)
- prior		(3,321,627)	(285,243)
- deferred		6,212,164	30,422,755
		(13,097,433)	14,231,560
(Loss) / Profit for the year		(85,409,432)	68,577,468
(Loss) / Earnings per certificate - basic and diluted	40	(1.63)	1.31

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

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
(Loss) / Profit for the year	(85,409,432)	68,577,468
Other comprehensive income		
Items that will be reclassified to profit & loss account on disposal		
Unrealized (loss) on remeasurement of investments	(12,960,836)	(15,099,567)
Gain realized on disposal of investments	7,485,646	8,079,120
	(5,475,190)	(7,020,447)
Items that will not be reclassified to profit & loss account		
Remeasurement of defined benefit liability	267,641	(724,054)
Share of gain / (loss) on remeasurement of defined benefit liability in associated company	-	5,260
Other comprehensive loss	(5,207,549)	(7,739,241)
Total comprehensive (loss) / income for the year	(90,616,981)	60,838,227

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

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
Cash flows from operating activities		
(Loss) / Profit before taxation	(72,311,999)	54,345,908
<i>Adjustments for:</i>		
Depreciation	123,341,981	126,809,645
Provision for gratuity	546,925	375,174
Share of profit in associated company	4,051,212	(3,073,446)
Dividend income	(5,174,167)	(4,185,556)
(Gain) / loss on sale of asset	(1,759,573)	(342,140)
Provision for doubtful debt	256,535	1,721,890
Impairment in associated company	-	10,685,020
Financial charges	61,931,470	71,489,812
	183,194,383	203,480,399
Cash generated from operations before working capital changes	110,882,384	257,826,307
Working Capital changes		
Decrease/(increase) in operating assets		
Store, Spares and Loose tools	1,907,406	(3,048,298)
Stock-in-trade	(60,950,307)	(17,067,834)
Trade debts	26,551,015	66,570,977
Morabaha/Musharaka receivables-secured	12,670,434	6,316,888
Advances	(16,526,073)	45,040
Trade deposits and prepayments	(10,398,710)	3,159,261
Other receivables	4,509,216	2,124,462
Tax refund from government authorities	2,374,898	4,449,055
Increase/(decrease) in operating liabilities		
Short term borrowing	121,569,016	(41,120,019)
Deferred Markup	(24,000,000)	-
Creditors, accrued and other liabilities	50,580,446	38,284,499
	108,287,340	59,714,031
Financial charges paid	(69,648,847)	(71,692,538)
Dividend paid	(8,688,156)	(18,013,452)
Taxes paid	(29,818,236)	(26,545,814)
<i>Net cash generated from operating activities</i>	111,014,486	201,288,534
Cash flows from investing activities		
Investments	(9,894,662)	(9,827,131)
Long term deposits	(100,000)	-
Proceeds from sale of tangible assets	2,409,500	440,003
Dividend received	6,325,460	4,525,722
Purchases of tangible assets	(66,623,220)	(82,219,484)
<i>Net cash (used in) investing activities</i>	(67,882,922)	(87,080,890)

CONSOLIDATED CASH FLOW STATEMENT

Page 47

FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	Rupees	Rupees
Cash flows from financing activities		
Subordinated loan	-	(40,000,000)
Liabilities against assets subject to finance lease	1,278,123	-
Long term financing	(59,810,184)	(59,178,184)
<i>Net cash generated from financing activities</i>	(58,532,061)	(99,178,184)
Net (decrease) / increase in cash and cash equivalents	(15,400,497)	15,029,460
Cash and cash equivalents at beginning of the year	31,629,998	16,600,538
Cash and cash equivalents at the end of the year	16,229,501	31,629,998

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

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2016

	Certificate Capital	Statutory Reserve *	Certificate premium account	General Reserve	Accumulated Loss	Total Reserves	Remeasurement of defined benefit liability	Unrealized loss on remeasurement of available for sale investments	Total
Balance as at June 30, 2014	524,400,000	148,356,187	131,100,000	27,120,000	(212,024,846)	94,551,341	810,724	(13,149,967)	606,612,116
Total Comprehensive income									
for the year	-	-	-	-	68,577,468	68,577,468	(718,794)	(7,020,447)	60,838,227
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	-	44,028,463	44,028,463	-	-	44,028,463
Profit Distribution	-	-	-	-	(19,665,000)	(19,665,000)	-	-	(19,665,000)
Transfer to statutory reserve	-	2,279,767	-	-	(2,279,767)	-	-	-	-
Balance as at June 30, 2015	524,400,000	150,635,954	131,100,000	27,120,000	(121,363,682)	187,492,272	91,948	(20,170,414)	691,813,806
Total Comprehensive income									
for the year	-	-	-	-	(85,409,432)	(85,409,432)	(267,614)	(5,475,190)	(90,616,981)
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	-	40,791,076	40,791,076	-	-	40,791,076
Profit Distribution	-	-	-	-	(8,914,800)	(8,914,800)	-	-	(8,914,800)
Transfer to statutory reserve	-	1,864,046	-	-	(1,864,046)	-	-	-	-
Balance as at June 30, 2016	524,400,000	152,500,000	131,100,000	27,120,000	(176,760,884)	133,959,116	359,589	(25,645,604)	633,073,101

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

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

FIRST EQUITY MODARABA

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

Zahid Bashir
Director
Premier Financial
Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

FOR THE YEAR ENDED JUNE 30, 2016

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. These include trading, manufacturing, equity investment and their financing and facilitation. The Modaraba is a trading right entitlement certificate holder of the Karachi and Islamabad stock exchanges of Pakistan and is currently operating its brokerage activities in Karachi Stock Exchange.

The Modaraba is listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Modaraba is situated at B-1004, 10th floor, Lakson Square Building 3, Sarwar Shaheed Road, Karachi. The Modaraba is holding Equity Textiles Limited, Capital Financial Services (Private) Limited and Apex Financial Services (Private) Limited as 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.



FOR THE YEAR ENDED JUNE 30, 2016Functional and reporting currency of group

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

1.6 *Basis of consolidation*

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

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

2. Statement of compliance

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies 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 The Securities and Exchange Commission of Pakistan (SECP) has issued directive (vide SRO 865 (I) / 2005) that Islamic Financial Accounting Standard 1 (IFAS-1) shall be followed in preparation of the financial statement by Companies and Modarabas while accounting for Morabaha transactions as defined by said Standard. The Modaraba has adopted the above said Standard

2.3 The Securities and Exchange Commission of Pakistan (SECP) has issued directive (vide SRO 431 (I) / 2007) that Islamic Financial Accounting Standard 2 (IFAS-2) shall be followed in preparation of the financial statement by Companies and Modarabas while accounting for Ijarah (Lease) transactions as defined by said Standard. The Modaraba has adopted the above said Standard.

2.4 The Securities and Exchange Commission of Pakistan (SECP) vide circular No. 10 of 2004 dated February 13, 2004 has deferred the application of IAS 17 "Leases" on modarabas till further orders.

2.5 *New or revised standards, amendments and interpretations to published approved accounting standards that are effective and relevant*

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning January 1, 2015 and are considered to be relevant to the Company's operations:

IFRS 12: "Disclosure of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities, and all other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the Company.

IFRS 13: "Fair Value Measurements" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurements and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Company.

New or revised standards, amendments and interpretations to published approved accounting standards that are effective but not relevant

The new standards, amendments and interpretations that are mandatory for the accounting periods beginning on or after January 1, 2015 are considered not to be relevant to Company's financial statements and hence have not been detailed here.

New or revised standards, amendments and interpretations to published approved accounting standards that are not yet effective

New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2016 are not yet effective and hence have not been detailed here.

FOR THE YEAR ENDED JUNE 30, 2016

3. Basis of measurement

3.1 *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.

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	5.1.3 & 5.4.1
c) Classification of investments	5.4
d) Income tax	5.12
e) Provision for staff gratuity	5.14
f) Provision for non performing assets	5.19

5. Significant accounting policies

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

5.1 *Fixed assets*

5.1.1 Tangible

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

The Parent company charges depreciation on the straight line method and subsidiary company charge depreciation on reducing balance method, whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation is charged at rates stated in note 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.



FOR THE YEAR ENDED JUNE 30, 2016**5.1.2 Capital work-in-progress**

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

5.1.3 Finance Leases

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

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

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

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

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.

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.

FOR THE YEAR ENDED JUNE 30, 2016

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.

Subsidiary Company

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

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



FOR THE YEAR ENDED JUNE 30, 2016

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.

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 TaxationParent 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

FOR THE YEAR ENDED JUNE 30, 2016

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 companies**Current**

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

Deferred

Deferred taxation is accounted for using the balance sheet liability method providing for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary timing differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

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

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 company

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***Parent company**

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.

