

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

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

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FIRST EQUITY MODARABA CORPORATE INFORMATION

Modaraba Company
Premier Financial Services (Private) Limited

Board of Directors

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

Audit Committee

Zahid Bashir
Nadeem Maqbool

Registered and Business Office

Room No. 503 - 504
5th Floor,
Karachi 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

Avais Hyder Liaquat Nauman
Chartered Accountants
407, Progressive Plaza,
Beaumont Road, Karachi-75530
Tel: 92-21-35655975-6,
35656082
Fax: 92-21-35655977

Bankers

Bank Al-Habib Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan.
NIB Bank Ltd.
The Bank of Khyber.
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 2006	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012	June 2013	June 2014	June 2015
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	48,096	52,986	75,573	75,689	74,975	75,156	81,834	110,463	115,035	117,529
Revaluation Reserve on Investments	(52,331)	(7,747)	(25,780)	(55,625)	(51,554)	(36,738)	(43,147)	(7,355)	(13,150)	(20,170)
Deferred liabilities	649	939	1,109	1,006	1,397	(1,607)	1,832	2,092	1,556	2,655
Creditors, accrued expenses and other liabilities	49,450	32,198	36,068	17,187	9,889	21,422	8,784	6,139	11,857	24,657
Profit Distribution	-	13,110	-	-	-	-	-	-	19,665	8,914
Unclaimed Profit Distribution	25,617	25,533	26,375	26,361	26,354	26,262	26,082	26,003	25,967	27,618
Provision for taxation	-	-	1,400	1,486	1,486	1,547	3,773	3,773	-	-
	595,881	641,419	639,115	590,504	586,947	613,656	603,558	665,515	686,345	685,603
Tangible Assets	4,653	12,460	16,965	15,189	19,051	18,580	19,131	19,234	17,849	17,377
Intangible Assets	13,633	43,362	58,551	58,551	53,051	53,051	53,051	19,000	19,000	19,000
Deferred Costs	1,933	1,288	858	492	-	-	-	-	-	-
Investments	286,485	297,036	309,231	290,805	295,237	292,584	307,017	373,192	431,784	423,890
Morabaha/Musharakah Receivables	83,127	55,655	92,001	118,590	124,755	132,542	137,621	150,039	159,320	153,003
Advances, deposits, prepayments & other receivables	114,437	115,461	108,651	96,184	74,670	59,642	52,954	54,475	48,501	52,048
Cash and Bank balance	91,613	116,157	52,858	10,756	20,183	57,257	33,784	49,575	9,889	20,285
	595,881	641,419	639,115	590,504	586,947	613,656	603,558	665,515	686,345	685,603
PROFIT & LOSS ACCOUNT										
Income / (Loss)	(168,002)	40,248	28,606	23,612	29,256	18,423	30,393	53,722	46,938	34,684
Operating expenses	(31,042)	(20,439)	(21,041)	(20,967)	(16,148)	(16,567)	(20,500)	(25,093)	(22,242)	(21,775)
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)	-	-	-	-	(989)	-	(3,307)	(1,511)
Taxation	(3,749)	-	(198)	(200)	(123)	(60)	(2,226)	-	-	-
Profit / (loss) for the year	(202,793)	17,999	7,367	146	(714)	181	6,678	28,629	24,696	11,398
Cash Distribution	-	2.5%	-	-	-	-	-	-	3.75%	1.70%
Earnings per certificate	(3.87)	0.34	0.14	0.003	(0.014)	0.003	0.127	0.546	0.471	0.217
Breakup value	9.91	11.11	10.95	10.57	10.45	10.73	10.74	11.97	12.33	12.03

PATTERN OF HOLDING OF CERTIFICATES BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2015

Number of Certificate Holders	Certificate Holding From	To	Total Certificates Held
1,842	1	100	103,282
1,048	101	500	265,871
1,130	501	1,000	777,540
744	1,001	5,000	1,695,532
167	5,001	10,000	1,296,057
70	10,001	15,000	918,853
30	15,001	20,000	553,245
17	20,001	25,000	389,739
27	25,001	30,000	742,978
10	30,001	35,000	334,917
6	35,001	40,000	223,779
5	40,001	45,000	208,280
15	45,001	50,000	729,852
8	50,001	55,000	420,110
7	55,001	60,000	405,872
3	60,001	65,000	183,550
4	65,001	70,000	263,620
1	70,001	75,000	74,100
3	75,001	80,000	236,217
2	80,001	85,000	165,334
3	90,001	95,000	279,041
3	95,001	100,000	300,000
3	100,001	105,000	303,483
1	105,001	110,000	107,200
3	110,001	115,000	338,140
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
1	135,001	140,000	137,500
4	145,001	150,000	593,356
1	150,001	155,000	152,812
1	155,001	160,000	159,516
1	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
1	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
1	310,001	315,000	310,426
1	315,001	320,000	320,000
1	335,001	340,000	337,500
2	340,001	345,000	688,000
1	380,001	385,000	383,050
1	400,001	405,000	401,233
1	405,001	410,000	405,835
1	410,001	415,000	411,184
1	415,001	420,000	420,000
1	425,001	430,000	429,000
1	625,001	630,000	627,000
1	795,001	800,000	795,198
1	1,010,001	1,015,000	1,014,038
1	1,025,001	1,030,000	1,026,500
1	1,115,001	1,120,000	1,116,000
1	1,155,001	1,160,000	1,156,500
1	1,195,001	1,200,000	1,196,500
1	1,280,001	1,285,000	1,282,955
1	1,320,001	1,325,000	3,218,042
1	1,705,001	1,710,000	1,707,135
1	2,495,001	2,500,000	2,500,000
1	3,095,001	3,100,000	3,100,000
1	3,435,001	3,440,000	3,436,197
1	5,240,001	5,245,000	5,244,000
1	5,925,001	5,930,000	5,925,784
TOTAL	5,208		52,440,000

PATTERN OF HOLDING OF CERTIFICATES BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2015

Categories of Certificate Holders	Number of Certificate Holders	Certificates Held	Percentage %
DIRECTORS, CEO & CHILDREN	11	705,745	1.35
ASSOCIATE COMPANIES	4	203,912	0.39
NIT & ICP	2	1,700	0.01
BANKS, DFI & NBFI	6	1,755,187	3.35
INSURANCE COMPANIES	5	2,349,909	4.48
MODARABAS & MUTUAL FUNDS	6	489,631	0.93
GENERAL PUBLIC (LOCAL)	3,961	34,699,953	66.17
GENERAL PUBLIC (FOREIGN)	1,171	1,132,933	2.16
OTHERS	42	11,101,030	21.16
TOTAL	5,208	52,440,000	100

DIRECTORS, CEO AND OTHER SPOUSE AND MINOR CHILDREN

Zahid Bashir	19,500
Nazia Maqbool	144,660
Ambreen Zahid Bashir	202,262
Nadeem Maqbool	152,356



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 Karachi Stock Exchange Limited, the Chapter XIII of Listing Regulations of Lahore Stock Exchange Limited and Chapter XI of Listing Regulations of the Islamabad 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 and head of internal audit for which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

On behalf of the Board

October 9, 2015
Karachi

Adil A Ghaffar
Chief Executive Officer

REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

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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 Equity Textiles Limited, a wholly owned subsidiary, for the year ended June 30, 2015.

Financial Results

The profit for the year amounted to Rs. 11.40 million as compared to Rs 24.7 million for the last year translated in an earning per certificate of Rs. 0.22 as compared to Rs. 0.47 last year. Break-up value per certificate amounted to Rs. 12.03 against Rs. 12.33 last year.

	<i>Rupees</i>
Income	34,252,047
Expenses	
Operating Expenses	(21,538,416)
Bank Charges	(2,688)
	<u>(21,541,104)</u>
Operating profit	12,710,943
Other Income	431,953
	<u>13,142,896</u>
Management remuneration	(1,314,288)
Service sale tax on Management remuneration	(197,143)
	<u>11,631,465</u>
Provision for Worker Welfare Fund	(232,629)
Profit for the year	<u><u>11,398,836</u></u>
Earning per Certificate	<u><u>0.22</u></u>

Dividend Distribution

The directors are pleased to announce cash dividend of Rs. 0.17(1.70%) per certificate {2014: Rs. (3.75%) 0.375} in its meeting held on October 08, 2015 for the year ended June 30, 2015.

The Certificate Share Transfer Book for the entitlement of profit distribution will remain closed from Saturday, November 14, 2015 to Thursday, November 26, 2015 (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) 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 KSEL/ISEL
KSE 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 560 listed companies, market capitalization of Rs 7.4 trillion and having listed capital of more than Rs. 1.189 trillion, average monthly turnover of 4.7 billion shares. At the year end the KSE-100 Index was 34,399 points. Break-up value per share was Rs. 10.17 as per the audited accounts of KSEL for the year ended June 30, 2015;
ISE incorporated in 1989 in Islamabad. With 273 listed companies, market capitalization of Rs. 5.669 trillion and having listed capital of more than Rs 902 billion, total volume traded was Rs. 25.8 million shares. At the year end the ISE Index was 3,595 points. Break Up value per share was Rs. 11.10 as per the audited accounts of ISEL for the year ended June 30, 2015;

Our Performance and Future Prospects

Alhamdulillah, our profit for the year as reflected in our financial statements is Rs. 11.4 m. Musharakah investment portfolio was stable. During the year stock market was volatile and saw some major fluctuation. Our performance despite restrictions on investments in Shariah compliant scrips only, is cause for satisfactory.

ETL's book value increased from Rs. 24.66 in June 2014 to Rs. 28.29 in 2015. ETL was able to realize profit of Rs. 65.28 million as against Rs. 74.6 million translated into an earning per share (EPS) of Rs. 2.61 from Rs 2.98 last year.

As highlighted earlier, the practical difficulties in complying with Stock Exchange (Corporatization, Demutualization and Integration) Act 2012, as this Act restricts TREC to companies only, as defined in Companies Ordinance, 1984. Our submission to SECP that Modaraba being



REPORT OF THE DIRECTORS OF THE MODARABA COMPANY

regulated under its auspices and being a corporate legal entity, be considered as company for the purposes of this Act has not been accepted by the Regulators. Thereafter, we requested our prime regulator, Registrar Modaraba (RM) to allow us to create a wholly owned subsidiary company enabling us to protect and safe guard assets of the modaraba. Even though there is a precedent of FEM holding a wholly owned subsidiary (ETL), RM rejected our request. Thus having no other option, FEM filed a suit in the Honorable High Court of Sindh on April 20 2013 and Stay Order was granted. Subsequently, SECP issued brokerage renewal license in our favor.

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

Board of Directors

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 Avais Hyder Liaquat Nauman, Chartered Accountants have completed their term of 5 years as per Code of Corporate Governance. The Board has recommended the name of Bakr Tilly Mehmood Idrees Qamar, Chartered Accountants. Their appointment is subject to the approval of the Registrar Modaraba.

Acknowledgement

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

On behalf of the Board

October 8, 2015
Karachi

Adil A Ghaffar
Chief Executive Officer

Mufti Abdul Qadir

Shariah Advisor

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

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

Ref: FEM - 04

Date: 06-10-15

Annual Shari'ah Review Report of
First Equity Modaraba (FEM)
For the year ended June 30, 2015

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, 2015 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. 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.
- iii. 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
- iv. 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 255,420 and an amount of Rs. 37,517 was further transferred to Charity account during the year. An amount of Rs. 266,834 was paid on account of charity with the approval of Shari'ah Advisor. Rs 26,103 is payable at the reporting date

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

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.





SHARI'AH REVIEW REPORT

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 four Non Shari'ah Compliant Shares which 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 not being divested	Carrying value Rupees
01	First Dawood Mutual Fund	Trading is suspended	209,141
02	Javed Omer Vohra & Co	Trading is suspended	41800
03	Dawood Money Market	Trading is suspended	847188
04	Callmate Telips	Business is in winding up process	1
	Total		1,098,130

- 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, the accounts could not be closed. Although Modaraba has already 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 is only Rs 310,982.
- 3) It has been noticed that no training and development session was undertaken or attended by the staff during the year.

Recommendations:

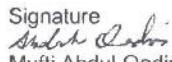
- 1) Remaining Non Shari'ah Compliant Shares should be disposed off as early as possible.
- 2) The saving accounts at conventional banks should be closed at earliest. Modaraba should follow up from the concerned banks time to time for closure of accounts.
- 3) The staff should be encouraged by sending them into different training sessions, so that they may equip themselves with latest development in the Islamic finance industry and their understanding of the products will be enhanced accordingly.
- 4) The charity amount should be fully distributed to the approved charitable organizations within the ideal time frame as specified in SCSAM.
- 5) The management should continue its endeavor to comply with the rulings of Shari'ah in its business operation and future transactions.
- 6) The Modaraba should focus on new innovations and explore the possibility of entering into more specialized Shari'ah compliant financing modes.

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.

The management of the Modaraba and staff has extended full cooperation and support during the Shari'ah compliance review process.

May Allah give us courage to play active role in establishing the riba free economic system.

Signature

 Mufti Abdul Qadir
 Shari'ah Advisor
 Dated: October 6th, 2015



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REVIEW REPORT TO THE MEMBERS

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, 2015 to comply with the requirements of listing regulation No. 35(Chapter XI) of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited where the Modaraba 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all materials respects, which the best practices contained in the Code as applicable to the Modaraba, for the year ended June 30, 2015.