Subsidiary company**Defined contribution plan**

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



FOR THE YEAR ENDED JUNE 30, 2016Employee 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 certificate 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:

- 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 Ordinance, 1984.

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.

FOR THE YEAR ENDED JUNE 30, 2016

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:-

a. 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.

b. 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.

c. 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.

6. Certificate capital

2015 No of Certificates	2016 No of Certificates		2016 Rupees	2015 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 (2015: 5,532,296).

Certificates held by associated companies and undertakings 4,972,475 (2015: 1,126,412).

7. Reserves

	Capital Reserves			Revenue Reserves			Total Reserves 2016	Total Reserves 2015
	Statutory Reserve *	Certificate premium account	Total Reserve	Accumulated Loss	General Reserve	Total Reserves		
Opening balance - restated	150,635,954	131,100,000	281,735,954	(121,363,682)	27,120,000	(94,243,682)	187,492,272	94,551,341
Transfer from Profit & Loss Account	-	-	-	(85,409,432)	-	(85,409,432)	(85,409,432)	68,577,468
Transfer to statutory reserve	1,864,046	-	1,864,046	(1,864,046)	-	(1,864,046)	-	-
Profit distribution	-	-	-	(8,914,800)	-	(8,914,800)	(8,914,800)	(19,665,000)
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	40,791,076	-	40,791,076	40,791,076	44,028,463
Closing balance	152,500,000	131,100,000	283,600,000	(176,760,884)	27,120,000	(149,640,884)	133,959,116	187,492,272

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, 2016

	Note	2016 Rupees	2015 Rupees
8. Surplus on revaluation of fixed assets			
Opening balance		582,729,663	647,477,404
Revaluation during the year			
Less: transfer to unappropriated profit in respect of incremental depreciation charged during the year- (net of deferred tax)		40,791,076	44,028,463
Related deferred tax liability		17,481,890	20,719,277
		58,272,966	64,747,740
Closing balance		524,456,697	582,729,664
Related deferred tax effect on			
Opening balance		186,473,492	227,336,511
Effect of rate adjustment		(11,654,593)	(20,143,742)
Less: incremental depreciation charged during the year transferred to the profit and loss account.		(17,481,890)	(20,719,277)
Closing balance		157,337,009	186,473,492
Net Closing balance		367,119,689	396,256,172
9. Long term financing			
<i>Secured - Financial institution</i>			
Habib Bank Limited - Demand Finance	9.1	5,250,000	12,250,000
The Bank of Punjab - Demand Finance	9.2	433,854,584	496,782,768
Habib Metropolitan Bank - Term Loan	9.3	10,118,000	-
		449,222,584	509,032,768
Less: Current portion shown under current liabilities	14	(69,302,406)	(69,928,184)
		379,920,178	439,104,584
9.1 Habib Bank Limited - Demand Finance			
Demand finance	9.1.1	5,250,000	12,250,000
		5,250,000	12,250,000
9.1.1 This finance is obtained for the construction of Grid Station and is secured against first pari passu hypothecation charge on present and future plant and machinery, first pari passu equitable mortgage charge on present and future land and building, equitable mortgage over personal property and personal guarantees of all the directors of the Company. This finance carries mark up at 6 month KIBOR plus 2% per annum payable on quarterly basis. The facility is repayable in 12 equal quarterly installments, commencing from July 2014.			
9.2 The Bank of Punjab			
Demand finance I	9.2.1	400,231,998	452,231,998
Demand finance II	9.2.2	33,622,586	44,550,770
		433,854,584	496,782,768
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, 2014 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. The accompanying suspended mark up was also rescheduled with the same facility.			
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 Habib Bank Limited. The loan was rescheduled on March 31, 2014 and the Company's old facilities of running finance and PAOA was merged with demand finance. This loan is repayable in 39 quarterly installments commencing from April 15, 2010.			
9.3 Habib Metropolitan Bank			
Term Loan	9.3.1	10,118,000	-
		10,118,000	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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 31, 2017.

10. Liability against asset subject to finance lease - Secured

	Note	2016 Rupees	2015 Rupees
Balance as at July 01		-	-
Additions during the year		1,460,000	-
<hr/>		1,460,000	-
Payments / Adjustments during the year		(181,877)	-
<hr/>		1,278,123	-
Less: Payable within one year shown under current liabilities		(401,751)	-
<hr/>		876,372	-

This represents finance leases entered into with financial institutions for vehicle. Financing rate of 9.50% 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:

	2016			2015		
	Upto one year	One to five years	Total	Upto one year	One to five years	Total
Minimum lease payments outstanding	502,224	962,620	1,464,844	-	-	-
Financial charges not due	(100,473)	(86,248)	(186,721)	-	-	-
Present value of minimum lease payments	401,751	876,372	1,278,123	-	-	-
Payable within one year shown under current liabilities	(401,751)	-	(401,751)	-	-	-
Total	-	876,372	876,372	-	-	-

11. Deferred mark up

Deferred markup		25,537,448	49,537,448
Less: Current portion shown under current liabilities		(25,537,448)	(24,000,000)
<hr/>		-	25,537,448

12. Deferred liabilities

Deferred taxation liability	12.1	182,886,708	200,753,466
Staff gratuity	12.2	2,934,768	2,655,484
<hr/>		185,821,476	203,408,950

12.1 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		93,596,808	101,220,233
Revaluation of operating fixed assets		157,337,009	186,473,492
Lease Rentals		47,263	-
<hr/>		250,981,080	287,693,725

Deferred tax assets

losses carried forward		(1,897,521)	-
turnover tax		(66,196,851)	(86,940,259)
<hr/>		182,886,708	200,753,466

12.2 Staff gratuity

		2,934,768	2,655,484
--	--	-----------	-----------



FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees			
12.2.1 <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, 2016 on October 03, 2016 using the Projected Unit Method.						
12.2.2 <i>Amount recognized in the balance sheet are as follow:</i>						
Present value of defined benefit obligation		2,934,768	2,655,484			
Fair value of plan assets		-	-			
Total defined benefit obligation		2,934,768	2,655,484			
12.2.3 <i>Movement in defined benefit obligation</i>						
Opening balance		2,655,484	1,556,255			
Charged for the define benefit plan						
Current service cost		288,015	168,971			
Net interest		258,910	206,204			
		546,925	375,175			
Remeasurement of defined benefit liability						
Due to financial assumptions		-	341,123			
Due to experience adjustments		(267,641)	382,931			
		(267,641)	724,054			
Benefits paid		-	-			
Closing balance		2,934,768	2,655,484			
12.2.4 <i>Actuarial assumptions</i>			<i>Rate per annum</i>			
Valuation discount rate		7.25%	9.75%			
Salary increase rate -Short term (period of next one year)		7.25%	9.78%			
Salary increase rate- long term		7.25%	9.75%			
12.2.5 <i>Sensitivity analysis of principal assumptions</i>		<i>Impact on obligation of change in assumptions</i>				
		<i>Change in assumption</i>	<i>Increase in obligation</i>			
Discount rate		1%	3,178,525			
Salary Increase rate		1%	2,698,426			
Withdrawal rate		10%	2,934,768			
Mortality age		1 Year	2,934,768			
12.2.6 Expected maturity analysis of undiscounted defined obligation for the gratuity scheme is as follows:						
At at June 30, 2016	Year 1	Year 2	Year 3	Year 4	Year 5	Over 5 years
Gratuity	43,114	144,625	40,319	180,944	41,537	4,934,095
12.2.7 Following risks are associated with Defined benefit plans:						
<u>Longevity risks:</u> The risk arises when the actual lifetime of retirees in longer than expectation. This risk is measured at the plan level over the entire retiree population.						
<u>Salary increase risk:</u> The most common type of retirement benefit is one where the benefit is linked with the final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.						
<u>Withdrawal risk:</u> The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of liability can go either way.						
12.2.8 The disclosure made in notes 12.2.5 to 12.2.7 are based on the information included in the actuarial valuation report of the Modaraba as of June 30, 2014.						
13. Short term borrowings						
<i>Secured - financial institutions (Running finance arrangements)</i>						
Habib Bank Limited - Pledge	13.1	99,748,468	18,166,501			
Habib Bank Limited - Hypothecation	13.2	9,904,700	-			
Habib Metropolitan Bank - Pledge	13.3	12,178,845	-			
Habib Metropolitan Bank - FIM	13.4	17,903,504	-			
		139,735,517	18,166,501			

FOR THE YEAR ENDED JUNE 30, 2016

- 13.1 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 + 125 basis points to be calculated on monthly basis. The total sanctioned limit is Rs. 250 million (2015: Rs. 250 million).
- 13.2 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. 10.000 million (2015: nil).
- 13.3 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. 234.000 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 (2015: nil).