Further, we highlight instances of non-compliances with the requirements of the Code in respect of head of internal audit for the Modaraba and independent director as reflected in the paragraph 23 where these are stated in the Statement of Compliance.

Chartered Accountants
Karachi.
Dated: October 08, 2015

Engagement Partner: Adnan Zaman



AUDITORS' REPORT

TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of FIRST EQUITY MODARABA (the Modaraba) as at June 30, 2015 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. 16.728 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. 16.728 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, 2015 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).

Chartered Accountants
Karachi.
Dated: October 08, 2015

Engagement Partner: Adnan Zaman

BALANCE SHEET

AS AT JUNE 30, 2015

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	Note	2015 Rupees	2014 Rupees
<i>Equity & Liabilities</i>			
<i>Capital and reserves</i>			
Authorized Certificate Capital			
60,000,000 (2014: 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	126,433,396	134,699,560
Remeasurement of defined benefit liability - Actuarial gain		91,191	815,245
Unrealised loss on remeasurment of investments		(20,170,414)	(13,149,967)
<i>Total certificates holders' equity</i>		630,754,173	646,764,838
 <i>Non-current liabilities</i>			
Deferred liabilities	8	2,655,483	1,556,255
Security deposit		200,000	200,000
<i>Total non-current liabilities</i>		2,855,483	1,756,255
 <i>Current liabilities</i>			
Creditors, accrued and other liabilities	9	24,375,437	11,856,701
Unclaimed profit distribution		27,618,316	25,966,768
<i>Total current liabilities</i>		51,993,753	37,823,469
<i>Total equity and liabilities</i>		685,603,409	686,344,562

Contingencies and commitments

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BALANCE SHEET

AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
<i>Assets</i>			
<i>Non-Current Assets</i>			
Fixed assets			
-tangible	11	15,426,202	15,777,617
-intangible	12	19,000,000	19,000,000
Investment property	13	1,951,667	2,071,667
Long term investments	14	326,007,730	324,387,730
Advances-considered good		2,510,000	2,510,000
Deposits		1,150,000	1,150,000
<i>Total Non-Current Assets</i>		366,045,599	364,897,014
<i>Current Assets</i>			
Morabaha/Musharaka receivables-secured	15	153,003,609	159,320,497
Short term investments	16	97,882,927	107,396,243
Advances	17	3,525,359	1,422,588
Trade deposits and prepayments	18	15,027,294	14,981,918
Other receivables	19	25,218,541	24,533,228
Tax refunds due from government		4,614,680	3,903,578
Bank balances	20	20,285,400	9,889,496
<i>Total Current Assets</i>		319,557,810	321,447,548
<i>Total Assets</i>		685,603,409	686,344,562

The annexed notes 1 to 36 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, 2015

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	Note	2015 Rupees	2014 Rupees
Income	21	34,252,047	46,224,523
Expenditure			
Operating expenses	22	(21,538,416)	(18,425,749)
Financial charges	23	(2,688)	(5,695)
		(21,541,104)	(18,431,444)
Operating profit		12,710,943	27,793,079
Other income	24	431,953	713,980
		13,142,896	28,507,059
Management remuneration		(1,314,288)	(2,850,700)
Service Sales Tax on management remuneration		(197,143)	(456,112)
		11,631,465	25,200,247
Worker Welfare Fund		(232,629)	(504,005)
Profit before taxation		11,398,836	24,696,242
Taxation - Current	25	-	-
<i>Profit for the year</i>		11,398,836	24,696,242
Earnings per certificate - Basic & Diluted	26	0.217	0.471

The annexed notes 1 to 36 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 OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
Profit for the year	11,398,836	24,696,242
Other comprehensive income		
Items that will be reclassified to profit & loss account on disposal		
Unrealized (loss) on remeasurement of investments	(15,099,567)	(10,787,319)
Gain realized on disposal of investments	8,079,120	4,992,048
	(7,020,447)	(5,795,271)
Items that will not be reclassified to profit & loss account		
Remeasurement of defined benefit liability	(724,054)	355,591
Other comprehensive income	(7,744,501)	(5,439,680)
Total comprehensive income for the year	3,654,335	19,256,562

The annexed notes 1 to 36 form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
Cash generated from operating activities			
Profit before taxation		11,398,836	24,696,242
<i>Adjustments for:</i>			
Depreciation	11	1,680,912	1,651,506
Provision for gratuity	8	375,174	351,700
Loss on sale of fixed asset		13,303	34,844
Dividend income	20	(4,185,556)	(3,789,318)
		(2,116,167)	(1,751,268)
Cash generated from operations before working capital changes		9,282,669	22,944,974
Working Capital changes			
Decrease/(increase) in operating assets			
Morabaha/Musharaka receivables-secured		6,316,888	(9,281,437)
Advances		50,573	1,779,560
Trade deposits and prepayments		(45,376)	44,699
Other receivables		(529,265)	2,445,945
Increase in operating liabilities			
Creditors, accrued and other liabilities		12,518,736	5,918,398
		18,311,556	907,165
Staff retirement benefit-gratuity paid		-	(531,875)
Dividend paid		(18,013,452)	(36,451)
Taxes paid		(2,865,076)	(2,051,150)
<i>Net cash generated from operating activities</i>		6,715,697	21,232,663
Cash flows from investing activities			
Investments		872,869	(64,387,724)
Dividend received		4,035,138	3,771,518
Purchase of tangible assets		(1,227,800)	(301,980)
<i>Net cash generated from / (used in) investing activities</i>		3,680,207	(60,918,186)
Net (decrease) / increase in cash and cash equivalents		10,395,904	(39,685,523)
Cash and cash equivalents at beginning of the year		9,889,496	49,575,019
Cash and cash equivalents at the end of the year	19	20,285,400	9,889,496

The annexed notes 1 to 36 form an integral part of these financial statements.

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

Zahid Bashir
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Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2015

	Reserves						Unrealized loss on remeasurement of available for sale investments	Total
	Certificate Capital	Statutory Reserve *	Certificate premium account	General Reserve	Accumulated Loss	Total Reserves		
Balance as at June 30, 2013	524,400,000	143,416,937	131,100,000	27,120,000	(191,633,619)	110,003,318	(7,354,696)	627,508,276
Profit for the year	-	-	-	-	24,696,242	24,696,242	-	24,696,242
Other Comprehensive income for the year	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	4,939,250	-	-	(4,939,250)	-	(5,795,271)	(5,439,680)
Balance as at June 30, 2014	524,400,000	148,356,187	131,100,000	27,120,000	(171,876,627)	134,699,560	(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)	(7,744,501)
Dividend paid	-	-	-	-	(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	630,754,173

* 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 36 form an integral part of these financial statements.

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

Zahid Bashir
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Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

FOR THE YEAR ENDED JUNE 30, 2015

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 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 as a wholly owned subsidiary company.

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 *Initial application of standards, amendments or an interpretation to existing standards*

The Modaraba has adopted the amendments to the following standards which became effective during the year:

2.5.1 Standards that became effective but not relevant to the company or do not have material effect

The following standards, interpretations and improvements became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the modaraba:

IAS 19 - Employee Benefits (Amendment) - Defined benefit plans: Employee contributions

IAS 32 - Financial Instruments - Presentation - (Amendment) Offsetting financial assets and financial liabilities

IAS 36 - Impairment of Assets - (Amendment)- Recovery Amount Disclosures for Non-Financial Assets

IAS 36 - Impairment of Assets - (Amendment)-Recovery Amount Disclosures for Non-Financial Assets

IAS 39 - Financial Instruments: Recognition and Measurement - (Amendment) Novation of Derivative and Continuation of hedge Accounting

IFRIC 21 - Levies

2.5.2 Improvements to Accounting Standards Issued by the IASB

IFRS 2 Share-based Payment - Definitions of vesting conditions

IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination

IFRS 3 Business Combinations - Scope exceptions for joint ventures

IFRS 8 Operating Segments - Aggregation of operating segments

IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation / amortisation

IAS 24 Related party Disclosures - Key management personnel

IAS 40 Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above improvements to accounting standards and interpretations did not have any material effect on the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

2.5.3 Standards and interpretations issued but not yet effective for the current financial year

The following are the standards and interpretations, which have been issued but are not yet effective for the current financial year:

IFRS 10	Consolidated Financial Statements	January 01, 2015
IFRS 10, 12 & IAS 27	Investment Entities (Amendment)	January 01, 2015
IFRS 10, 12 & IAS 27	Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2015
IFRS 10 & IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	January 01, 2016
IFRS 11	Joint Arrangements	January 01, 2015
IFRS 11	Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IFRS 12	Disclosure of interests in Other Entities	January 01, 2015
IFRS 13	Fair Value Measurement	January 01, 2015
IAS 1	Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 & 38	Clarification of Acceptable Method of Depreciation and Amortisation (Amendment)	January 01, 2016
IAS 16 & 41	Agriculture Bearer Plants (Amendment)	January 01, 2016
IAS 27	Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

2.5.4 Standards issued by IASB but not yet notified by SECP

IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2018
Securities and Exchange Commission of Pakistan (SECP) vide SRO 633(1)/2014 dated 10th July 2014 has approved the below IFRSs:		
IFRS 10 - Consolidated Financial Statements		
IFRS 11 - Joint Arrangements		
IFRS 12 - Disclosure of interests in other entities		
IFRS 13 - Fair Value Measurements		

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	5.1.2 & 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.

FOR THE YEAR ENDED JUNE 30, 2015

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.

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 # 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).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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.

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.

FOR THE YEAR ENDED JUNE 30, 2015

5.6 *Taxation*5.6.1 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.

5.6.2 Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that future taxable profits will be available against which the deductible temporary differences can be 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:



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

- 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.

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.

5.18 *Change in Accounting Policy*

5.18.1 *Adoption of amendments in IAS 19 'Employee Benefits'*

IAS 19 'Employee Benefits' (revised 2011) which become effective for the annual periods commencing on or after January 01, 2013, amends the accounting for the defined benefit plan. The revised standard has been applied retrospectively in accordance with the transition provisions of the said standard and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of adaption of IAS 19 (revised 2011) has been in the following areas:

- (i) The standard requires that all actuarial gains /loss should be recognized immediately in other comprehensive income (OCI).
- (ii) The standard has also removed the option of Corridor approach and the standard requires immediate recognition of past service cost in profit and loss statement. There is no impact of these requirements in the current year as Modaraba has not opted for corridor approach neither it has unrecognized past service costs at the time of adoption of the said standard.

5.18.2 The quantitative impacts arising from amendments in IAS 19 (revised 2011) on the items of financial statements are as follows:

	2014	2013	2012
	Rupees	Rupees	Rupees
<i>Impact on balance sheet</i>			
Decrease in reserves	351,700	236,322	223,332
Increase in remeasurement of defined benefit liability	351,700	236,322	223,332
<i>Impact on profit and loss account</i>			
Increase in salaries, allowances and benefits-gratuity expense	351,700	236,322	223,332
<i>Impact on other comprehensive income</i>			
Increase in gain on remeasurement of defined benefit liability	351,700	236,322	223,332
<i>Impact on cash flow statement</i>			
Decrease in profit before taxation	351,700	236,322	223,332
Increase in adjustments relating to provision for gratuity	351,700	236,322	223,332
<i>Impact on statement of changes in equity</i>			
Increase in unappropriated losses/ decrease in profit	351,700	236,322	223,332
Increase in remeasurement of defined benefit liability	351,700	236,322	223,332

5.18.3 The Modaraba's policy for Staff Retirement Benefits and disclosure relating thereto have been amended to comply with the requirements of IAS 19 (revised 2011).

5.18.4 *Workers' Welfare Fund*

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). Through these

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amendments Workers' Welfare Fund (WWF) is payable @ 2% of the profit before taxation as per the financial statements or taxable income which ever is higher.

During the year 2011, the Honorable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

The Management Company as a matter of abundant caution, has made the provision for WWF.

6. Certificate capital

2014 No of Certificates	2015 No of Certificates		2015 Rupees	2014 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 (2014: 5,532,296).
 Certificates held by associated companies and undertakings 1,126,412 (2014: 1,126,412).

7. Reserves

	Capital Reserves			Revenue Reserves			Total Reserves 2015	Total Reserves 2014
	Statutory Reserve *	Certificate premium account	Total Capital Reserve	Accumulated Loss	General Reserve	Total Revenue Reserves		
Opening balance	148,356,187	131,100,000	279,456,187	(171,876,627)	27,120,000	(144,756,627)	134,699,560	110,003,318
Transfer from Profit & Loss								
Account	-	-	-	11,398,836	-	11,398,836	11,398,836	24,696,242
Dividends paid	-	-	-	-	-	(19,665,000)	(19,665,000)	-
Transfer to statutory reserve	2,279,767	-	2,279,767	(2,279,767)	-	(2,279,767)	-	-
Closing balance	150,635,954	131,100,000	281,735,954	(162,757,558)	27,120,000	(155,302,558)	126,433,396	134,699,560

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

	Note	2015 Rupees	2014 Rupees
8. Deferred liability	8.1	2,655,483	1,556,255
Staff gratuity		2,655,483	1,556,255

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, 2015 on September 23, 2015 using the Projected Unit Method.