	Note	2016 Rupees	2015 Rupees
14. Current portion of long term liabilities			
<i>Secured – financial institution</i>			
Bank of Punjab Demand Finance		62,928,184	62,928,184
Habib Bank Limited Demand Finance		5,250,000	7,000,000
Habib Bank Limited - Grid Station		1,124,222	-
	9	69,302,406	69,928,184
Liabilities against assets subject to finance lease	10	401,751	-
Deferred mark up	11	25,537,448	24,000,000
		95,241,605	93,928,184

15. Creditors, accrued and other liabilities			
Creditors	15.1	54,910,281	39,782,529
Accrued expenses		161,214,985	106,009,496
Charity		21,100	26,103
Payable to clients		1,007,564	16,277,252
Advance from customer		383,599	549,005
Rention money payables		3,172,446	3,172,446
Sale tax payable		155,655	1,536,392
Withholdolding tax payable		401,332	182,701
Workers Profit Participation Fund		-	2,741,637
Workers' Welfare Fund		2,506,308	2,553,375
Other liabilities	15.2	2,956,460	3,318,349
		226,729,731	176,149,285

- 15.1 This includes Rs. 13.214 million (2015: Rs. 13.214 million) due to associated undertakings.
- 15.2 This includes Rs 2,361,006 (2015 : Rs 4,829,780) payable to Premier Financial Services (Private) Limited

16. Accrued Mark Up			
Financial institutions		12,004,917	14,696,812
Sponsors		-	5,025,482
		12,004,917	19,722,294

17. 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. 29.06 million (2015: Rs. 25.60 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. 24.030 million (2015: Rs. 26.887 million).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

18. Tangible

Particulars	2016							
	Cost			Accumulated depreciation			Book value As at June 30, 2016	Rate %
	As at July 01, 2015	Addition / *Transfer	As at June 30, 2016	As at July 01, 2015	Charged during the year	As at June 30, 2016		
Rupees								
Owned								
Leasehold land	40,140,000	-	40,140,000	3,471,417	366,686	3,838,103	36,301,897	1
Factory building	307,432,912	-	307,432,912	123,765,898	18,366,701	142,132,599	165,300,313	10
Colony building	58,423,768	-	58,423,768	26,532,159	3,189,161	29,721,320	28,702,448	10
Plant & machinery	1,476,427,613	47,441,384	1,523,868,997	653,671,806	84,458,629	738,130,435	785,738,562	10
Gas generator	110,674,827	735,000	111,409,827	53,175,409	5,811,192	58,986,601	52,423,226	10
Electric installations	82,204,318	-	82,204,318	39,507,030	4,269,729	43,776,759	38,427,559	10
Office premises	20,848,634	776,160	21,624,794	7,336,317	1,059,611	8,395,928	13,228,866	5 & 10
Grid Station	23,809,569	8,370,123	32,179,692	198,413	2,789,764	2,988,177	29,191,515	
Office equipments	1,116,185	83,870	1,043,725	815,013	115,466	774,150	269,575	20
		(156,330)			(156,329)			
Factory equipment	4,719,915	237,505	4,957,420	2,159,065	275,877	2,434,942	2,522,478	20
Computers	2,050,905	160,899	2,055,729	1,342,759	263,464	1,450,155	605,574	33 & 20
		(156,075)			(156,068)			
Motor vehicles	18,855,440	7,358,279	21,951,877	11,152,140	2,192,635	9,732,852	12,219,025	20
		(4,261,842)			(3,611,923)			
Furniture & fixtures	1,201,234	-	1,201,234	813,884	38,733	852,617	348,617	20
Leased Vehicles	-	1,460,000	1,460,000	-	24,333	24,333	1,435,667	
2016	2,147,905,320	66,623,220 (4,574,247)	2,209,954,293	923,941,310	123,221,981 (3,924,320)	1,043,238,971	1,166,715,322	

Particulars	2015							
	Cost			Accumulated depreciation			Book value As at June 30, 2015	Rate %
	As at July 01, 2014	Addition / *Transfer	As at June 30, 2015	As at July 01, 2014	Charged during the year	As at June 30, 2015		
Rupees								
Owned								
Leasehold land	40,140,000	-	40,140,000	3,101,027	370,390	3,471,417	36,668,583	1
Factory building	301,838,785	5,594,127	307,432,912	103,562,816	20,203,082	123,765,898	183,667,014	10
Colony building	58,423,768	-	58,423,768	22,988,647	3,543,512	26,532,159	31,891,609	10
Plant & machinery	1,417,575,075	58,852,538	1,476,427,613	565,814,564	87,857,242	653,671,806	822,755,807	10
Gas generator	110,674,827	-	110,674,827	46,786,585	6,388,824	53,175,409	57,499,418	10
Electric installations	82,204,318	-	82,204,318	34,762,887	4,744,143	39,507,030	42,697,288	10
Office premises	20,848,634	-	20,848,634	6,296,110	1,040,207	7,336,317	13,512,317	5 & 10
Grid Station	-	23,809,569	23,809,569	-	198,413	198,413	23,611,156	
Office equipments	1,055,685	121,500	1,116,185	772,528	87,258	815,013	301,172	20
		(61,000)			(44,773)			
Factory equipment	4,719,915	-	4,719,915	1,874,526	284,539	2,159,065	2,560,850	20
Computers	1,760,945	397,300	2,050,905	1,225,526	224,570	1,342,759	708,146	33 & 20
		(107,340)			(107,337)			
Motor vehicles	17,005,948	3,136,000	18,855,440	10,701,385	1,652,702	11,152,140	7,703,300	20
		(1,286,508)			(1,201,948)			
Furniture & fixtures	1,201,234	-	1,201,234	717,048	96,836	813,884	387,350	20
2015	2,057,449,134	90,911,034 (1,454,848)	2,147,905,320	798,603,649	126,691,718 (1,354,058)	923,941,310	1,223,964,010	

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
18.1 Depreciation for the year has been allocated as follows:			
<i>Modaraba business</i>			
Administrative expense	18.2	1,960,327	1,562,986
<i>Textile Business</i>			
Cost of sale		119,897,849	120,924,411
Administrative expense		1,483,805	1,496,205
		123,341,981	123,983,602

18.2 This amount includes depreciation charge of Rs. 120,000 (2015: Rs 120,000) pertaining to investment property.

18.3 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		63,645,472	70,717,191
Colony building		10,767,111	11,963,457
Plant & machinery		357,940,025	347,424,099
Gas generator		23,230,976	25,063,584
Electric installations		16,750,297	18,611,441
Factory equipment		1,334,963	1,241,389
		473,668,844	475,021,161

19. Intangible	19.1	19,000,000	19,000,000
This represents Trading Right Entitlement certificates (TREC) received from Karachi Stock Exchanges Ltd and Islamabad Stock Exchanges Ltd after Demutualization.			

In Stock Exchange (Corporatization, Demutualization and Integration) Act 2012 the prerequisite for TREC holder to register as Broker should be a company as defined in Companies Ordinance, 1984. Our submission to SECP that Modaraba although not a company but being regulated under its auspices and a corporate legal entity, has not been accepted by the Regulators. Thereafter, we have requested our prime regulator, Registrar Modaraba to allow us to create a wholly owned subsidiary enabling us to protect and safe guard assets of the modaraba. The Registrar Modaraba did not understand our challenge and concern, we have left with no other option but to file a suit in the Honorable Sindh High Court and got a stay order against the cancellation of Broker registration.

After the integration of stock exchanges of Pakistan, the Registrar Modaraba have given us the permission to form wholly owned subsidiary companies and to transfer all brokerage related assets and liabilities to the new formed companies. The companies have been formed and the transfer of assets and liabilities are under process.

20. Investment property

2016								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2016	Rate %
	As at July 01, 2015	Transfer	As at June 30, 2016	As at July 01, 2015	Charged during the year	As at June 30, 2016		
Office premises	2,400,000	-	2,400,000	448,333	120,000	568,333	1,831,667	5

2015								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2015	Rate %
	As at July 01, 2014	Transfer	As at June 30, 2015	As at July 01, 2014	Charged during the year	As at June 30, 2015		
Office premises	2,400,000	-	2,400,000	328,333	120,000	448,333	1,951,667	5

21. Long term investments

Investment classified as available-for-sale financial assets

Listed securities	21.1	1,729,389	1,959,129
Unlisted securities	21.2	72,219,861	72,219,861
Preference Share	21.3	1,828,740	1,828,740
		75,777,990	76,007,730



FOR THE YEAR ENDED JUNE 30, 2016

21.1 Listed securities

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

2015 Number	2016 Number		Note	2016 Rupees	2015 Rupees
		<i>Open-end mutual funds</i>			
11,968	11,968	Dawood Income Fund (Unit of Rs. 100 each)	21.1.1	847,188	847,188
		<i>Fixed Line Telecommunication</i>			
42,000	42,000	Pakistan Telecommunication Company Limited		631,260	861,000
		<i>Financial Services</i>			
22,000	22,000	Javed Omer Vohra & Company Limited	21.1.1	41,800	41,800
		<i>Equity investment instruments</i>			
735,000	735,000	First Dawood Mutual Fund	21.1.1 & 21.1.2	209,141	209,141
				1,729,389	1,959,129

21.1.1 There was no trading on these scrips on June 30, 2016. Their last quoted /traded value is taken for valuation.

21.1.2 Investment was made at inception and the carrying value was Rs 5,145,000. SECP took action against the management and as a result the Trustee (Central Depository Company of Pakistan Limited) sold its investment and made the partial payment to share holders. The Modaraba recieved Rs 4,935,859 in this matter.