8.2 Amount recognized in the balance sheet are as follows:

Present value of defined benefit obligation	2,655,483	1,556,255
Fair value of plan assets	-	-
Total defined benefit	2,655,483	1,556,255



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	Note	2015 Rupees	2014 Rupees
8.3 <i>Movement in defined benefit obligation</i>			
Opening balance		1,556,255	2,092,021
Charged for the define benefit plan			
Current service cost		168,971	141,700
Net interest		206,204	210,000
	8.4	375,175	351,700
Remeasurement of defined benefit liability			
Due to financial assumptions		341,123	(179,422)
Due to demographic assumptions		-	1,650
Due to experience adjustments		382,931	(177,819)
		724,054	(355,591)
Benefits paid		-	(531,875)
Closing balance		2,655,484	1,556,255

8.4 <i>Actuarial assumptions</i>		Rate per annum	
Valuation discount rate		9.75%	13.25%
Salary increase rate -Short term (period of next one year)		9.78%	0.00%
Salary increase rate- long term		9.75%	12.25%

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%	1,623,021	1,495,006
Salary Increase rate		1%	1,624,560	1,492,527
Withdrawal rate		10%	1,556,496	1,556,012

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

At at June 30, 2015	Year 1	Year 2	Year 3	Year 4	Year 5	Over 5 years
Gratuity	902,214	15,196	15,972	73,892	15,284	2,200,849

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, 2014.

9. Creditors, accrued and other liabilities

Payable to clients		16,277,252	3,797,346
Accrued expenses		3,242,302	1,301,347
Charity payable	9.1	26,103	255,420
Other liabilities	9.2	4,829,780	6,502,588
		24,375,437	11,856,701

9.1 Charity Payable - reconciliation

Opening balance		255,420	227,393
Addition		37,517	28,027
Disbursements		(266,834)	-
Closing balance		26,103	255,420

9.2 This include Rs 4,829,780 (2014 : Rs 5,754,180) payable to Premier Financial Services (Private) Limited.

FOR THE YEAR ENDED JUNE 30, 2015

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

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 (107,340)	627,015	598,069	32,890 (107,337)	523,622	103,393	33
Office Equipments	1,055,685	121,500 (61,000)	1,116,185	770,165	83,001 (44,774)	808,392	307,792	20
2015	27,243,821	1,059,460	28,303,281	11,466,204	1,562,985	12,879,152	15,426,202	

2014								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2014	Rate
	As at July 01, 2013	Addition / (Deletion) / * Transfer	As at June 30, 2014	As at July 01, 2013	Charged during the year / *Transfer / Disposal	As at June 30, 2014		%
Office premises	23,204,134	(2,400,000)	20,804,134	5,443,385	1,150,207 (318,333)	6,275,259	14,528,875	5
Furniture & fixtures	196,509	-	196,509	196,500	-	196,500	9	20
Motor vehicles	5,434,438	(899,000)	4,535,438	4,135,389	389,821 (898,999)	3,626,211	909,227	20
Computers	578,255	73,800	625,055	545,812	52,257	598,069	53,986	33
Office Equipments	997,005	228,180 (169,500)	1,055,685	855,600	49,219 (134,654)	770,165	285,520	20
2015	30,410,341	(3,166,250)	27,243,821	11,176,686	289,518	11,466,204	15,777,617	

Note
2015 Rupees
2014 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) recieved from Karachi Stock Exchanges Ltd and Islamabad Stock Exchanges Ltd after Demutilization.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

- 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 Cout and got a stay order against the cancelation of Broker registration.

13. Investment Property

2015								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2015	Rate
	As at July 01, 2014	Transfer	As at June 30, 2015	Transferred from tangible fixed asset	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

Fair value of the investment property, based on the valuation carried out by Consultancy Support & Service as at June 30, 2015 is Rs. 23,432,500 (2014: Rs 20,000,000).

14. Long term investments

	Note	2015 Rupees	2014 Rupees
<i>Investment in subsidiary</i>	14.1	250,000,000	250,000,000
		250,000,000	250,000,000
<i>Investment classified as available-for-sale financial assets</i>			
Listed securities	14.2.1	1,959,129	2,167,869
Unlisted securities	14.2.2	72,219,861	72,219,861
		74,178,990	74,387,730
Preference Share	14.3	1,828,740	-
		326,007,730	324,387,730

14.1 *Investment in subsidiary*

The holdings are in ordinary shares of Rs. 10 each.

2014 Number	2015 Number			
25,000,000	25,000,000	Equity Textiles Limited	250,000,000	250,000,000

- 14.1.1 Equity Textiles Limited is a wholly owned subsidiary of the Modaraba. Net assets value per share of Equity Textiles Limited is Rs. 28.29 (2014: Rs. 24.66) as per financial statements as at June 30, 2015 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:

11,968	11,968	<i>Open-end mutual funds</i>	14.2.1.1	847,188	847,188
		Dawood Income Fund (Unit of Rs. 100 each)			
42,000	42,000	<i>Fixed Line Telecommunication</i>		861,000	1,069,740
		Pakistan Telecommunication Company Limited			
22,000	22,000	<i>Financial Services</i>	14.2.1.1	41,800	41,800
		Javed Omer Vohra & Company Limited			
735,000	735,000	<i>Equity investment instruments</i>	14.2.1.1 &	209,141	209,141
		First Dawood Mutual Fund	14.2.1.2		
				1,959,129	2,167,869

- 14.2.1.1 There was no trading on these scrips on June 30, 2015. 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.

FOR THE YEAR ENDED JUNE 30, 2015

14.2.2 Unlisted securities

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

2014	2015		Note	2015	2014
Number	Number			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	Karachi Stock Exchange Limited	14.2.2.2	40,073,830	40,073,830
3,034,603	3,034,603	Islamabad Stock Exchange Limited	14.2.2.3	30,346,030	30,346,030
78,150	78,150	Callmate Telips Telecom Limited		1	1
				72,219,861	72,219,861

14.2.2.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 69.72 (2013: Rs. 85.67) as per financial statements as at June 30, 2014 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.

14.2.2.2 Net assets value per share of Karachi Stock Exchange Limited and Islamabad Stock Exchange Limited is Rs. 10.17 (2014: Rs. 10.08) and Rs 11.10 (2014: Rs. 10.68) as per financial statements as at June 30, 2014 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.

-	182,784	Mari Petroleum Ltd		1,828,740	-
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15. Morabaha/Musharaka receivables-secured

Musharaka - considered good	15.2	153,003,609	159,320,497
Morabaha - considered doubtful		17,380,055	17,380,055
		170,383,664	176,700,552
Provision for non performing assets		(17,380,055)	(17,380,055)
		153,003,609	159,320,497

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 (2014: 12 % to 20% 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	97,882,927	107,396,243
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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>					
58,400	-	Attock Refinery	-	12,397,736	
24,800	20,850	Mari Petroleum Company Limited	9,770,310	9,261,064	
-	10,000	Hascol Petroleum Company Limited	1,145,100	-	
19,800	-	National Refinery Limited	-	4,264,326	
-	29,900	Oil & Gas Development Co Limited	5,359,276	-	
57,800	-	Pakistan Petroleum Limited	-	12,966,852	
21,900	49,800	Shell Pakistan Limited	12,597,408	6,050,532	
<i>Food</i>					
1,000	-	Engro Foods Limited	-	102,530	
<i>Chemicals</i>					
4,100	5,600	AkzoNobel Pakistan Limited	1,787,352	692,736	
40,500	135,000	Lotte Chemical Pakistan PTA Limited	934,200	291,195	
-	35,000	Ghani Global Gass Limited	655,900	-	
-	2,600	ICI Pakistan Limited	1,115,062	-	
-	16,000	Wah Noble Chemicals Limited	805,600	-	
<i>Construction and materials</i>					
10,500	-	D.G. Khan Cement Company Limited	-	923,580	
-	285,000	Dewan Cement Limited	4,145,460	-	



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2014 Number	2015 Number	Note	2015 Rupees	2014 Rupees
75,500	100,000	Fauji Cement Company Limited	3,487,000	1,452,620
14,500	2,000	Cherat Cement Company Limited	174,060	949,170
54,000	-	Fecto Cement Limited	-	2,700,000
-	11,800	Lucky Cement Limited	6,131,516	-
643,500	-	Lafarge Pakistan Cement Limited	-	10,283,130
50,000	-	Pioneer Cement Limited	-	2,333,000
		<i>Transport</i>		
-	251,000	Pakistan International Bulk Terminals Limited	8,985,800	-
		<i>Personal goods</i>		
38,300	-	Nishat Mills Limited	-	4,286,536
		<i>Household goods</i>		
16,500	-	Tariq Glass Industries Limited	-	518,100
		<i>Pharma and biotech</i>		
-	8,650	IBL Healthcare Limited	986,100	-
20,400	22,500	The Searle Pakistan Limited	7,215,525	3,560,616
		<i>Automobile and parts</i>		
79,000	33,800	Honda Atlas Car (Pakistan) Limited	7,391,384	7,354,110
-	6,400	Pak Suzuki Limited	2,789,824	-
-	677,000	Ghani Automobile Limited	5,822,200	-
		<i>Fixed line telecommunication</i>		
525,500	595,500	Pakistan Telecommunication Company Limited	12,207,750	13,384,485
98,000	-	Netsol Technologies Limited	-	2,870,420
		<i>Electricity</i>		
1,089,500	354,000	K-Electric Limited	2,973,600	9,249,855
		<i>Banks</i>		
152,500	137,500	Bank Islami Pakistan Limited	1,402,500	1,503,650
			97,882,927	107,396,243
17.	Advances - considered good			
	Employee	17.1	660,283	710,856
	Advance tax		2,865,076	711,732
			3,525,359	1,422,588
17.1	The maximum aggregate amount due from employees at the end of any month during the year was Rs. 804,526 (2014: Rs. 1,136,358). These are secured against the property documents retained by the Modaraba.			
18.	Trade deposits and prepayments			
	Deposits		14,772,665	14,767,556
	Prepayments		254,629	214,362
			15,027,294	14,981,918
19.	Other receivables			
	Sale proceeds of investments		(3,457)	327,979
	Receivable from clients	19.1&19.2	24,064,703	23,226,360
	Dividend		168,217	17,800
	Others		989,078	961,089
			25,218,541	24,533,228
19.1	<i>Receivable from clients</i>			
	Considered good		24,064,703	23,226,360
	Considered doubtful		12,500,000	12,500,000
			36,564,703	35,726,360
	Less: Provision for doubtful debts		(12,500,000)	(12,500,000)
			24,064,703	23,226,360
19.2	Receivable from clients and others include receivable from related parties amounting to Rs. 358,628 (2014: Rs. 26,817).			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
20. Bank balances			
in current accounts		1,994,643	1,795,379
in saving accounts		311,027	319,212
in Islamic bank investment accounts		17,979,730	7,774,905
		20,285,400	9,889,496
21. Income			
Profit on Musharaka		17,756,838	18,162,477
Brokerage commission		2,852,129	1,368,642
Capital gain		5,829,234	21,799,039
Dividend		4,185,556	3,789,318
Rental		1,200,000	-
Commission and fees		2,428,290	1,105,047
		34,252,047	46,224,523
22. Operating expenses			
Salaries, allowances and benefits	22.1	4,338,679	4,360,627
Traveling, conveyance and entertainment		495,753	634,018
Telephone and postage		922,061	265,587
Electricity		408,737	465,274
Insurance		201,089	279,212
Printing, stationery and advertising		1,160,681	287,696
Fees and subscriptions		1,628,622	1,061,422
Vehicle running and maintenance		1,251,048	1,608,570
Depreciation	11	1,682,985	1,651,506
Facilities and services		4,508,446	4,508,452
Repair and maintenance		922,409	1,000,378
Annual review meeting		91,382	62,500
Auditor's remuneration	22.3	251,802	318,145
Legal and professional		531,682	405,919
Training and development		-	1,000
Shariah Advisor		150,000	131,250
Zakat deduction		2,225	-
KSE & SECP Charges		721,206	360,946
Withholding & CVT tax		2,194,607	951,576
Others		75,002	71,671
		21,538,416	18,425,749

22.1 Remuneration of officers and other employees

The aggregate amount charged in the financial statements for remuneration, including benefits to 8 (2014 : 8) employees of the modaraba is:

	2015		2014	
	Officers	Other Employees	Officers	Other Employees
Salaries and allowances	1,599,000	1,655,100	1,932,000	1,412,765
Leave fare & Encashment	175,000	74,340	303,430	186,455
Expenses reimbursed: Medical	29,832	187,033	86,105	142,750
	1,803,832	1,916,473	2,321,535	1,741,970

22.2 Salaries, allowances and benefits include provision for gratuity of Rs. 297,858 (2014: Rs. 351,700). Officers are also provided with free use of the Modaraba maintained cars.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

		2015 Rupees	2014 Rupees
22.3	Auditor's remuneration		
	Audit fee	130,000	130,000
	Half yearly review	25,000	25,000
	Other fees	96,802	163,145
		251,802	318,145
23.	Financial Charges		
	Bank Charges	2,688	5,695
		2,688	5,695
24.	Other income		
	Profit on Investment accounts with Islamic bank	445,256	748,824
	Loss on sale of tangible fixed assets	(13,303)	(38,844)
		431,953	713,980
25.	Taxation		
	<i>Current</i>		
	Assessment upto and including the tax year 2014 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	11,398,836	24,696,242
	Weighted average number of certificates outstanding during the year	52,440,000	52,440,000
	Earnings per certificate - basic and diluted	0.217	0.471
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		
	<i>Financial risk management</i>		
	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		
	<i>Credit and concentration risk</i>		
	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.		

FOR THE YEAR ENDED JUNE 30, 2015

Business	2015		2014	
	Rupees	%	Rupees	%
Open-end mutual funds	847,188	0.13	847,188	0.15
Oil and Gas	28,872,094	4.52	44,940,510	0.46
Chemicals	5,298,114	0.83	983,931	1.71
Construction and materials	13,938,036	2.18	18,641,500	1.03
Personal goods	250,000,000	39.16	254,804,636	43.86
Automobile and parts	16,003,408	2.51	7,354,110	0.46
Pharma and biotech	8,201,625	1.28	3,560,616	1.56
Fixed line telecommunication	13,068,750	2.05	17,324,645	0.80
Electricity	4,773,600	0.75	11,049,855	-
Food	-	-	102,530	1.25
Bank	1,402,500	0.22	1,503,650	-
Financial services	41,800	0.01	41,800	0.01
Equity investment instruments	209,141	0.03	209,141	0.04
Stock Exchange	70,419,860	11.03	70,419,860	12.35
Engineering	15,939,498	2.50	13,819,560	2.44
Others	209,338,385	32.80	190,098,672	32.09
	638,353,999	100.00	635,702,204	100.00

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:

	2015 Rupees	2014 Rupees
Investment	423,890,657	431,783,973
Morabaha/Musharaka receivables-secured	153,003,609	159,320,497
Advances-considered good	6,035,359	3,932,588
Trade deposits and prepayments	16,177,294	16,131,918
Other receivables	25,218,541	24,533,228
	624,325,460	635,702,204

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	2015			
	Less than One year	Over one year but less than five years	Over five years	Total
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	25,218,541	-	-	25,218,541
Tax refunds due from government	4,614,680	-	-	4,614,680
Bank balances	20,285,400	-	-	20,285,400
	319,303,181	79,667,730	250,000,000	648,970,911
Liabilities				
Deferred liability	-	2,655,483	-	2,655,483
Security Deposit	-	200,000	-	200,000
Creditors, accrued and other liabilities	24,375,437	-	-	24,375,437
Provision for taxation	-	-	-	-
Unclaimed profit distribution	27,618,316	-	-	27,618,316
	51,993,753	2,855,483	-	54,849,236
Net balance	267,309,428	76,812,247	250,000,000	594,121,675



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	2014			
	Less than One year	Over one year but less than five years	Over five years	Total
Assets				
Long term investments	-	74,387,730	250,000,000	324,387,730
Morabaha & Musharaka receivables	159,320,497	2,510,000	-	159,320,497
Short term investments	107,396,243	1,150,000	-	107,396,243
Advances	1,422,588	-	-	3,932,588
Trade deposits	14,767,556	-	-	15,917,556
Other receivables	24,533,228	-	-	24,533,228
Tax refunds due from government	3,903,578	-	-	3,903,578
Bank balances	9,889,496	-	-	9,889,496
	321,233,186	78,047,730	250,000,000	649,280,916
Liabilities				
Deferred liability	-	1,556,255	-	1,556,255
Security Deposit	-	200,000	-	200,000
Creditors, accrued and other liabilities	11,856,701	-	-	11,856,701
Provision for taxation	-	-	-	-
Unclaimed profit distribution	25,966,768	-	-	25,966,768
	37,823,469	1,756,255	-	39,579,724
Net balance	283,409,717	76,291,475	250,000,000	609,701,192

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.

	2015 Rupees	2014 Rupees
28.1 <i>Financial instruments by category</i>		
Financial assets		
Loans and receivables		
Morabaha/Musharaka receivables	153,003,609	159,320,497
Advances	6,035,359	3,932,588
Trade deposits	15,922,665	15,917,556

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
Other receivables	25,218,541	24,533,228
Bank balances	20,285,400	9,889,496
<i>Financial assets at fair value through profit or loss</i>		
Short term investments	97,882,927	107,396,243
<i>Available-for-sale financial assets</i>		
Long term investments	74,178,990	74,387,730
	392,527,491	395,377,338
Financial liabilities		
Financial liabilities at amortised cost		
Creditors, accrued and other liabilities	24,375,437	11,856,701
Unclaimed profit distribution	27,618,316	25,966,768
	51,993,753	37,823,469
On balance sheet gap	340,533,738	357,553,869

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.

	2015				
	Upto one month	Over one month to one year	Over one year to five years	Over five Years	Total
Assets					
Tangible assets	-	-	-	15,426,202	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	-	25,218,541	-	-	25,218,541
Tax refunds due from government	-	4,614,680	-	-	4,614,680
Bank balances	-	20,285,400	-	-	20,285,400
	21,379,559	304,495,139	329,667,730	36,377,869	685,603,409
Liabilities					
Deferred liabilities	-	-	2,655,483	-	2,655,483
Security Deposit	-	-	200,000	-	200,000
Creditors, accrued and other liabilities	4,193,498	20,181,939	-	-	24,375,437
Provision for taxation	-	-	-	-	-
Unclaimed profit distribution	-	27,618,316	-	-	27,618,316
	4,193,498	47,800,255	2,855,483	-	54,849,236
Net balance	17,186,061	256,694,884	326,812,247	36,377,869	630,754,173

	2014				
Assets					
Tangible assets	-	-	-	15,777,617	15,777,617
Intangible assets	-	-	-	19,000,000	19,000,000
Investment property	-	-	-	2,071,667	2,071,667
Long term investments	-	-	324,387,730	-	324,387,730
Morabaha & Musharaka receivables	21,229,559	138,090,938	-	-	159,320,497
Short term investments	-	107,396,243	-	-	107,396,243
Advances	-	1,422,588	2,510,000	-	3,932,588
Trade deposits and prepayments	150,000	14,831,918	1,150,000	-	16,131,918
Other receivables	-	24,533,228	-	-	24,533,228
Tax refunds due from government	-	3,903,578	-	-	3,903,578
Bank balances	-	9,889,496	-	-	9,889,496
	21,379,559	300,067,989	328,047,730	36,849,284	686,344,562



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Upto one month	Over one month to one year	Over one year to five years	Over five Years	Total
Liabilities					
Deferred liabilities	-	-	1,556,255	-	1,556,255
Creditors, accrued and other liabilities	-	-	200,000	-	200,000
Provision for taxation	4,193,498	7,663,203	-	-	11,856,701
Unclaimed profit distribution	-	25,966,768	-	-	25,966,768
	4,193,498	33,629,971	1,756,255	-	39,579,724
Net balance	17,186,061	266,438,018	326,291,475	36,849,284	646,764,838

30. Yield/Profit rate risk exposure

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	-	-	-	-	25,218,541	-	25,218,541	25,218,541
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	45,511,208	3,660,000	49,171,208	392,527,491
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	(6,482,545)	3,660,000	(2,822,545)	340,533,738

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	2014						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	-	-	74,387,730	74,387,730	-	-	-	74,387,730
Morabaha / Musharakah receivables	12% to 16%	159,320,497	-	159,320,497	-	-	-	159,320,497
Short term investments	-	107,396,243	-	107,396,243	-	-	-	107,396,243
Advances	-	-	-	-	1,422,588	2,510,000	3,932,588	3,932,588
Trade deposits	-	-	-	-	14,767,556	1,150,000	15,917,556	15,917,556
Other receivables	-	-	-	-	24,533,228	-	24,533,228	24,533,228
Bank balances	5% to 7%	8,094,117	-	8,094,117	1,795,379	-	1,795,379	9,889,496
		274,810,857	74,387,730	349,198,587	42,518,751	3,660,000	46,178,751	395,377,338
Financial Liabilities								
Creditors, accrued and other liabilities	-	-	-	-	11,856,701	-	11,856,701	11,856,701
Unclaimed profit distribution	-	-	-	-	25,966,768	-	25,966,768	25,966,768
		-	-	-	34,582,793	-	34,582,793	37,823,469
On Balance Sheet Gap		274,810,857	74,387,730	349,198,587	7,935,958	3,660,000	11,595,958	357,553,869

FOR THE YEAR ENDED JUNE 30, 2015

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.

	2015					2014
	Musharakah Facility	Brokerage Operation	Capital Markets	Others	Total	Total
	Rupees					
Segment Revenues	17,756,838	5,280,419	10,014,790	1,631,953	34,684,000	46,938,503
Segment Result	17,756,838	(907,800)	8,545,788	1,631,953	27,026,779	41,366,707
Unallocated Cost						
Operating expenses					(13,883,883)	(12,859,648)
Management fee					(1,314,288)	(2,850,700)
Service Sale Tax					(197,143)	(456,112)
WWF					(232,629)	(504,005)
Profit before taxation					11,398,836	24,696,242
Taxation					-	-
Profit for the year					11,398,836	24,696,242
Other information						
Segment assets	153,003,609	44,244,512	170,430,133	-	367,678,254	313,983,581
Unallocated assets	-	-	-	-	317,925,155	372,360,981
Total assets	153,003,609	44,244,512	170,430,133	-	685,603,409	686,344,562
Segment liabilities	-	16,277,252	-	-	16,277,252	3,950,979
Unallocated liabilities	-	-	-	-	38,571,984	32,628,745
Total liabilities	-	16,277,252	-	-	54,849,236	36,579,724

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:

	2015 Rupees	2014 Rupees
32.1 <i>Balance outstanding at year end</i>		
<u>Modaraba Management Company</u>		
- Current account payable	4,829,780	5,754,180
<u>Subsidiary company</u>		
- Investment in Equity Textiles Limited	250,000,000	250,000,000
<u>Receivable from associated company</u>	418,367	349,099
<u>Other related parties (including key management personnel)</u>		
- Deferred liability staff gratuity	2,655,483	1,556,255
- Brokerage house client receivable	358,712	26,817



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

		2015 Rupees	2014 Rupees
32.2	<i>Transactions during the year</i>		
	<u>Modaraba Management Company</u>		
	- Reimbursement with service Sale Tax	197,143	3,306,812
	- Reimbursement	4,508,446	4,508,452
	<u>Other related parties (including key management personnel)</u>		
	- Contribution to staff gratuity fund	1,099,228	351,700
	Services acquired	227,412	247,155
	Brokerage commission earned	476,623	69,704
33.	Number of employees		
	Total number of employees of the Modaraba as at June 30, 2015 are 8 (2014: 8).		
34.	Corresponding Figures		
	Figures have been rounded off to the nearest rupee.		
35.	Authorization for issue		
35.1	These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 08, 2015.		
35.2	The Board of Directors of the Management Company has approved dividend at the rate of Re. 0.17 per certificate (2014: Re. 0.375 per certificate) for the year ended June 30, 2015, resulting in a total distribution of profit amounting to Rs. 8,914,800/- (2014: Rs. 19,665,000/-), in its meeting held on October 08, 2015, which is more than 90% of the net profit for the year ended June 30, 2015, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations.		
36.	General		
36.1	Figures in these financial statements have been rounded off to the nearest rupee.		
36.2	The corresponding figures, wherever necessary, have been re-arranged /re-classified for the purpose of comparison.		
36.3	Prior year figures have been reclassified for the purpose of better presentation and comparison.		

NOTICE FOR BOOK CLOSURE AND ANNUAL REVIEW MEETING

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The 16th Annual Review Meeting of certificate holders of First Equity Modaraba will be held on Thursday November 26, 2014 at 10:30 am. at Banquet Hall Regent Plaza Hotel & Convention Centre Shahrah-e-Faisal Karachi to review the performance of the Modaraba for the financial year ended June 30, 2015.

The certificate transfer book of the Modaraba shall remain closed from Saturday November 14, 2015 to Thursday November 26, 2015 (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 Friday, November 13, 2015 will be treated valid for attending the Annual Review Meeting.

October 08, 2015

by order of the Board
Qazi Obaid Ullah
Company Secretary



*Auditors Report and
Consolidated Financial Statements
of
First Equity Modaraba
and
Equity Textiles Ltd.
for the year ended June 30, 2015*

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 company as at June 30, 2015 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 Modaraba. The financial statements of subsidiary company were audited by another auditor, whose report has been furnished to us and our opinion, in so far as its 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 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), Modaraba Companies and Modaraba Rules, 1981 and the Companies Ordinance, 1984. 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. 16.728 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 Modabra charged the unrealized loss to the profit and loss account, its profit for the year would have been lower by Rs. 16.728 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 company as at June 30, 2015 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.