21.1.3 Unlisted securities

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

21.2	50,000	50,000	Sapphire Power Generation Limited		1,800,000	1,800,000
	4,007,383	4,007,383	Karachi Stock Exchange Ltd	21.2.1	40,073,830	40,073,830
	3,034,603	3,034,603	Islamabad Stock Exchange Ltd	21.2.2	30,346,030	30,346,030
	78,150	78,150	Callmate Telips Telecom Limited	21.2.2	1	1
				21.2.3	72,219,861	72,219,861

21.2.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 85.23 (2014: Rs. 69.72) as per financial statements as at June 30, 2015 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.

21.2.2 Net assets value per share of Pakistan Stock Exchange Ltd (Formerly Karachi Stock Exchange Limited) and ISE Towers REIT Management Company Limited (Formerly Islamabad Stock Exchange Ltd) is Rs. 9.98 (2015: Rs. 10.17) and Rs. 11.67 (2015: Rs. 11.10) as per financial statements as at June 30, 2016 audited by Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants and BDO Ebrahim & Company, Chartered Accountants respectively.

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

21.3 Preference Shares

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

	182,874	182,874	Mari Petroleum		1,828,740	1,828,740
					1,828,740	1,828,740

22. Store and spares

					27,533,130	29,440,537
					27,533,130	29,440,537

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
23. Stock-in-trade			
Raw material			
- in hand		159,818,869	114,992,056
Work in Process		7,623,217	6,812,613
Finished goods		108,230,618	92,917,728
		275,672,704	214,722,397
24. Trade debts			
Secured - considered good	24.1 & 24.2	31,644	619,908
Unsecured - considered good		66,703,480	92,922,766
		66,735,124	93,542,674
Unsecured - considered doubtful		9,821,888	9,565,353
Less: Provision for bad debts against local debtors		(9,821,888)	(9,565,353)
		-	-
		66,735,124	93,542,674
24.1 This comprises of amounts receivable from:			
Suraj Cotton Mills Limited		31,644	619,908
24.2 The aging of related party balances at the balance sheet date is as follows:			
Past due by over 60 days		31,644	619,908
25. Morabaha/Musharaka receivables-secured			
Musharaka - considered good	25.1	140,333,175	153,003,609
Morabaha - considered doubtful		17,380,055	17,380,055
		157,713,230	170,383,664
Provision for non performing assets		(17,380,055)	(17,380,055)
		140,333,175	153,003,609
25.1 The Modaraba has entered into musharaka agreements under which the Modaraba has provided funds for working capital requirements on profit and loss sharing basis. These are secured against pledge, hypothecation of stock and receivables, demand promissory notes, personal guarantee of directors / proprietors and mortgage of property. Expected rate of profit on musharaka transactions during the year range between 12% to 16% (2015: 12% to 16%).			
26. Short term investments			
Investments in associated company	26.1	23,355,780	26,979,617
<i>Investment classified as financial asset at fair value through profit or loss</i>			
Listed securities	26.2	101,100,114	97,882,927
		124,455,894	124,862,544
26.1 <i>Investments in associated company</i>			
The holdings are in ordinary shares of Rs. 10 each.			
2015	2016		
Number	Number		
964,151	1,205,581	Premier Insurance Limited	26,979,617
		Purchased of holding in associated company	1,432,025
		Share of (loss)/ profit	(4,051,212)
		Impairment in associated company	-
		Less: dividend income	(1,004,650)
			(10,685,020)
			(490,584)
			23,355,780
			26,979,617
26.2 <i>Listed securities</i>			
The holding is in ordinary shares/units of Rs. 10 each of listed companies, unless otherwise stated:			
		<i>Oil and Gas</i>	
20,850	5,700	Mari Petroleum Company Limited	5,176,854
10,000	32,200	Hascol Petroleum Company Limited	6,290,914
29,900	26,900	Oil & Gas Development Co Limited	3,714,083
-	31,000	Pakistan Refinery Limited	1,276,580
-	61,000	Sui Northern Gas Pipeline Limited	2,213,690
			9,770,310
			1,145,100
			5,359,276
			-
			-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

2015 Number	2016 Number	Note	2016 Rupees	2015 Rupees
-	35,000	Sui Southern Gas Pipeline Limited	963,550	-
49,800	400	Shell Pakistan Limited	116,084	12,597,408
		<i>Food</i>		
-	59,700	Engro Foods Limited	9,750,801	-
		<i>Chemicals</i>		
5,600	6,100	AkzoNobel Pakistan Limited	1,126,365	1,787,352
-	8,000	Engro Fertilizer Limited	515,840	-
-	57,500	Fauji Bin Qasim Limited	3,048,075	-
35,000	161,000	Ghani Global Gas Limited	2,914,100	655,900
2,600	3,500	ICI Pakistan Limited	1,557,570	1,115,062
135,000	685,000	Lotte Chemical Pakistan PTA Limited	4,116,850	934,200
-	2,000	Synthetic Product Limited	93,800	-
-	25,000	Sitara Peroxide Limited	453,750	-
16,000	16,000	Wah Noble Chemicals Limited	1,040,000	805,600
		<i>Construction and materials</i>		
285,000	536,000	Dewan Cement Limited	7,761,280	4,145,460
100,000	50,000	Fauji Cement Company Limited	1,790,000	3,487,000
2,000	2,000	Cherat Cement Company Limited	239,140	174,060
11,800	200	Lucky Cement Limited	129,702	6,131,516
-	322,500	Power Cement Limited	3,363,675	-
		<i>Transport</i>		
251,000	100,000	Pakistan International Bulk Terminals Limited	3,207,000	8,985,800
		<i>Personal goods</i>		
-	20,500	Nishat Mills Limited	2,211,950	-
		<i>Household goods</i>		
-	4,000	Ghani Glass Industries Limited	377,520	-
		<i>Pharma and biotech</i>		
8,650	-	IBL Healthcare Limited	-	986,100
-	13,500	GlaxoSmith Limited	2,795,985	-
22,500	3,200	The Searle Company Limited	1,715,680	7,215,525
		<i>Automobile and parts</i>		
33,800	-	Honda Atlas Car (Pakistan) Limited	-	7,391,384
-	13,900	Gandhara Nissan Limited	2,170,485	-
6,400	-	Pak Suzuki Limited	-	2,789,824
677,000	631,000	Ghani Automobile Limited	4,429,620	5,822,200
		<i>Fixed line telecommunication</i>		
595,500	709,500	Pakistan Telecommunication Company Limited	10,663,785	12,207,750
-	86,000	TRG Pakistan Limited	2,885,300	-
		<i>Cable & electrical goods</i>		
-	52,625	Pak Electron Limited	3,402,206	-
-	127,000	TPL Tracker Limited	1,596,390	-
		<i>Electricity</i>		
354,000	991,500	K-Electric Limited	7,991,490	2,973,600
		<i>Banks</i>		
137,500	-	Bank Islami Pakistan Limited	-	1,402,500
			101,100,114	97,882,927
27.	Advances - considered good			
		To employees	1,519,386	1,560,077
		To supplier of goods	51,977,194	36,769,364
		Against letter of credit	1,286,333	77,399
		Others	150,000	-
			54,932,913	38,406,840

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
28. Trade Deposits and Prepayments			
Deposits		14,772,665	14,772,665
Margin deposit		6,688,246	8,140,588
Prepayments		12,105,681	254,629
		33,566,592	23,167,882
29. Other Receivables			
Receivable from clients	29.1	20,415,949	24,061,246
Insurance claim	29.2	67,843	-
Dividend		21,575	168,217
Cotton claims		804,462	-
Others		952,853	2,689,078
		22,262,682	26,918,541
29.1 Receivable from clients			
Considered good		20,415,949	24,061,246
Considered doubtful		12,500,000	12,500,000
		32,915,949	36,561,246
Less: Provision for doubtful debts		(12,500,000)	(12,500,000)
		20,415,949	24,061,246
29.1.1 Movement in provision for doubtful debts			
Opening provision		12,500,000	12,500,000
		12,500,000	12,500,000
29.1.2 Receivable from client includes receivable from related parties of Rs. 1,203,270 (2015: 358,628)			
29.2 The amount is receivable from Premier Insurance Limited, an associated undertaking.			
29.3 All the amounts are short term. The carrying amount is considered a reasonable approximation of fair value.			
30. Tax refund from government authorities			
Sales tax refundable		5,015,361	7,390,259
Income tax refundable		20,916,444	13,596,987
		25,931,805	20,987,246
31. Taxation - Net			
Advance income tax		29,817,016	26,545,816
Less : Provision for taxation		(15,987,970)	(15,905,952)
		13,829,046	10,639,864
32. Cash and bank balances			
Cash in hand		725,000	822,513
Bank balances			
-in current accounts	32.1	5,943,905	12,516,728
-in Islamic bank		8,751,955	17,979,730
-In saving accounts		808,641	311,027
		16,229,501	31,629,998
32.1 Effective mark-up rate in respect of PLS accounts ranges from 2% to 7% (2015: 5% to 7%) per annum.			
33. Income			
Income from modaraba's business	33.1	30,364,140	34,252,047
Income from textile's business	33.2	27,106,712	166,510,216
		57,470,852	200,762,263



FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
33.1 <i>Income from modaraba's business</i>			
Profit on musharaka		17,479,567	17,756,838
Brokerage commission		1,776,585	2,852,129
Capital gain		4,279,537	5,829,234
Dividends		5,174,167	4,185,556
Rentals		1,320,000	1,200,000
Commission and fees		334,284	2,428,290
		30,364,140	34,252,047
33.2 <i>Income from textile's business</i>			
Sales			
- Local		2,005,008,654	2,084,515,879
- Exports		-	24,168,819
- Waste sales		60,076,379	53,889,255
		2,065,085,033	2,162,573,953
Less: Commission to selling agent		(50,683,000)	(48,791,241)
		2,014,402,033	2,113,782,712
Less: Cost of sale	33.3	(1,987,295,321)	(1,947,272,496)
		27,106,712	166,510,216
33.3 <i>Cost of sale</i>			
Raw material consumed	33.3.1	1,460,368,664	1,455,815,498
Store consumed		33,368,109	39,435,686
Packing material consumed		27,109,619	27,802,462
Salaries, wages and other benefits		137,947,229	120,461,073
Provident fund contribution		2,065,715	1,918,225
Fuel and power		203,910,772	185,293,975
Insurance		9,464,200	8,400,731
Repair & maintenance		6,251,352	5,896,843
Depreciation	18.1	119,897,849	123,632,528
Other manufacturing overheads		3,035,306	2,504,947
		2,003,418,815	1,971,161,968
Work in Process			
-opening stock		6,812,613	9,346,242
-closing Stock		(7,623,217)	(6,812,613)
Cost of goods manufactured		2,002,608,211	1,973,695,597
Finished goods			
-opening stock		92,917,728	66,494,627
-closing Stock		(108,230,618)	(92,917,728)
		1,987,295,321	1,947,272,496
33.3.1 <i>Raw material consumed</i>			
Opening stock		114,992,056	103,135,168
Purchased during the year		1,505,195,477	1,467,672,386
		1,620,187,533	1,570,807,554
Closing stock		(159,818,869)	(114,992,056)
		1,460,368,664	1,455,815,498
34. Operating expenses			
Salaries, allowances and benefits	34.1	15,736,356	13,189,261
Provident fund contribution		390,041	323,110
Traveling, conveyance and entertainment		1,227,749	862,703
Telephone and postage		937,583	1,106,801
Rent, rates and taxes		710,043	1,139,636
Electricity		485,480	408,737
Insurance		763,031	521,761
Printing, stationery and advertising		1,012,006	1,971,305
Fees and subscriptions		2,389,800	2,351,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Vehicle running and maintenance		2,305,045	2,168,709
Depreciation	18.1	3,444,131	3,179,190
Facilities and services		4,613,163	4,508,446
Repair and maintenance		3,012,231	1,334,055
Annual Review Meeting		106,303	91,382
Auditors' remuneration	34.3	642,776	431,802
Legal and professional		2,599,274	2,427,708
Shariah Advisor		150,000	150,000
Training and development		479,600	-
KSE & SECP Charges		422,336	721,206
Zakat		3,251	2,225
Withholding & CVT tax		531,774	2,194,607
Donation		6,158,334	5,333,334
Cartage expense		98,972	42,130
Preliminary expenses - net		747,860	-
Others		842,036	590,849
		49,809,175	45,050,873

34.1 *Remuneration of officers and other employees*

The aggregate amount charged in the consolidated financial statements for remuneration, including benefits to 511 (2015: 518) employees of the Modaraba is:

	2016		2015	
	Officers	Other Employees	Officers	Other Employees
Salaries and allowances	5,917,200	7,497,516	4,977,698	6,305,916
Gratuity and Leave fare	131,900	175,000	423,979	397,450
Expenses reimbursed: Medical	259,496	976,685	278,811	510,143
	6,308,596	8,649,201	5,680,488	7,213,509

34.2 Salaries, allowances and benefits include provision for gratuity of Rs. 546,925 (2015: Rs. 297,858). Officers are also provided with free use of Modaraba maintained cars.

34.3 *Auditor's remuneration*

Audit fee	486,806	310,000
Half yearly review	26,500	25,000
Other fees	129,470	96,802
	642,776	431,802

35. **Distribution and Selling Expenses**

Freight loading and unloading	15,967,881	15,466,841
Clearing & forwarding - exports	-	1,090,131
Export development charges	-	66,463
Pressing comber noil	446,422	316,624
	16,414,303	16,940,059

36. **Financial Charges**

Mark up / interest on :

Long term loan - secured	47,662,431	51,696,325
Short term loan & running finance - secured	11,199,875	11,874,437
Loan from directors	-	4,252,093
Finance Lease	9,975	-
Bank charges	3,059,189	3,669,645
	61,931,470	71,492,500



FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
37. Other income			
Profit on PLS deposits		311,026	445,256
Gain on sale of fixed assets		1,759,573	342,140
Interest income		780,432	1,164,129
Others		14,375	-
		<u>2,865,406</u>	<u>1,951,525</u>
38. Other charges			
Exchange loss - net		-	23,465
Provision for doubtful debts		256,535	1,721,890
Worker Welfare Fund		185,562	1,274,451
Workers Profit Participation Fund		-	2,741,637
		<u>442,097</u>	<u>5,761,443</u>

39. Taxation

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

Assessments, in respect of First Equity Modaraba, upto and including the tax year 2015 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.

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

(Loss) / Profit for the year		(85,223,870)	68,577,468
		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		(1.63)	1.31

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

41. Risk Management Policies and Objectives:*Financial risk management*

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

- Credit risk
- Liquidity risk
- Market risk

Credit and concentration risk

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

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

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

Investment	200,233,884	200,870,274
Trade debts	66,735,124	93,542,674
Morabaha/Musharaka receivables-secured	140,333,175	153,003,609
Advances-considered good	57,442,913	40,916,840
Trade deposits and prepayments	34,816,592	24,317,882
Other receivables	22,262,682	26,918,541
	<u>521,824,370</u>	<u>539,569,820</u>

FOR THE YEAR ENDED JUNE 30, 2016

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.

	2016			
	Less than One year	Over one year but less than five years	Over five years	Total
<i>Assets</i>				
Long term investments	-	75,777,990	-	75,777,990
Trade debts	66,735,124	-	-	66,735,124
Morabaha & musharaka receivables	140,333,175	-	-	140,333,175
Short term investments	124,455,894	-	-	124,455,894
Advances	54,932,913	-	2,510,000	57,442,913
Trade deposits	21,460,911	1,250,000	-	22,710,911
Other receivables	22,262,682	-	-	22,262,682
Bank balances	16,229,501	-	-	16,229,501
	446,410,199	77,027,990	2,510,000	525,948,190
<i>Liabilities</i>				
Security Deposit	-	200,000	-	200,000
Long term financing	94,839,854	379,920,178	-	474,760,032
Liabilities against asset subject to finance lease	401,751	876,372	-	1,278,123
Short term borrowings	139,735,517	-	-	139,735,517
Creditors, accrued and other liabilities	226,544,169	-	-	226,729,730
Accrued mark up	12,004,917	-	-	12,004,917
Unclaimed profit distribution	27,844,960	-	-	27,844,960
	501,556,729	380,996,550	-	882,553,279
Net balance	(55,146,529)	(303,968,560)	2,510,000	(356,605,089)

	2015			
	Less than One year	Over one year but less than five years	Over five years	Total
<i>Assets</i>				
Long term investments	-	76,007,730	-	76,007,730
Trade debts	93,542,674	-	-	93,542,674
Morabaha & musharaka receivables	153,003,609	-	-	153,003,609
Short term investments	124,862,544	-	-	124,862,544
Advances	38,406,840	-	2,510,000	40,916,840
Trade deposits	22,913,253	1,150,000	-	24,063,253
Other receivables	26,918,541	-	-	26,918,541
Bank balances	31,629,998	-	-	31,629,998
	491,277,459	77,157,730	2,510,000	570,945,189
<i>Liabilities</i>				
Security Deposit	-	200,000	-	200,000
Long term financing	93,928,184	439,104,584	-	533,032,768
Deferred Mark up	-	-	25,537,448	25,537,448
Short term borrowings	18,166,501	-	-	18,166,501
Creditors, accrued and other liabilities	176,149,285	-	-	176,149,285
Accrued mark up	19,722,294	-	-	19,722,294
Unclaimed profit distribution	27,618,316	-	-	27,618,316
	335,584,580	439,304,584	25,537,448	800,426,612
Net balance	155,692,879	(362,146,854)	(23,027,448)	(229,481,423)



FOR THE YEAR ENDED JUNE 30, 2016

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.