Chartered Accountants
Karachi.
Dated: October 08, 2015

Engagement Partner: Adnan Zaman



CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
<i>Equity & Liabilities</i>			
<i>Capital and reserves</i>			
Authorized Certificate Capital			
60,000,000 (2014: 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	187,492,272	94,551,341
Remeasurement of defined benefit liability - Actuarial gain		91,948	810,742
Unrealised loss on remeasurment of investments		(20,170,414)	(13,149,967)
<i>Total certificates holders' equity</i>		691,813,806	606,612,116
Surplus on revaluation of fixed assets	8	396,256,172	420,140,893
<i>Non-current liabilities</i>			
Subordinated loan	9	-	40,000,000
Long term financing	10	439,104,584	510,782,766
Deferred Mark up	11	25,537,448	49,537,448
Deferred liabilities	12	203,408,950	252,876,218
Security deposit		200,000	200,000
<i>Total non-current liabilities</i>		668,250,982	853,396,432
<i>Current liabilities</i>			
Short term borrowings	13	18,166,501	59,286,520
Current portion of long term liabilities	14	93,928,184	57,428,186
Creditors, accrued and other liabilities	15	176,149,285	137,864,786
Accrued mark up	16	19,722,294	19,925,020
Unclaimed profit distribution		27,618,316	25,966,768
<i>Total current liabilities</i>		335,584,580	300,471,280
<i>Total equity and liabilities</i>		2,091,905,540	2,180,620,720
<i>Contingencies and commitments</i>	17		

CONSOLIDATED BALANCE SHEET

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AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
<i>Assets</i>			
<i>Non-Current Assets</i>			
Fixed assets			
-tangible	18	1,223,964,011	1,268,537,035
-intangible	19	19,000,000	19,000,000
Investment property	20	1,951,667	2,071,667
Long term investments	21	76,007,730	74,387,730
Advances		2,510,000	2,510,000
Deposits		1,150,000	1,150,000
<i>Total Non-Current Assets</i>		1,324,583,408	1,367,656,432
<i>Current Assets</i>			
Store and spares	22	29,440,537	26,392,239
Stock-in-trade	23	214,722,397	197,654,563
Trade debts	24	93,542,674	161,835,541
Morabaha/Musharaka receivables-secured	25	153,003,609	159,320,497
Short term investments	26	124,862,544	131,772,758
Advances	27	38,406,840	38,451,880
Trade deposits and prepayments	28	23,167,882	26,327,143
Other receivables	29	26,918,541	28,886,955
Tax refunds due from government	30	20,987,246	24,387,804
Tax-net	31	10,639,864	1,334,370
Cash and bank balances	32	31,629,998	16,600,538
<i>Total Current Assets</i>		767,322,132	812,964,288
<i>Total Assets</i>		2,091,905,540	2,180,620,720

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, 2015

	Note	2015 Rupees	2014 Rupees
Income	33	200,762,263	221,646,648
Expenditure			
Operating expenses	34	(45,050,873)	(36,028,548)
Distribution and selling expenses	35	(16,940,059)	(15,117,068)
		(61,990,932)	(51,145,616)
Operating profit		138,771,331	170,501,032
Financial Charges	36	(71,492,500)	(76,568,945)
		67,278,831	93,932,087
Other Income	37	1,951,525	1,281,706
		69,230,356	95,213,793
Other Charges	38	(5,761,443)	(5,544,585)
Management fee		(1,314,288)	(2,850,700)
Service Sales Tax on management remuneration		(197,143)	(456,112)
Impairment in associated company		(10,685,020)	-
Share of profit / (loss) in associated company		3,073,446	(2,901,431)
Profit before taxation		54,345,908	83,460,965
Taxation			
- current	39	(15,905,952)	(20,996,096)
- prior		(285,243)	(708,990)
- deferred		30,422,755	33,682,101
		14,231,560	11,977,015
Profit for the year		68,577,468	95,437,980
Earnings per certificate - basic and diluted	40	1.31	1.82

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

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Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
Profit for the year	68,577,468	95,437,980
Other comprehensive income		
Items that will be reclassified to profit & loss account on disposal		
Unrealized (loss) on remeasurement of investments	(15,099,567)	(10,787,319)
Gain realized on disposal of investments	8,079,120	4,992,048
	(7,020,447)	(5,795,271)
Items that will not be reclassified to profit & loss account		
Remeasurement of defined benefit liability	(724,054)	355,591
Share of gain / (loss) on remeasurement of defined benefit liability in associated company	5,260	(10,805)
Other comprehensive income	(7,739,241)	(5,450,485)
Total comprehensive income for the year	60,838,227	89,987,495

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

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Services (Private) Limited

Zahid Bashir
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Services (Private) Limited

Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
Cash flows from operating activities		
Profit before taxation	54,345,908	83,460,965
<i>Adjustments for:</i>		
Depreciation	126,809,645	134,151,011
Provision for gratuity	375,174	351,700
Share of profit in associated company	(3,073,446)	2,901,431
Dividend income	(4,185,556)	(3,789,318)
(Gain) / loss on sale of asset	(342,140)	34,844
Provision for doubtful debt	1,721,890	396,066
Impairment in associated company	10,685,020	-
Financial charges	71,489,812	76,568,945
	203,480,399	210,614,679
Cash generated from operations before working capital changes	257,826,307	294,075,644
Working Capital changes		
Decrease/(increase) in operating assets		
Store, Spares and Loose tools	(3,048,298)	(880,487)
Stock-in-trade	(17,067,834)	93,693,613
Trade debts	66,570,977	(46,329,815)
Morabaha/Musharaka receivables-secured	6,316,888	(9,281,437)
Advances	45,040	(2,097,403)
Trade deposits and prepayments	3,159,261	532
Other receivables	2,124,462	531,744
Tax refund from government authorities	4,449,055	-
Increase/(decrease) in operating liabilities		
Short term borrowing	(41,120,019)	(39,911,247)
Creditors, accrued and other liabilities	38,284,499	(17,656,808)
	59,714,031	(21,931,308)
Staff retirement benefit-gratuity paid	-	(531,875)
Financial charges paid	(71,692,538)	(94,193,345)
Dividend paid	(18,013,452)	(36,451)
Taxes paid	(26,545,814)	(19,774,107)
<i>Net cash generated from operating activities</i>	201,288,534	157,608,558
Cash flows from investing activities		
Investments	(9,827,131)	(64,387,724)
Proceeds from sale of tangible assets	440,003	-
Dividend received	4,525,722	4,752,652
Purchases of tangible assets	(82,219,484)	(70,608,999)
<i>Net cash generated (used in) investing activities</i>	(87,080,890)	(130,244,071)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

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	2015 Rupees	2014 Rupees
Cash flows from financing activities		
Subordinated loan	(40,000,000)	-
Long term financing	(59,178,184)	(70,346,630)
<i>Net cash generated from financing activities</i>	(99,178,184)	(70,346,630)
Net (decrease) / increase in cash and cash equivalents	15,029,460	(42,982,143)
Cash and cash equivalents at beginning of the year	16,600,538	59,582,681
Cash and cash equivalents at the end of the year	31,629,998	16,600,538

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

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Premier Financial
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Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2015

	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, 2013	524,400,000	143,416,937	131,100,000	27,120,000	(350,005,252)	(48,368,315)	465,956	(7,354,696)	469,142,945
Total Comprehensive income									
for the year	-	-	-	-	95,437,980	95,437,980	344,786	(5,795,271)	89,987,495
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	-	47,481,676	47,481,676	-	-	47,481,676
Transfer to statutory reserve	-	4,939,250	-	-	(4,939,250)	-	-	-	-
Balance as at June 30, 2014	524,400,000	148,356,187	131,100,000	27,120,000	(212,024,846)	94,551,341	810,742	(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

* 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.

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

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Nadeem Maqbool
Director
Premier Financial
Services (Private) Limited

FOR THE YEAR ENDED JUNE 30, 2015

1. Legal Status and nature of business:

The group

The group consist of First Equity Modaraba (the Modaraba) and its subsidiary, Equity Textiles Limited (ETL) (subsidiary company).

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 as a wholly owned subsidiary company.

1.2 Equity Textiles Ltd

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 Consolidation procedure

Subsidiaries

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

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

Transactions eliminated on consolidation

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

Functional and reporting currency of group

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

1.4 Basis of consolidation

These consolidated financial statements include the accounts of group [First Equity Modaraba and its subsidiary company Equity Textile Mills 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 standards, interpretations and amendments to published approved accounting standards*

2.5.1 **Standards, amendments or interpretations which may become effective during the year**

During the year, certain amendments to the Standards or new interpretation become effective. However, the amendments or interpretations did not have any material effect on the financial statement of modaraba.



FOR THE YEAR ENDED JUNE 30, 2015

Standards that became effective but not relevant to the company or do not have material effect

The following standards, interpretations and improvements became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the modaraba

IAS 19 - Employee Benefits (Amendment) - Defined benefit plans: Employee contributions

IAS 32 - Financial Instruments - Presentation - (Amendment) Offsetting financial assets and financial liabilities

IAS 36 - Impairment of Assets - (Amendment)- Recovery Amount Disclosures for Non-Financial Assets

IAS 39 - Financial Instruments: Recognition and Measurement - (Amendment)

Novation of Derivative and Continuation of hedge Accounting

IFRIC 21 - Levies

Improvements to Accounting Standards Issued by the IASB

IFRS 2 - Share-based Payment - Definitions of vesting conditions

IFRS 3 - Business Combinations - Accounting for contingent consideration in a business combination

IFRS 3 - Business Combinations - Scope exceptions for joint ventures

IFRS 8 - Operating Segments - Aggregation of operating segments

IFRS 8 - Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

IFRS 13 - Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation / amortisation

IAS 24 - Related party Disclosures - Key management personnel

IAS 40 - Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above improvements to accounting standards and interpretations did not have any material effect on the financial statements.

2.5.2 Amendments not yet effective

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

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed interim financial statements)	January 01, 2016
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IFRS 10	Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 19	Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 34	Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014

FOR THE YEAR ENDED JUNE 30, 2015

IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014

2.5.3 Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 10	Consolidated Financial Statements	January 01, 2015
IFRS 10, 12 & IAS 27	Investment Entities (Amendment)	January 01, 2015
IFRS 10, 12 & IAS 27	Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
IFRS 10 & IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	January 01, 2016
IFRS 11	Joint Arrangements	January 01, 2015
IFRS 11	Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IFRS 12	Disclosure of interests in Other Entities	January 01, 2015
IFRS 13	Fair Value Measurement	January 01, 2015
IAS 1	Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 & 38	Clarification of Acceptable Method of Depreciation and Amortisation (Amendment)	January 01, 2016
IAS 16 & 41	Agriculture Bearer Plants (Amendment)	January 01, 2016
IAS 27	Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

The Company expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

2.5.4 Amendments that are effective in current year but not relevant to the Modaraba

The Modaraba has adopted the amendments to the following accounting standards which became effective during the year:

Standards issued by IASB but not yet notified by SECP

IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2018

Securities and Exchange Commission of Pakistan (SECP) vide SRO 633(1)/2014 dated 10th July 2014 has approved the below IFRSs:

- IFRS 10 - 'Consolidated Financial Statements'
- IFRS 11 - 'Joint Arrangements'
- IFRS 12 - 'Disclosure of interests in other entities'
- IFRS 13 - 'Fair Value Measurement'



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3. Basis of measurement*Parent*

- 3.1 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 17. Full Depreciation is charged on additions, except major additions or extensions to production, facilities which are depreciated on pro-rata basis for the duration of use during the year. Parent company charges depreciation on additions from the month during which the asset is put to use. For disposals during the year, depreciation is charged up to the month preceding the month of disposal but subsidiary charge no depreciation on assets deleted during the year. The Modaraba accounts for impairment, where indication exists, by reducing the carrying value to the estimated recoverable amount.

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

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

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

5.1.2 Capital work-in-progress

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

5.1.3 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

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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.

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.



FOR THE YEAR ENDED JUNE 30, 2015

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.

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.

Taxation5.12 Parent companyCurrent

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

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between

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the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that future taxable profits will be available against which the deductible temporary differences can be 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 company

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

Foreign currency translation

5.13 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.

Retirement benefits

5.14 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.

Employee compensated absences

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

Offsetting of financial assets and financial liabilities

5.15 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.

Derivative financial instruments

5.16 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.

Provisions

5.17 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.

Profit distribution to certificates holders

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

Impairment

5.19 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.

Segment reporting

5.20 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

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 *Change in Accounting Policy*

5.25.1 Adoption of amendments in IAS 19 'Employee Benefits'

IAS 19 'Employee Benefits' (revised 2011) which become effective for the annual periods commencing on or after January 01, 2013, amends the accounting for the defined benefit plan. The revised standard has been applied retrospectively in accordance with the transition provisions of the said standard and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of adaption of IAS 19 (revised 2011) has been in the following areas:

- (i) The standard requires that all actuarial gains /loss should be recognized immediately in other comprehensive income (OCI).
- (ii) The standard has also removed the option of Corridor approach and the standard requires immediate recognition of past service cost in profit and loss statement. There is no impact of these requirements in the current year as Modaraba has not opted for corridor approach neither it has unrecognized past service costs at the time of adoption of the said standard.

5.25.2 The quantitative impacts arising from amendments in IAS 19 (revised 2011) on the items of financial statements are as follows:

	2014	2013	2012
	Rupees	Rupees	Rupees
<i>Impact on balance sheet</i>			
Decrease in reserves	351,700	236,322	223,332
Increase in remeasurement of defined benefit liability	351,700	236,322	223,332
<i>Impact on profit and loss account</i>			
Increase in salaries, allowances and benefits-gratuity expense	351,700	236,322	223,332
<i>Impact on other comprehensive income</i>			
Increase in gain on remeasurement of defined benefit liability	351,700	236,322	223,332
<i>Impact on cash flow statement</i>			
Decrease in profit before taxation	351,700	236,322	223,332
Increase in adjustments relating to provision for gratuity	351,700	236,322	223,332
<i>Impact on statement of changes in equity</i>			
Increase in unappropriated losses/ decrease in profit	351,700	236,322	223,332
Increase in remeasurement of defined benefit liability	351,700	236,322	223,332

5.25.3 The Modaraba's policy for Staff Retirement Benefits and disclosure relating thereto have been amended to comply with the requirements of IAS 19 (revised 2011).

Subsidiary accounting judgment and critical estimates / assumptions

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

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- 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 note 4.6 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.

5.27 Workers' Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). Through these amendments Workers' Welfare Fund (WWF) is payable @ 2% of the profit before taxation as per the financial statements or taxable income which ever is higher.

During the year 2011, the Honorable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013, a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

The Management Company as a matter of abundant caution, has made the provision for WWF.

6. Certificate capital

2014 No of Certificates	2015 No of Certificates		2015 Rupees	2014 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

Certificates held by management company 5,532,296 (2014: 5,532,296).

Certificates held by associated companies and undertakings 1,126,412 (2014: 1,126,412).

7. Reserves

	Capital Reserves			Revenue Reserves			Total Reserves 2015	Total Reserves 2014
	Statutory Reserve *	Certificate premium account	Total Reserve	Accumulated Loss	General Reserve	Total Reserves		
Opening balance - restated	148,356,187	131,100,000	279,456,187	(212,024,846)	27,120,000	(184,904,846)	94,551,341	(48,368,315)
Transfer from Profit & Loss Account	-	-	-	68,577,468	-	68,577,468	68,577,468	95,437,980
Transfer to statutory reserve	2,279,767	-	2,279,767	(2,279,767)	-	(2,279,767)	-	-
Profit distribution	-	-	-	(19,665,000)	-	(19,665,000)	(19,665,000)	-
Incremental depreciation on revaluation surplus net off deferred tax	-	-	-	44,028,463	-	44,028,463	44,028,463	47,481,676
Closing balance	150,635,954	131,100,000	281,735,954	(121,363,682)	27,120,000	(94,243,682)	187,492,272	94,551,341

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.



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	Note	2015 Rupees	2014 Rupees
8. Surplus on revaluation of fixed assets			
Opening balance		647,477,404	719,419,337
Revaluation during the year			
Less: transfer to unappropriated profit in respect of incremental depreciation charged during the year- (net of deferred tax)		44,028,463	47,481,676
Related deferred tax liability		20,719,277	24,460,257
		64,747,740	71,941,933
Closing balance		582,729,664	647,477,404
Related deferred tax effect on			
Opening balance		227,336,511	251,796,768
Effect of rate adjustment		(20,143,742)	-
Less: incremental depreciation charged during the year transferred to the profit and loss account.		(20,719,277)	(24,460,257)
Closing balance		186,473,492	227,336,511
Net Closing balance		396,256,172	420,140,893
9. Subordinated Loan	9.1	-	40,000,000
9.1 The loan was obtained from a Sponsor of the Company subordinated to the repayments of other financing facilities from Habib Bank Limited availed by the Company. The loan carried mark-up at the rate of one month KIBOR plus 2% payable on a quarterly basis. The loan has been repaid during the year.			
10. Long term financing			
<i>Secured - Financial institution</i>			
Habib Bank Limited - Demand Finance	10.1	12,250,000	24,500,000
The Bank of Punjab - Demand Finance	10.2	496,782,768	519,710,952
		509,032,768	544,210,952
Less: Current portion shown under current liabilities		(69,928,184)	(33,428,186)
		439,104,584	510,782,766
10.1 Habib Bank Limited - Demand Finance			
Demand finance III	10.1.1	-	5,250,000
Demand finance	10.1.2	12,250,000	19,250,000
		12,250,000	24,500,000
10.1.1 This finance was 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. The finance carried mark up at 3 month KIBOR plus 1.50% per annum on quarterly basis. The facility was repayable in 16 equal quarterly installments, commencing from February 2011. The facility has been repaid during the year.			
10.1.2. 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. The finance carries mark up at 6 month KIBOR plus 2% per annum on quarterly basis. The facility is repayable in 12 equal quarterly installments, commencing from July 2014.			
10.2 The Bank of Punjab			
Demand finance I	10.2.1	452,231,998	464,231,998
Demand finance II	10.2.2	44,550,770	55,478,954
		496,782,768	519,710,952
10.2.1 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.			
10.2.2 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.			

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
11. Deferred mark up			
Deferred markup		49,537,448	73,537,448
Less: Current portion shown under current liabilities		24,000,000	24,000,000
		25,537,448	49,537,448
12. Deferred liabilities			
Deferred taxation liability	12.1	200,753,466	251,319,963
Staff gratuity	12.2	2,655,484	1,556,255
		203,408,950	252,876,218
12.1 Deferred taxation liability/asset			
The net balance for deferred taxation is in respect of the following temporary differences:			
<i>Deferred tax liabilities</i>			
Accelerated tax depreciation allowance		101,220,233	106,000,972
Revaluation of operating fixed assets		186,473,492	220,142,317
		287,693,725	326,143,289
<i>Deferred tax assets</i>			
losses carried forward		-	(3,540,175)
turnover tax		(86,940,259)	(71,283,151)
		200,753,466	251,319,963
12.2 Staff gratuity			
12.2.1 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, 2015 on September 23, 2015 using the Projected Unit Method.			
12.2.2 Amount recognized in the balance sheet are as follow:			
Present value of defined benefit obligation		2,655,484	1,556,255
Fair value of plan assets		-	-
Total defined benefit obligation		2,655,484	1,556,255
12.2.3 Movement in defined benefit obligation			
Opening balance		1,556,255	2,092,021
Charged for the define benefit plan			
Current service cost		168,971	141,700
Net interest		206,204	210,000
		375,175	351,700
Remeasurment of defined benefit liability			
Due to financial assumptions		341,123	(179,422)
Due to demographic assumptions		-	1,650
Due to experience adjustments		382,931	(177,819)
		724,054	(355,591)
Benefits paid		-	(531,875)
Closing balance		2,655,484	1,556,255
12.2.4 Actuarial assumptions			
		Rate per annum	
Valuation discount rate		9.75%	13.25%
Salary increase rate -Short term (period of next one year)		9.78%	0.00%
Salary increase rate- long term		9.75%	12.25%
	Impact on obligation of change in assumptions		
	Change in assumption	Increase in obligation	Decrease in obligation
12.2.5 Sensitivity analysis of principal assumptions			
Discount rate	1%	1,623,021	1,495,006
Salary Increase rate	1%	1,624,560	1,492,527
Withdrawal rate	10%	1,556,496	1,556,012



FOR THE YEAR ENDED JUNE 30, 2015

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

At at June 30, 2015	Year 1	Year 2	Year 3	Year 4	Year 5	Over 5 years
Gratuity	902,214	15,196	15,972	73,892	15,284	2,200,849

12.2.7 Following risks are associated with Defined benefit plans:

Longevity risks: The risk arises when the actual lifetime of retirees is 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.

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.

	Note	2015 Rupees	2014 Rupees
13. Short term borrowings			
<i>Secured - financial institutions (Running finance arrangements)</i>			
Habib Bank Limited - Pledge	13.1	18,166,501	49,888,158
Habib Bank Limited - Hypothecation	13.2	-	9,398,362
		18,166,501	59,286,520
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 (2014: 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 limit was Rs. 10 million.			
14. Current portion of long term liabilities			
<i>Secured – financial institution</i>			
Habib Bank Limited Demand Finance		-	5,250,002
Bank of Punjab Demand Finance		62,928,184	22,928,184
Habib Bank Limited - Grid Station		7,000,000	5,250,000
		69,928,184	33,428,186
Deferred mark up		24,000,000	24,000,000
		93,928,184	57,428,186
15. Creditors, accrued and other liabilities			
Creditors	15.1	39,782,529	49,991,689
Accrued expenses		106,009,496	65,143,408
Charity		26,103	255,420
Payable to clients		16,277,252	3,797,346
Advance from customer		549,005	1,682,355
Rention money payables		3,172,446	2,984,508
Sale tax payable		1,536,392	2,292,273
Withholdolding tax payable		182,701	59,750
Workers Profit Participation Fund		2,741,637	3,365,590
Workers' Welfare Fund		2,553,375	1,789,859
Other liabilities	15.2	3,318,349	6,502,588
		176,149,285	137,864,786
15.1 This includes Rs. 13.214 million (2014: Rs. 13.214 million) due to associated undertakings.			
15.2 This includes Rs 4,829,780 (2014 : Rs 5,754,180) payable to Premier Financial Services (Private) Limited			
16. Accrued Mark Up			
Financial institutions		14,696,812	15,571,857
Sponsors		5,025,482	4,353,163
		19,722,294	19,925,020

FOR THE YEAR ENDED JUNE 30, 2015

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. 25.60 million (2014: Rs. 24.556 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. 26.887 million (2014: Rs. 34.169 million).

18. Tangible

Operating fixed assets

Capital work in progress

Note	2015 Rupees	2014 Rupees
18.1	1,223,964,011	1,258,845,485
18.2	-	9,691,550
	1,223,964,011	1,268,537,035

18.1

2015									
Particulars	Cost				Accumulated depreciation			Book value	Rate
	As at July 01, 2014	Addition / *Transfer	Surplus on revaluation	As at June 30, 2015	As at July 01, 2014	Charged during the year	As at June 30, 2015	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	31
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	11,152,139	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	90,456,186	-	2,147,905,320	798,603,649	125,337,660	923,941,309	1,223,964,011	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

2014									
Particulars	Cost				Accumulated depreciation			Book value As at June 30, 2014	Rate
	As at July 01, 2013	Addition / *Transfer	Surplus on revaluation	As at June 30, 2014	As at July 01, 2013	Charged during the year	As at June 30, 2014		%
	Rupees								
Owned									
Leasehold land	40,140,000	-	-	40,140,000	2,726,896	374,131	3,101,027	37,038,973	30
Factory building	271,811,458	30,027,327	-	301,838,785	83,368,514	20,194,302	103,562,816	198,275,969	10
Colony building	58,423,768	-	-	58,423,768	19,051,411	3,937,236	22,988,647	35,435,121	10
Plant & machinery	1,380,130,738	37,444,337	-	1,417,575,075	471,991,922	93,822,642	565,814,564	851,760,511	10
Gas generator	110,674,827	-	-	110,674,827	39,687,891	7,098,694	46,786,585	63,888,242	10
Electric installations	82,204,318	-	-	82,204,318	29,491,617	5,271,270	34,762,887	47,441,431	10
Office premises	23,248,634	(2,400,000)	-	20,848,634	5,464,236	1,150,207	6,296,110	14,552,524	5 & 10
						(318,333)			
Office equipments	997,005	228,180	-	1,055,685	855,600	51,582	772,528	283,157	20
		(169,500)				(134,654)			
Factory equipment	4,719,915	-	-	4,719,915	1,558,369	316,157	1,874,526	2,845,389	20
Computers	1,058,455	628,690	-	1,760,945	966,940	258,586	1,225,526	535,419	33 & 20
		73,800							
Motor vehicles	16,894,948	1,010,000	-	17,005,948	9,987,980	1,612,404	10,701,385	6,304,563	20
		(899,000)				(898,999)			
Furniture & fixtures	1,201,234	-	-	1,201,234	663,250	53,798	717,048	484,186	20
2014	1,991,505,300	65,943,834	-	2,057,449,134	665,814,626	132,789,023	798,603,649	1,258,845,485	

	Note	2015 Rupees	2014 Rupees
18.1.1 Depreciation for the year has been allocated as follows:			
<i>Modaraba business</i>			
Administrative expense		1,562,986	1,641,504
<i>Textile Business</i>			
Cost of sale		120,924,411	131,078,293
Administrative expense		1,496,205	1,421,212
		123,983,602	134,141,009

18.1.2 Had there been no revaluation, the net book value of the specific classes of property, plant and equipment would have been as follows:		
Factory building	70,717,191	78,574,657
Colony building	11,963,457	13,292,730
Plant & machinery	347,424,099	386,026,777
Gas generator	25,063,584	27,848,427
Electric installations	18,611,441	20,679,379
Factory equipment	1,241,389	1,379,321
	475,021,161	527,801,291

18.2 Capital Work-In-Progress		
This comprises of:		
Civil works	-	9,125,170
Borrowing costs	-	566,380
	-	9,691, 550

19. Intangible	19.1	19,000,000	19,000,000
19.1 This represents Trading Right Entitlment certificates (TREC) recieved from Karachi Stock Exchanges Ltd and Islamabad Stock Exchanges Ltd after Demutilization.			
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 Cout and got a stay order against the cancelation of Broker registration.			

FOR THE YEAR ENDED JUNE 30, 2015

20. Investment Property

2015								
Particulars	Cost			Accumulated Depreciation			Book Value as at June 30, 2015	Rate
	As at July 01, 2014	Transfer	As at June 30, 2015	Transferred from tangible fixed asset	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

Modaraba is holding one of its office premises to investment property. Modaraba will generate rental income on this property from next year.