42. Fair value of financial instruments

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

42.1 *Financial Instruments by category*

	2016	2015
	Rupees	Rupees
<u>Financial assets</u>		
<i>Loans and receivables</i>		
Morabaha/Musharaka receivables	140,333,175	153,003,609
Trade debts	66,735,124	93,542,674
Advances	57,442,913	40,916,840
Trade deposits	22,710,911	24,063,253
Other receivables	22,262,682	26,918,541
Bank balances	16,229,501	31,629,998
<i>Financial assets at fair value through profit or loss</i>	124,455,894	124,862,544
Short term investments		
<i>Available-for-sale financial assets</i>		
Long term investments	75,777,990	76,007,730
	525,948,190	570,945,189
<u>Financial liabilities</u>		
Security Deposit	200,000	200,000
Long term financing	379,920,178	439,104,584
Liabilities against asset subject to finance lease	876,372	-
Short term loans	139,735,517	18,166,501
Deferred Mark up	-	25,537,448
Current portion of long term liabilities	95,241,605	93,928,184
Creditors, accrued and other liabilities	226,729,730	176,149,285
Accrued mark up	12,004,917	19,722,294
Unclaimed profit distribution	27,844,960	27,618,316
	882,553,279	800,426,612
On balance sheet gap	(356,605,089)	(229,481,423)

FOR THE YEAR ENDED JUNE 30, 2016

43. **Maturities of assets and liabilities**

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

	2016				Total
	Upto one month	Over one month to one year	Over one year to five years	Over five Years	
<i>Assets</i>					
Tangible assets	-	-	1,153,526,042	13,189,280	1,166,715,322
Intangible assets	-	-	-	19,000,000	19,000,000
Investment property	-	-	1,831,667	-	1,831,667
Long term investments	-	-	75,777,990	-	75,777,990
Stores and spares	-	27,533,131	-	-	27,533,131
Stock-in-trade	-	275,672,704	-	-	275,672,704
Trade debts	-	66,735,124	-	-	66,735,124
Morabaha & musharaka receivables	16,384,695	123,948,480	-	-	140,333,175
Short term investments	-	124,455,894	-	-	124,455,894
Advances	-	54,968,557	2,510,000	-	57,442,913
Trade deposits and prepayments	18,715,499	14,851,093	1,250,000	-	34,816,592
Other receivables	-	22,262,682	-	-	22,262,682
Tax refund from government authorities	-	39,760,851	-	-	39,760,851
Bank balances	16,229,501	-	-	-	16,229,501
	51,829,695	750,188,516	1,234,895,699	32,189,280	2,068,567,546
<i>Liabilities</i>					
Security Deposit	-	-	200,000	-	200,000
Long term financing	-	94,839,854	379,920,178	-	474,760,032
Liabilities against asset subject to finance lease	-	401,751	876,372	-	1,278,123
Deferred liabilities	-	-	185,821,477	-	185,821,477
Short term loan	-	139,735,517	-	-	139,735,517
Creditors, accrued and other liabilities	27,634,401	199,095,329	-	-	226,729,730
Accrued mark up	-	12,004,917	-	-	12,004,917
Unclaimed profit distribution	-	27,844,960	-	-	27,844,960
	27,634,401	473,736,767	566,818,027	-	1,068,374,755
Net balance	23,695,294	276,266,188	668,077,671	32,189,280	1,000,192,791
<i>Assets</i>					
Tangible assets	-	-	1,210,774,731	13,189,280	1,223,964,011
Intangible assets	-	-	-	19,000,000	19,000,000
Investment property	-	-	1,951,667	-	1,951,667
Long term investments	-	-	76,007,730	-	76,007,730
Stores and spares	-	29,440,537	-	-	29,440,537
Stock-in-trade	-	214,722,397	-	-	214,722,397
Trade debts	-	93,542,674	-	-	93,542,674
Morabaha & musharaka receivables	27,827,711	125,175,898	-	-	153,003,609
Short term investments	-	124,862,544	-	-	124,862,544
Advances	35,644	38,371,196	2,510,000	-	40,916,840
Trade deposits and prepayments	8,316,789	14,851,093	1,150,000	-	24,317,882
Other receivables	-	26,918,541	-	-	26,918,541
Tax refund from government authorities	-	31,627,110	-	-	31,627,110
Bank balances	31,629,998	-	-	-	31,629,998
	136,267,891	631,054,241	1,292,394,128	32,189,280	2,091,905,540
<i>Liabilities</i>					
Security Deposit	-	-	200,000	-	200,000
Long term financing	-	93,928,184	439,104,584	-	533,032,768
Deferred Mark up	-	-	-	25,537,448	25,537,448
Deferred liabilities	-	-	203,408,950	-	203,408,950
Short term loan	-	18,166,501	-	-	18,166,501
Creditors, accrued and other liabilities	27,634,401	148,514,884	-	-	176,149,285
Accrued mark up	-	19,722,294	-	-	19,722,294
Unclaimed profit distribution	-	27,618,316	-	-	27,618,316
	27,634,401	401,878,363	642,713,534	25,537,448	1,097,763,746
Net balance	108,633,490	229,175,878	649,680,594	6,651,832	994,141,794



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

44. Yield / Profit rate risk exposure

Description	Effective yield / profit risk	2016						2016 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	-	-	75,777,990	75,777,990	-	-	-	75,777,990
Trade debts	-	-	-	-	66,735,124	-	66,735,124	66,735,124
Morabaha / Musharakah receivables	12% to 16%	140,333,175	-	140,333,175	-	-	-	140,333,175
Short term investments	-	124,455,894	-	124,455,894	-	-	-	124,455,894
Advances	-	-	-	-	54,932,913	2,510,000	57,442,913	57,442,913
Trade deposits	-	-	-	-	21,460,911	1,250,000	22,710,911	22,710,911
Other receivables	-	-	-	-	22,262,682	-	22,262,682	22,262,682
Bank balances	5% to 7%	9,560,596	-	9,560,596	6,668,905	-	6,668,905	16,229,501
		274,349,665	75,777,990	350,127,655	172,060,535	3,760,000	175,820,535	525,948,189
<i>Financial Liabilities</i>								
Security deposit		-	200,000	200,000	-	-	-	200,000
Long term financing		94,839,854	379,920,178	474,760,032	-	-	-	474,760,032
Liabilities against assets subject to finance lease		401,751	876,372	1,278,123	-	-	-	1,278,123
Short term loan		139,735,517	-	139,735,517	-	-	-	139,735,517
Creditor, accrued and other liabilities		-	-	-	238,734,647	-	238,734,647	238,734,647
Unclaimed profit distribution		-	-	-	27,844,960	-	27,844,960	27,844,960
		234,977,122	380,996,550	615,773,672	226,579,607	-	266,579,607	882,553,279
On balance sheet gap		39,372,543	(305,218,560)	(265,646,018)	(94,519,072)	3,760,000	(90,759,071)	(356,605,089)

- 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	2015						2015 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	-	-	76,007,730	76,007,730	-	-	-	76,007,730
Trade debts	-	-	-	-	93,542,674	-	93,542,674	93,542,674
Morabaha / Musharakah receivables	12% to 20%	153,003,609	-	153,003,609	-	-	-	153,003,609
Short term investments	-	124,862,544	-	124,862,544	-	-	-	124,862,544
Advances	-	-	-	-	38,406,840	2,510,000	40,916,840	40,916,840
Trade deposits	-	-	-	-	22,913,253	1,150,000	24,063,253	24,063,253
Other receivables	-	-	-	-	26,918,541	-	26,918,541	26,918,541
Bank balances	5% to 7%	18,290,757	-	18,290,757	13,339,241	-	13,339,241	31,629,998
		296,156,910	76,007,730	372,164,640	195,120,549	3,660,000	198,780,549	570,945,189
<i>Financial Liabilities</i>								
Security deposit		-	200,000	200,000	-	-	-	200,000
Long term financing		-	439,104,584	439,104,584	-	-	-	439,104,584
Short term loan		18,166,501	-	18,166,501	-	-	-	18,166,501
Current portion of long term liabilities		93,928,184	-	93,928,184	-	-	-	93,928,184
Creditors, accrued and other liabilities		-	-	-	195,871,579	25,537,448	221,409,027	221,409,027
Unclaimed profit distribution		-	-	-	27,618,316	-	27,618,316	27,618,316
		112,094,685	439,304,584	551,199,269	223,489,895	25,537,448	249,027,343	800,426,612
On Balance Sheet Gap		184,062,225	(363,296,854)	(179,034,629)	(28,369,346)	(21,877,448)	(50,246,794)	(229,481,423)