Fair value of the investment property, based on the valuation carried out by Consultancy Support & Services as at June 30, 2015 is Rs. 23,432,500 (2014: Rs. 15,000,000)

	Note	2015 Rupees	2014 Rupees
21. Long term investments			
<i>Investment classified as available-for-sale financial assets</i>			
Listed securities	21.1	1,959,129	2,167,869
Unlisted securities	21.2	72,219,861	72,219,861
Preference Share	21.3	1,828,740	-
		76,007,730	74,387,730

21.1 Investment classified as available-for-sale financial assets

21.1.1 Listed securities

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

2014 Number	2015 Number				
		<i>Open-end mutual funds</i>			
11,968	11,968	Dawood Income Fund (Unit of Rs. 100 each)	21.1.1.1	847,188	847,188
		<i>Fixed Line Telecommunication</i>			
42,000	42,000	Pakistan Telecommunication Company Limited		861,000	1,069,740
		<i>Financial Services</i>			
22,000	22,000	Javed Omer Vohra & Company Limited	21.1.1.1	41,800	41,800
		<i>Equity investment instruments</i>			
735,000	735,000	First Dawood Mutual Fund	21.1.1.1 & 21.1.1.2	209,141	209,141
				1,959,129	2,167,869

21.1.1.1 There was no trading on these scrips on June 30, 2015. Their last quoted /traded value is taken for valuation.

21.1.1.2 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.

21.2 Unlisted securities

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

50,000	50,000	Sapphire Power Generation Limited	21.2.1	1,800,000	1,800,000
4,007,383	4,007,383	Karachi Stock Exchange Ltd	21.2.2	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	21.2.3	1	1
				72,219,861	72,219,861



FOR THE YEAR ENDED JUNE 30, 2015

- 21.2.1 Net assets value per share of Sapphire Power Generation Limited is Rs. 69.72 (2013: Rs. 85.67) as per financial statements as at June 30, 2014 audited by Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants.
- 21.2.2 Net assets value per share of Karachi Stock Exchange Ltd and Islamabad Stock Exchange Ltd is Rs.10.17 (2014: Rs. 10.08) and Rs 11.10 (2014: Rs. 10.68) as per financial statements as at June 30, 2014 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.

	2014 Number	2015 Number	Note	2015 Rupees	2014 Rupees
	-	182,874	Mari Petroleum	1,828,740	-
				1,828,740	-
22. Store and spares					
- in hand				29,440,537	26,392,239
- in transit				-	-
				29,440,537	26,392,239
23. Stock-in-trade					
Raw material					
- in hand				114,992,056	103,135,168
- in transit				-	18,678,526
Work in Process				6,812,613	9,346,242
Finished goods				92,917,728	66,494,627
				214,722,397	197,654,563
24. Trade debts					
Secured - considered good			24.1	619,908	-
Unsecured - considered good				92,922,766	161,835,541
				93,542,674	161,835,541
Unsecured - considered doubtful				9,565,353	7,843,463
Less: Provision for bad debts against local debtors				(9,565,353)	(7,843,463)
				-	-
				93,542,674	161,835,541
24.1 This comprises of amounts receivable from:					
Suraj Cotton Mills Limited				619,908	-
24.2 The aging of related party balances at the balance sheet date is as follows:					
Past due by over 60 days				619,908	-
25. Morabaha/Musharaka receivables-secured					
Musharaka - considered good			25.1	153,003,609	159,320,497
Morabaha - considered doubtful				17,380,055	17,380,055
				170,383,664	176,700,552
Provision for non performing assets				(17,380,055)	(17,380,055)
				153,003,609	159,320,497
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 % (2014: 12 % to 16%).					
26. Short term investments					
Investments in associated company			26.1	26,979,617	24,376,515
Investment classified as financial asset at fair value through profit or loss					
Listed securities			26.2	97,882,927	107,396,243
				124,862,544	131,772,758

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26.1 *Investments in associated company*

The holdings are in ordinary shares of Rs. 10 each.

2014 Number	2015 Number	Note	2015 Rupees	2014 Rupees
490,567	964,151	Premier Insurance Limited	24,376,515	28,269,886
		Purchased of holding in associated company	10,700,000	-
		Share of (loss) / profit	3,078,706	(2,912,237)
		Impairment in associated company	(10,685,020)	-
		Less: dividend income	(490,584)	(981,134)
			26,979,617	24,376,515

During the year, Premier Insurance Limited has consolidated its shares in ratio of 1:2 resulting in change in face value of shares from Rs. 5 to Rs. 10.

26.2 *Listed securities*

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

<i>Oil and Gas</i>				
58,400	-	Attock Refinery	-	12,397,736
24,800	20,850	Mari Petroleum Company Limited	9,770,310	9,261,064
-	10,000	Hascol Petroleum Company Limited	1,145,100	-
19,800	-	National Refinery Limited	-	4,264,326
-	29,900	Oil & Gas Development Co Limited	5,359,276	-
57,800	-	Pakistan Petroleum Limited	-	12,966,852
21,900	49,800	Shell Pakistan Limited	12,597,408	6,050,532
<i>Food</i>				
1,000	-	Engro Foods Limited	-	102,530
<i>Chemicals</i>				
4,100	5,600	AkzoNobel Pakistan Limited	1,787,352	692,736
40,500	135,000	Lotte Chemical Pakistan PTA Limited	934,200	291,195
-	35,000	Ghani Global Gass Limited	655,900	-
-	2,600	ICI Pakistan Limited	1,115,062	-
-	16,000	Wah Noble Chemicals Limited	805,600	-
<i>Construction and materials</i>				
10,500	-	D.G. Khan Cement Company Limited	-	923,580
-	285,000	Dewan Cement Limited	4,145,460	-
75,500	100,000	Fauji Cement Company Limited	3,487,000	1,452,620
14,500	2,000	Cherat Cement Company Limited	174,060	949,170
54,000	-	Fecto Cement Limited	-	2,700,000
-	11,800	Lucky Cement Limited	6,131,516	-
643,500	-	Lafarge Pakistan Cement Limited	-	10,283,130
50,000	-	Pioneer Cement Limited	-	2,333,000
<i>Transport</i>				
-	251,000	Pakistan International Bulk Terminals Limited	8,985,800	-
<i>Personal goods</i>				
38,300	-	Nishat Mills Limited	-	4,286,536
<i>Household goods</i>				
16,500	-	Tariq Glass Industries Limited	-	518,100
<i>Pharma and biotech</i>				
-	8,650	IBL Healthcare Limited	986,100	-
20,400	22,500	The Searle Pakistan Limited	7,215,525	3,560,616
<i>Automobile and parts</i>				
79,000	33,800	Honda Atlas Car (Pakistan) Limited	7,391,384	7,354,110
-	6,400	Pak Suzuki Limited	2,789,824	-
-	677,000	Ghani Automobile Limited	5,822,200	-
<i>Fixed line telecommunication</i>				
525,500	595,500	Pakistan Telecommunication Company Limited	12,207,750	13,384,485
98,000	-	Netsol Technologies Limited	-	2,870,420
<i>Electricity</i>				
1,089,500	354,000	K-Electric Limited	2,973,600	9,249,855
<i>Banks</i>				
152,500	137,500	Bank Islami Pakistan Limited	1,402,500	1,503,650
			97,882,927	107,396,243



FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
27. Advances - considered good			
To employees		1,560,077	1,035,195
To supplier of goods	27.1	36,769,364	37,372,542
Against letter of credit		77,399	44,143
Others		-	-
		38,406,840	38,451,880
28. Trade Deposits and Prepayments			
Deposits		14,772,665	14,767,556
Margin deposit		8,140,588	11,345,225
Prepayments		254,629	214,362
		23,167,882	26,327,143
29. Other Receivables			
Sale proceeds of investments	29.1	(3,457)	327,979
Receivable from clients	29.2	24,061,246	23,226,360
Insurance claim		-	2,589,576
Dividend		168,217	17,800
Cotton claims		-	64,151
Others		2,689,078	2,661,089
		26,918,541	28,886,955
29.1 Receivable from clients			
Considered good		24,061,246	23,226,360
Considered doubtful		12,500,000	12,500,000
		36,561,246	35,726,360
Less: Provision for doubtful debts		(12,500,000)	(12,500,000)
		24,061,246	23,226,360
29.1.1 Movement in provision for doubtful debts			
Opening provision		12,500,000	12,500,000
		12,500,000	12,500,000
29.2 The insurance claim was receivable from Premier Insurance Limited, an associated undertaking which has been received during year.			
29.2.1 Receivables from client includes receivable from related parties of Rs 358,628 (2014: Rs. 26,817).			
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		7,390,259	11,839,314
Income tax refundable		13,596,987	12,548,490
		20,987,246	24,387,804
31. Taxation - Net			
Advance income tax		26,545,816	22,330,466
Less : Provision for taxation		(15,905,952)	(20,996,096)
		10,639,864	1,334,370
32. Cash and bank balances			
Cash in hand		822,513	753,817
Bank balances			
-in current accounts		12,516,728	7,752,604
-in Islamic bank	32.1	17,979,730	7,774,905
-In saving accounts		311,027	319,212
		31,629,998	16,600,538
32.1 Effective mark-up rate in respect of PLS accounts ranges from 5% to 7% (2014: 5% to 7%) per annum.			
33. Income			
Income from modaraba's business	33.1	34,252,047	46,224,523
Income from textile's business	33.2	166,510,216	175,422,125
		200,762,263	221,646,648

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
33.1 <i>Income from modaraba's business</i>			
Profit on musharaka		17,756,838	18,162,477
Brokerage commission		2,852,129	1,368,642
Capital gain		5,829,234	21,799,039
Dividends		4,185,556	3,789,318
Rentals		1,200,000	-
Commission and fees		2,428,290	1,105,047
		34,252,047	46,224,523
33.2 <i>Income from textile's business</i>			
Sales			
- Local		2,084,515,879	2,383,380,286
- Exports		24,168,819	25,967,082
- Waste sales		53,889,255	50,278,570
		2,162,573,953	2,459,625,938
Commission to selling agent		(48,791,241)	(58,489,135)
		2,113,782,712	2,401,136,803
Cost of sale	33.3	(1,947,272,496)	(2,225,714,678)
		166,510,216	175,422,125
33.3 <i>Cost of sale</i>			
Raw material consumed	33.3.1	1,455,815,498	1,784,943,110
Store consumed		39,435,686	37,799,130
Packing material consumed		27,802,462	26,902,101
Salaries, wages and other benefits		120,461,073	106,855,832
Provident fund contribution		1,918,225	1,574,425
Fuel and power		185,293,975	150,291,578
Insurance		8,400,731	8,245,820
Repair & maintenance		5,896,843	6,907,711
Depreciation	18.1.1	123,632,528	131,078,293
Other manufacturing overheads		2,504,947	1,937,299
		1,971,161,968	2,256,535,299
Work in Process			
-opening stock		9,346,242	9,324,421
-closing Stock		(6,812,613)	(9,346,242)
Cost of goods manufactured		1,973,695,597	2,256,513,478
Finished goods			
-opening stock		66,494,627	35,695,827
-closing Stock		(92,917,728)	(66,494,627)
		1,947,272,496	2,225,714,678
33.3.1 <i>Raw material consumed</i>			
Opening stock		103,135,168	246,327,928
Purchased during the year		1,467,672,386	1,641,750,350
		1,570,807,554	1,888,078,278
Closing stock		(114,992,056)	(103,135,168)
		1,455,815,498	1,784,943,110



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FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
34. Operating expenses			
Salaries, allowances and benefits	34.1	13,189,261	11,723,621
Provident fund contribution		323,110	262,161
Traveling, conveyance and entertainment		862,703	1,098,648
Telephone and postage		1,106,801	417,442
Rent, rates and taxes		1,139,636	118,400
Electricity		408,737	465,274
Insurance		521,761	632,163
Printing, stationery and advertising		1,971,305	534,616
Fees and subscriptions		2,351,916	1,579,836
Vehicle running and maintenance		2,168,709	2,521,035
Depreciation	18.1.1	3,179,190	3,072,718
Facilities and services		4,508,446	4,508,452
Repair and maintenance		1,334,055	1,288,284
Annual Review Meeting		91,382	62,500
Auditors' remuneration	34.3	431,802	488,145
Legal and professional		2,427,708	3,460,510
Shariah Advisor		150,000	131,250
Training and development		-	1,000
KSE & SECP Charges		721,206	360,946
Zakat		2,225	-
Withholding & CVT tax		2,194,607	951,576
Donation		5,333,334	2,100,000
Cartage expense		42,130	112,098
Others		590,849	137,873
		45,050,873	36,028,548

34.1 Remuneration of officers and other employees

The aggregate amount charged in the consolidated financial statements for remuneration, including benefits to 511 (2014: 518) employees of the Modaraba is:

	2015		2014	
	Officers	Other Employees	Officers	Other Employees
Salaries and allowances	4,977,698	6,305,916	4,880,086	1,710,351
Gratuity and Leave fare	423,979	397,450	303,430	186,455
Expenses reimbursed: Medical	278,811	510,143	466,105	627,750
	5,680,488	7,213,509	5,649,621	2,524,556

34.2 Salaries, allowances and benefits include provision for gratuity of Rs. 297,858 (2014: Rs.351,700). Officers are also provided with free use of Modaraba maintained cars.