FOR THE YEAR ENDED JUNE 30, 2016

45. Segment information

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

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

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

	2016						2015
	Musharakah Facility	Brokerage Operation	Capital Markets	Textile Business	Others	Total	Total
Rupees							
Segment Revenues	17,479,567	2,110,869	9,453,704	2,014,402,033	2,865,406	2,046,311,579	2,148,786,284
Segment Result	17,479,567	(4,027,927)	9,351,761	27,106,712	2,865,406	52,775,519	193,856,567
Unallocated Cost							
Operating expenses						(42,248,435)	(36,193,652)
Distribution & Selling expenses						(16,414,303)	(16,940,059)
Financial Charges						(61,931,470)	(71,492,500)
Other Charges						(442,097)	(5,761,443)
Management fee with Service Sale Tax						-	(1,511,431)
Impairment in associated company						-	(10,685,020)
Share of (loss) / profit in associated company						(4,051,212)	3,073,446
(Loss) / Profit before taxation						(72,311,998)	54,345,908
Taxation						(13,097,433)	14,231,560
Profit for the year						(85,409,432)	68,577,468
Other information							
Segment assets	140,333,175	44,756,977	145,433,944	1,607,162,430	-	1,937,686,526	1,997,372,443
Unallocated assets	-	-	-	-	-	130,881,019	94,533,097
Total assets	140,333,175	44,756,977	145,433,944	1,607,162,430	-	2,068,567,545	2,091,905,540
Segment liabilities	-	1,603,019	-	1,014,886,702	-	1,016,489,721	959,051,423
Unallocated liabilities	-	-	-	-	-	51,885,035	44,784,139
Total liabilities	-	1,603,019	-	1,014,886,702	-	1,068,374,756	1,003,835,562
						1,000,192,789	1,088,069,978

46. Transactions with related parties

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

	2016 Rupees	2015 Rupees
46.1 <i>Balance outstanding at year end</i>		
Modaraba Management Company		
- Current account payable	2,361,006	4,829,780
Receivable from Associated	349,099	418,367
Other related parties (other than key management personnel)		
- Deferred liability staff gratuity	2,934,768	2,655,483
- Brokerage house clients receivables	6,309	358,712
- Receivables	31,644	-
- Insurance claim receivable	67,843	-
- Trade and other payable	13,214,702	-
- Loan and advances	30,239,341	-
- Accrued markup - Directors	-	-



FOR THE YEAR ENDED JUNE 30, 2016

		2016 Rupees	2015 Rupees
46.2	<i>Transactions during the year</i>		
	<i>Relationship</i>		
	Modaraba Management Company		
	- Reimbursement	4,957,611	4,508,446
	Other related parties (including key management personnel)		
	- Contribution to staff gratuity fund	279,285	375,175
	- Remuneration and other benefits	-	3,876,656
	Donation	3,333,333	3,333,333
	Purchase of shares	1,432,877	10,700,000
	Services acquired	511,695	227,412
	Brokerage commission earned	516,203	476,623
	Purchases of goods and services	58,795,416	11,814,192
	Sales of goods and services	63,957	676,918
	Services rendered	15,231,397	16,269,611
	Reimbursement	-	-
	Contribution towards employees	2,455,756	2,241,335
	Profit on Subordinated loan from Sponsor	4,605,200	4,252,093

47. Number of employees

Total number of employees of the Modaraba as at June 30, 2016 are 511 (2015: 518)

48. Authorization for issue

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 07, 2016.

48.1 The Board of Directors of the Management Company has approved dividend at the rate of Re. 0.13 per certificate (2015: Re. 0.17 per certificate) for the year ended June 30, 2016, resulting in a total distribution of profit amounting to Rs. 6,817,200/- (2015: Rs. 8,914,800/-), in its meeting held on October 07, 2016, which is more than 90% of the net profit for the year ended June 30, 2016, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations.

49. General

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

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

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

بھی روانگی کا انکشاف سالانہ رپورٹ میں کیا گیا ہے۔

ای۔ سال بھر اندرونی کنٹرول نظام کو تسلسل سے لاگو کیا گیا اور مؤثر طریقے سے عملدرآمد کرایا گیا اور مزید بہتری کیلئے نگرانی کی گئی۔

ایف۔ جاری تشویش کے سلسلے میں مضاربہ کی اہلیت سے متعلق کوئی شبہ نہیں ہے۔

جی۔ اسٹاک آپیکس کے درج قواعد میں دی گئی تفصیلی کارپوریٹ حکمرانی کی بہترین پریکٹسز میں سے کوئی جز ترک نہیں کیا گیا ہے۔

شیئر ہولڈنگ کا نمونہ منسلک ہے۔

کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

اسٹاف ریٹرنمنٹ کے فوائد۔

مضاربہ کے سروس قوانین مستقل ملازمین کو بے سرمایہ خدمت اجرا اسکیم فراہم کرتے ہیں۔

آڈیٹرز

موجودہ آڈیٹرز میسرز بیکرٹلی محمود ادریس قمر، چارٹرڈ اکاؤنٹنٹس نے اپنی تقرری کی رضامندی ظاہر کی ہے۔ بورڈ نے رجسٹرار مضاربہ کی طرف

سے انکے نام کی منظوری کیلئے سفارش کی ہے۔

اعتراف

ہم اپنے ملازمین کی مکمل جانفشانی کے ساتھ سخت محنت کا اعتراف کرتے ہیں اور اپنے کاروباری ساتھیوں، کلائنٹس اور مالیاتی اداروں کے

اعتماد اور حمایت کے شکر گزار ہیں۔ ہم اپنے ریگولیٹرز کی جانب سے ملنے والی رہنمائی اور تعاون کو بھی سراہتے ہیں۔ انہوں نے ہماری

مکمل حمایت اور اصلاحات کی کوششوں میں نیک خواہشات فراہم کیں۔

عادل عبدالغفار

چیف ایگزیکٹو آفیسر

کراچی

تاریخ: 17 اکتوبر 2016

ETL کی قدر 30 جون 2015 میں 28.29 تھی جو گھٹ کر جون 2016 میں 25.06 ہو گئی ہے۔ ٹیکسٹائل سیکٹر میں بحران کے سبب برآمدات کے آرڈرز میں کمی اور طلب گرگئی، ETL نے گزشتہ سال کے منافع Rs.65.28 ملین کے عوض (88.54) ملین کے خسارے کو فی حصص مساوی (3.54) Rs. کے مقابلے میں فی حصص آمدن Rs.2.61 تھا۔

رواں برس، رجسٹرڈ مضاربہ نے بروکریج اور متعلقہ کاروبار کے لئے دو مکمل ملکیتی ماتحت اداروں کے قیام کی اجازت دی۔ دو مکمل ملکیتی ماتحت ادارے تشکیل دیئے گئے ہیں اور اثاثوں اور واجبات کی منتقلی کا عمل جاری ہے۔

SCSAM کی ضرورت کے تحت، فرسٹ ایکویٹی مضاربہ کے مالیاتی لین دین کا جائزہ، جانچ اور آڈٹ آزاد شریعت ایڈوائزر سے کرایا گیا جس کی رپورٹ منسلک ہے۔

بورڈ آف ڈائریکٹرز

رواں برس، چار بورڈ میٹنگ منعقد ہوئے جس میں درج ذیل ڈائریکٹرز نے شرکت کی۔

بورڈ ممبر کے نام	اجلاس میں شرکت
۱- زاہد بشیر	4
۲- ندیم مقبول	4
۳- عادل عبدالغفار	4

کاروباری حکمرانی کے ضابطے

جیسا کہ گزشتہ برسوں کی رپورٹس میں بتایا گیا ہے کہ بورڈ نے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے جاری کردہ کاروباری حکمرانی کے ضابطے کو اپنانے کا فیصلہ کیا اور درج قواعد کا حصہ بھی بنایا۔

تمام سرگرمیاں اسٹاک ایکسچینج کے درج قواعد کے مطابق منعقد کی جاتی ہیں۔ وٹن اور مشن اسٹیٹمنٹس، کورویلیوز اور کوڈ آف کنڈکٹ تیار کئے گئے اور بورڈ کی منظوری کے بعد ملازمین کو اس متعلق مطلع کیا گیا۔ کاروباری حکمرانی کے مطلوبہ کوڈ کے تحت اہم پالیسیاں بنائی گئی ہیں اور بورڈ کی جانب سے وقفے وقفے سے ان پر نظر ثانی بھی کی جاتی ہے۔

کاروباری حکمرانی کے مطلوبہ کوڈ کے تحت، ڈائریکٹرز کی رپورٹ درج ذیل ہے۔

اے۔ اپنے آپریشن، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کے نتیجے میں، مضاربہ کی انتظامیہ کی جانب سے تیار کردہ فنانشل اسٹیٹمنٹس اسکی منصفانہ اور اسٹیٹ آف افیئرز کو پیش کرتے ہیں۔

بی۔ مضاربہ کھاتوں کی کتابوں کو مناسب برقرار رکھا گیا ہے۔

سی۔ فنانشل اسٹیٹمنٹس اور اکاؤنٹنگ اسٹیٹمنٹس کی تیاری میں مناسب اور دانشمندانہ فیصلوں کی بنیاد پر مناسب اکاؤنٹنگ پالیسیوں کو

تسلسل سے اطلاق کیا گیا ہے۔

ڈی۔ فنانشل اسٹیٹمنٹس کی تیاری میں پاکستان میں رائج بین الاقوامی مالیاتی رپورٹنگ معیارات (IFRS) کی پیروی کی گئی ہے اور کسی

آڈیٹرز کی قابلیت

آڈیٹرز نے بعض بین الاقوامی اکاؤنٹنگ کے معیارات کی عدم تعمیل پر اپنی رائے دی مارکیٹ سیکورٹیز اور مناسب قدر کرنے کی لاگت کو ایڈجسٹ کرنے سے متعلق کسی بھی منافع نقصان کی مد میں لی جانے والی رقم رچارجز منافع اور خسارہ اکاؤنٹ سے لی جانی چاہئے۔

آڈیٹرز کی اس رائے کو تسلیم نہ کرنے کے ہمارے اصولی موقف کی وجہ یہ حقائق تھے، پہلا، یہ کہ ہم توقع کرتے ہیں کہ یہ نقائص مستقل نوعیت کے نہیں ہیں۔ دوسرا، یہ کہ ہماری صنعت اس تصور پر قائم کی گئی تھی کہ سالانہ جو بھی آمدنی ہوگی اس میں سے ادا کیا جائیگا۔ ہمارے ریگولیٹرز نے اس امر کو یقینی بنایا کہ انکم ٹیکس چھوٹ مضاربہ سٹریٹجیک ہولڈرز میں نقد ڈیویڈنڈ کی شکل میں سالانہ منافع کا 90 فیصد تقسیم کیا جائے۔ لہذا مناسب قدر کی لاگت کو ایڈجسٹ کرنا سرمائے یا لاگت کی وصولی پر نفع وصولی کی تقسیم کرنے کے مترادف ہوگا۔

آڈیٹرز نے ٹریڈنگ رائٹ اسٹھاق سٹریٹجیک (ٹی آرای سی) کی قدر اور کراچی اسٹاک ایکسچینج لمیٹڈ (کے ایس ای ایل) اسلام آباد اسٹاک ایکسچینج لمیٹڈ (آئی ایس ای ایل) اور پاکستان اسٹاک ایکسچینج لمیٹڈ (پی ایس ای ایل) کے حصص پر بھی انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کی تیکنیکی رائے کی بنیاد پر اپنی کوالیفائی رپورٹ دی، تاہم ہم آڈیٹرز کی رائے سے اتفاق نہیں رکھتے۔

۱۔ سیکورٹی ایکسچینج کمیشن آف پاکستان کی مشاورت سے بنیادی سرمائے کے مقصد کیلئے ٹریڈنگ رائٹ اسٹھاق سٹریٹجیک (ٹی آرای سی) کو Rs.15 M کراچی اسٹاک ایکسچینج لمیٹڈ (کے ایس ای ایل) اور اسلام آباد اسٹاک ایکسچینج لمیٹڈ (آئی ایس ای ایل) کو Rs.4 M دی گئی۔

۲۔ PSX اور ISE REIT کے حصص

1949 میں قائم ہوا پاکستان اسٹاک ایکسچینج لمیٹڈ (پی ایس ایکس) سابقہ کراچی اسٹاک ایکسچینج لمیٹڈ (کے ایس ای ایل) پاکستان کا سب سے بڑا اور سب سے زیادہ لیکویڈ ایکسچینج ہے۔ سال 2002 میں اس کو دنیا کا بیسٹ پرفارمنگ اسٹاک مارکیٹ قرار دیا گیا تھا۔ 559 سے زیادہ درج کمپنیز کے ساتھ، 7.59 ٹریلیئن مارکیٹ کاروباری تخمینے اور 1.289 ٹریلیئن سے زائد درج سرمائے کی حامل، اوسطاً 4.62 بلین ماہانہ ٹرن اوور کے حصص کے ساتھ۔ سال کے اختتام پر کے ایس ای ایل 100 انڈیکس 37784 پوائنٹس تھا۔ برائے سال ختمہ 30 جون 2016 آڈٹ شدہ اکاؤنٹس کے مطابق فی حصص بریک اپ قدر Rs.9.98 تھی۔

REIT ISE مینجمنٹ لمیٹڈ سابقہ اسلام آباد اسٹاک اسٹاک ایکسچینج لمیٹڈ (ISEL) اسلام آباد میں 1989 میں تشکیل دیا گیا۔ اسٹاک ایکسچینجز کے ڈی میوچلر ایزیشن کے نتیجے میں ایک نو تشکیل شدہ کمپنی ISE-REIT وجود میں آئی۔ برائے سال ختمہ 30 جون 2016 آڈٹ شدہ اکاؤنٹس کے مطابق فی حصص بریک اپ قدر Rs.11.67 تھی۔

ہماری کارکردگی اور مستقبل کے امکانات

رواں برس اسٹاک مارکیٹ میں اہم گردش کے ساتھ تیزی کا رجحان جاری ہے۔ صرف شریعہ کمپنی میں سرمایہ کاری کے باوجود ہماری کارکردگی تسلی بخش ہے۔

مضاربہ کمپنی کے ڈائریکٹرز کی رپورٹ

پری میئر فنانشل سروسز (پرائیویٹ) لمیٹڈ کے ڈائریکٹرز، فرسٹ ایکویٹی مضاربہ (ایف ای ایم) کی مینجمنٹ کمپنی اپنی رپورٹ اور مضاربہ کے آڈٹ شدہ فنانشل اسٹیٹمنٹس اور ساتھ ہی مضاربہ اور اسکے ایک مکمل ملکیتی ماتحت اداروں ایکویٹی ٹیکسٹائل لمیٹڈ، کیپٹل فنانشل سروسز (پرائیویٹ) لمیٹڈ اور ایکس فنانشل سروسز (پرائیویٹ) لمیٹڈ کے مشترکہ مالیاتی اسٹیٹمنٹس برائے سال ختمہ 30 جون 2016 انتہائی مسرت سے پیش کر رہی ہے۔

مالیاتی نتائج

گزشتہ سال کے منافع فی سرٹیفکیٹ Rs.0.22 کے مقابلے میں فی سرٹیفکیٹ Rs.0.173 کے مطابق آمدن فراہمی میں گزشتہ سال کیلئے Rs.11.40 کروڑ کے مقابلے میں سال کیلئے منافع Rs.9.09 لاکھ کی ترسیلات۔ سرٹیفکیٹ فی قدر بریک اپ گزشتہ سال Rs.12.03 بعوض Rs.11.93 کی ترسیلات۔

خوش آئند اقدام کے طور پر مضاربہ مینجرز نے مضاربہ کے منافع سے مینجمنٹ فیس راجرت نہ لینے کا فیصلہ کیا ہے۔

روپے	آمدنی
30,364,140	آمدنی
	خرچ
(21,362,914)	آپریٹنگ خرچ
(38,641)	بینک چارجز
(21,401,555)	
8,862,585	آپریٹنگ منافع
315,518	دیگر منافع
9,278,103	
(185,562)	کارکن ویلفیئر فنڈ کیلئے فراہمی
9,092,541	منافع برائے سال
0.173	فی سرٹیفکیٹ آمدن

ڈیویڈنڈ کی تقسیم

ڈائریکٹرز نے اپنی میٹنگ منعقدہ 07 اکتوبر 2016 برائے سال ختمہ 30 جون 2016 میں سرٹیفکیٹ فی نقد ڈیویڈنڈ

Rs.0.13 (1.3%) کا اعلان کیا جو 2015 میں Rs.0.17 (1.70%) تھا۔

منافع کی تقسیم کے استحقاق کیلئے سرٹیفکیٹ حصص کی منتقلی کی کتابیں بروز جمعہ 18 نومبر 2016 تا بروز منگل 29 نومبر 2016 (بشمول دونوں ایام) بند رہیں گی۔