34.3 Auditor's remuneration

Audit fee	310,000	130,000
Half yearly review	25,000	25,000
Other fees	96,802	113,576
	431,802	268,576

35. Distribution and Selling Expenses

Freight loading and unloading	15,466,841	13,525,815
Clearing & forwarding - exports	1,090,131	1,392,316
Export development charges	66,463	71,022
Pressing comber noil	316,624	127,915
	16,940,059	15,117,068

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
36. Financial Charges			
Mark up / interest on :			
Long term loan - secured		51,696,325	53,107,481
Short term loan & running finance - secured		11,874,437	15,519,745
Loan from directors		4,252,093	4,767,561
Bank charges		3,669,645	3,174,158
		71,492,500	76,568,945
37. Other income			
Profit on PLS deposits		445,256	748,824
Gain on sale of fixed assets		342,140	(34,844)
Interest income		1,164,129	461,568
Exchange gain		-	106,158
		1,951,525	1,281,706
38. Other charges			
Exchange loss - net		23,465	-
Provision for doubtful debts		1,721,890	396,066
Worker Welfare Fund		1,274,451	1,782,929
Workers Profit Participation Fund		2,741,637	3,365,590
		5,761,443	5,544,585
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 2014 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. Earnings per certificates - basic and diluted			
Profit for the year		68,577,468	95,437,980
		Number	Number
Weighted average number of certificates outstanding during the year		52,440,000	52,440,000
		Rupees	Rupees
Profit per certificate - basic and diluted		1.31	1.82

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.



FOR THE YEAR ENDED JUNE 30, 2015

	2015		2014	
	Rupees	%	Rupees	%
Business				
Open-end mutual funds	847,188	0.16	847,188	0.14
Oil and Gas	28,872,094	5.35	44,940,510	7.19
Chemicals	5,298,114	0.98	983,931	0.16
Construction and materials	13,938,036	2.58	18,641,500	2.98
Automobile and parts	16,003,408	2.97	7,354,110	1.18
Personal goods	-	-	4,804,636	0.77
Pharma and biotech	8,201,625	1.52	3,560,616	0.57
Fixed line telecommunication	13,068,750	2.42	17,324,645	2.77
Electricity	4,773,600	0.88	11,049,855	1.77
Food	-	-	102,530	0.02
Bank	1,402,500	0.26	1,503,650	0.24
Non life insurance	26,979,617	5.00	10,792,475	1.73
Financial services	41,800	0.01	41,800	0.01
Equity investment instruments	209,141	0.04	209,141	0.03
Stock Exchange	70,419,860	13.05	70,419,860	11.27
Engineering	15,939,498	2.95	13,819,560	2.21
Others	333,574,589	61.82	418,246,497	66.96
	539,569,820	100	624,642,504	100

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:

	2015 Rupees	2014 Rupees
Investment	200,870,274	206,160,488
Trade debts	93,542,674	161,835,541
Morabaha/Musharaka receivables-secured	153,003,609	159,320,497
Advances-considered good	40,916,840	40,961,880
Trade deposits and prepayments	24,317,882	27,477,143
Other receivables	26,918,541	28,886,955
	539,569,820	624,642,504

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.

	2015			
	Less than One year	Over one year but less than five years	Over five years	Total
Assets				
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
Liabilities				
Subordinated loan	-	-	-	-
Security Deposit	-	200,000	-	200,000
Long term financing	-	439,104,584	-	439,104,584
Deferred Mark up	-	-	25,537,448	25,537,448
Current portion of long term liabilities	93,928,184	-	-	93,928,184
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, 2015

Assets	2014			Total
	Less than One year	Over one year but less than five years	Over five years	
Long term investments	-	74,387,730	-	74,387,730
Trade debts	161,835,541	-	-	161,835,541
Morabaha & musharaka receivables	159,320,497	-	-	159,320,497
Short term investments	131,772,758	-	-	131,772,758
Advances	38,451,880	-	2,510,000	40,961,880
Trade deposits	26,112,781	1,150,000	-	27,262,781
Other receivables	28,886,955	-	-	28,886,955
Bank balances	16,600,538	-	-	16,600,538
	562,980,950	75,537,730	2,510,000	641,028,680
Liabilities				
Subordinated loan	-	40,000,000	-	40,000,000
Security Deposit	-	200,000	-	200,000
Long term financing	-	510,782,766	-	510,782,766
Deferred Mark up	-	-	49,537,448	49,537,448
Current portion of long term liabilities	57,428,186	-	-	57,428,186
Short term borrowings	59,286,520	-	-	59,286,520
Creditors, accrued and other liabilities	137,864,786	-	-	137,864,786
Taxation - net	-	-	-	-
Unclaimed profit distribution	25,966,768	-	-	25,966,768
	300,471,280	550,982,766	49,537,448	900,991,494
Net balance	262,509,670	(475,445,036)	(47,027,448)	(259,962,814)

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.

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 categoryFinancial assetsLoans and receivables

	2015 Rupees	2014 Rupees
Morabaha/Musharaka receivables	153,003,609	159,320,497
Trade debts	93,542,674	161,835,541
Advances	40,916,840	40,961,880
Trade deposits	24,063,253	27,262,781
Other receivables	26,918,541	28,886,955
Bank balances	31,629,998	16,600,538



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FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
<i>Financial assets at fair value through profit or loss</i>		
Short term investments	124,862,544	131,772,758
<i>Available-for-sale financial assets</i>		
Long term investments	76,007,730	74,387,730
	570,945,189	641,028,680
<u>Financial liabilities</u>		
Subordinated loan	-	40,000,000
Security Deposit	200,000	200,000
Long term financing	439,104,584	510,782,766
Short term loans	18,166,501	59,286,520
Deferred Mark up	25,537,448	49,537,448
Current portion of long term liabilities	93,928,184	57,428,186
Creditors, accrued and other liabilities	176,149,285	137,864,786
Accrued mark up	19,722,294	19,925,020
Taxation - net	-	-
Unclaimed profit distribution	27,618,316	25,966,768
	800,426,612	900,991,494
On balance sheet gap	(229,481,423)	(259,962,814)

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.

	2015				
	Upto one month	Over one month to one year	Over one year to five years	Over five Years	Total
Assets					
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
Long term investments	-	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
	67,810,142	605,969,316	1,292,394,128	32,189,280	2,091,905,540
Liabilities					
Subordinated loan	-	-	-	-	-
Security Deposit	-	-	200,000	-	200,000
Long term financing	-	-	439,104,584	-	439,104,584
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
Current portion of long term liabilities	-	93,928,184	-	-	93,928,184
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	307,950,179	642,713,534	25,537,448	1,003,835,562
Net balance	40,175,741	298,019,137	649,680,594	6,651,832	1,088,069,978

FOR THE YEAR ENDED JUNE 30, 2015

	2014				Total
	Upto one month	Over one month	Over one year	Over five	
	to one year	to one year	to five years	Years	
Assets					
Tangible assets	-	-	1,255,347,755	13,189,280	1,268,537,035
Intangible assets	-	-	-	19,000,000	19,000,000
Deferred cost	-	-	-	-	-
Long term investments	-	-	74,387,730	-	74,387,730
Store and spares	-	26,392,239	-	-	26,392,239
Stock-in-trade	-	197,654,563	-	-	197,654,563
Trade debts	-	161,835,541	-	-	161,835,541
Morabaha & musharaka receivables	63,820,497	95,500,000	-	-	159,320,497
Short term investments	-	131,772,758	-	-	131,772,758
Advances	35,644	38,416,236	2,510,000	-	40,961,880
Trade deposits and prepayments	11,476,050	14,851,093	1,150,000	-	27,477,143
Other receivables	38,781,851	(9,894,896)	-	-	28,886,955
Tax refund from government authorities	-	25,722,174	-	-	25,722,174
Bank balances	16,600,538	-	-	-	16,600,538
	130,714,580	682,249,708	1,335,467,152	32,189,280	2,180,620,720
Liabilities					
Subordinated loan	-	-	40,000,000	-	40,000,000
Security Deposit	-	-	200,000	-	200,000
Long term financing	-	-	510,782,766	-	510,782,766
Deferred Mark up	-	-	-	49,537,448	49,537,448
Deferred liabilities	-	-	252,876,218	-	252,876,218
Short term loan	-	59,286,520	-	-	59,286,520
Current portion of long term liabilities	-	57,428,186	-	-	57,428,186
Accrued mark up	-	19,925,020	-	-	19,925,020
Taxation - net	-	-	-	-	-
Unclaimed profit distribution	25,966,768	-	-	-	25,966,768
	53,601,169	246,870,111	803,858,984	49,537,448	1,153,867,712
Net balance	77,113,411	435,379,597	531,608,168	(17,348,168)	1,026,753,008

44. Yield/Profit rate risk exposure

	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	-	-	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
Financial Liabilities								
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, 2015

- 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.

	Effective yield / profit risk	2014						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	-	-	74,387,730	74,387,730	-	-	-	74,387,730
Trade debts	-	-	-	-	161,835,541	-	161,835,541	161,835,541
Morabaha / Musharakah receivables	12% to 20%	159,320,497	-	159,320,497	-	-	-	159,320,497
Short term investments	-	131,772,758	-	131,772,758	-	-	-	131,772,758
Advances	-	-	-	-	38,451,880	2,510,000	40,961,880	40,961,880
Trade deposits	-	-	-	-	26,112,781	1,150,000	27,262,781	27,262,781
Other receivables	-	-	-	-	28,886,955	-	28,886,955	28,886,955
Bank balances	5% to 7%	8,094,117	-	8,094,117	8,506,421	-	8,506,421	16,600,538
		299,187,372	74,387,730	373,575,102	263,793,578	3,660,000	267,453,578	641,028,680
Financial Liabilities								
Security deposit		-	200,000	200,000	-	-	-	200,000
Subordinated loan		-	-	-	-	40,000,000	40,000,000	40,000,000
Long term financing		-	510,782,766	510,782,766	-	-	-	510,782,766
Short term loan		59,286,520	-	59,286,520	-	-	-	59,286,520
Current portion of long term liabilities		57,428,186	-	57,428,186	-	-	-	57,428,186
Creditors, accrued and other liabilities		-	-	-	157,789,806	49,537,448	207,327,254	207,327,254
Unclaimed profit distribution		-	-	-	25,966,768	-	25,966,768	25,966,768
		116,714,706	510,982,766	627,497,472	183,756,574	89,537,448	273,294,022	900,991,494
On Balance Sheet Gap		182,472,666	(436,595,036)	(253,922,370)	80,037,004	(85,877,448)	(5,840,444)	(259,962,814)

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.

	2015						2014
	Musharakah Facility	Brokerage Operation	Capital Markets	Textile Business	Others	Total	Total
	Rupees						
Segment Revenues	17,756,838	5,280,419	10,014,790	2,113,782,712	1,951,525	2,148,786,284	2,448,643,032
Segment Result	17,756,838	(907,800)	8,545,788	166,510,216	1,951,525	193,856,567	217,356,558
Unallocated Cost							
Operating expenses						(36,193,652)	(30,456,752)
Distribution & Selling expenses						(16,940,059)	(15,117,068)
Financial Charges						(71,492,500)	(76,568,945)
Other Charges						(5,761,443)	(5,544,585)
Management fee with Service Sale Tax						(1,511,431)	(3,306,812)
Impairment in associated company						(10,685,020)	-

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46. Transactions with related parties

		2015 Rupees	2014 Rupees
46.1	Balance outstanding at year end		
	Modaraba Management Company		
	- Current account payable	4,829,780	5,754,180
	Receivable from Associated	418,367	349,099
	Other related parties (other than key management personnel)		
	- Deferred liability staff gratuity	2,655,483	1,556,255
	- Brokerage house clients receivables	358,712	26,817
	Subordinated loan from sponsor	-	40,000,000

46.2	Transactions during the year	Relationship

Transactions during the year	Relationship	2017	2016
Modaraba Management Company			
- Reimbursement		4,508,446	4,508,452
Other related parties (including key management personnel)			
- Contribution to staff gratuity fund		375,175	351,700
- Remuneration and other benefits		3,876,656	3,150,239
Donation		3,333,333	-
Purchase of shares		10,700,000	-
Services acquired	Associated Company	227,412	247,155
Brokerage commission earned	Associated Company	476,623	15,909
Purchases of goods and services	Associated Company	11,814,192	62,749,103
Sales of goods and services	Associated Company	676,918	5,549,530
Services rendered	Associated Company	16,269,611	18,470,356
Reimbursement		-	-
Contribution towards employees	Retirement Benefit Plans	2,241,335	1,836,586
Profit on Subordinated loan from Sponsor	Director	4,252,093	4,767,561

Total number of employees of the Modaraba as at June 30, 2015 are 511 (2014: 518)

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on October 08, 2015.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

48.1 The Board of Directors of the Management Company has approved dividend at the rate of Re. 0.17 per certificate (2014: Re. 0.375 per certificate) for the year ended June 30, 2015, resulting in a total distribution of profit amounting to Rs. 8,914,800/- (2014: Rs. 19,665,000/-), in its meeting held on October 08, 2015, which is more than 90% of the net profit for the year ended June 30, 2015, 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